

Strategic Report, Report of the Directors and  
Financial Statements for the Period 30 December 2018 to 28 December 2019  
for  
Delta Limited

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for the Period 30 December 2018 to 28 December 2019

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Delta Limited

Company Information

for the Period 30 December 2018 to 28 December 2019

**DIRECTORS:**

M C Jaksich  
R A Massey  
J A Taylor  
G S Lebens  
T P Francis  
Mrs K C Potts

**SECRETARY:**

Prism Cosec Limited

**REGISTERED OFFICE:**

Elder House  
St Georges Business Park  
Brooklands Road  
Weybridge  
Surrey  
KT13 0TS

**REGISTERED NUMBER:**

00026077 (England and Wales)

**AUDITORS:**

Bostockwhite Limited  
Chartered Accountants and Statutory Auditors  
Cabourn House  
Station Street  
Bingham  
Nottinghamshire  
NG13 8AQ

Strategic Report

for the Period 30 December 2018 to 28 December 2019

The directors present their strategic report for the period 30 December 2018 to 28 December 2019.

**REVIEW OF BUSINESS**

The Group's subsidiary businesses continued to generate profit in the period to 28 December 2019, The Company's administration expenses totalled £6.0 million during the period (2018 : £16.9 million). The change in this value is largely attributable pension scheme past service costs of £nil and foreign exchange losses of £4.4 million (2018: £9.5 million past service costs and £1.2 million of foreign exchange losses).

**Key performance indicators**

In measuring the performance of the company, the directors look at the recurring overhead base as part of the cost controls.

	2019	2018
	£million	£million
Administrative expenses	6.0	16.9
Less foreign exchange fluctuations	(4.4)	(5.8)
Less pension administration costs (actuarial estimate)	(1.1)	(1.1)
Less pension past service costs	-	(9.5)
	<u>0.5</u>	<u>0.5</u>

**Risks and uncertainties**

There are a number of potential risks and uncertainties which could impact the Company's financial position and performance principally due to their potential impact on the Company's subsidiary businesses.

**Global, Political and Economic conditions**

The Company owns businesses in five countries and has either sales or sourcing arrangements with various counterparties located within other countries within Asia, Africa and South America. Whilst the Company benefits from the growth opportunities in these continents, it is similarly exposed to the economic, political and business risks associated with such international operations. Throughout its investments the Company encounters different legal and regulatory requirements including those for taxation, exchange control (including repatriation of profits), environmental, operational and competitive matters.

**Pensions**

The Company sponsors a UK defined benefit plan, The Delta Pension Plan ("the Plan"). The Plan had an FRS 102 valuation net deficit of £107.1 million at 28 December 2019 (2018: deficit of £113.6 million), with the Plan's assets totalling £462.1 million and its liabilities totalling £569.2 million (2018: assets of £396.6 million and liabilities of £510.2 million). The Plan is exposed to the risk of changes in interest rates, investment returns, the market value of investments, inflation and changes in the expected longevity of its members. The Plan is also exposed to changes in UK laws and regulations with regard to pension plans.

Delta Limited (Registered number: 00026077)

Strategic Report

for the Period 30 December 2018 to 28 December 2019

**Foreign exchange**

The Company is exposed to movements in exchange rates between sterling and other world currencies particularly the Australian dollar, which could adversely or positively impact the value of the Company's investments.

**Impact of Brexit**

The directors have considered the impact of Brexit on the activities of the company and have concluded that the risks posed are negligible.

**Impact of COVID-19**

As identified in the 'Post Balance Sheet Events' note later in these financial statements, there has been a non-adjusting event in relation to the coronavirus (or COVID-19). We draw your attention to this note in order to understand what impact this has had on the business.

**ON BEHALF OF THE BOARD:**



M C Jaksich - Director

Date:

September 10, 2020

Report of the Directors

for the Period 30 December 2018 to 28 December 2019

The directors present their report with the financial statements of the company for the period 30 December 2018 to 28 December 2019.

The 2019 results have been prepared for the period 30 December 2018 to 28 December 2019. The 2018 results have been prepared for the period 31 December 2017 to 29 December 2018. The period-end date for the company has changed to 28 December 2019. This is to align Delta Limited's reporting deadline with that of Valmont Industries, Inc, (Valmont), its parent.

The Company's financial statements solely reflect the trading performance and assets of the Company and not of the Company's subsidiaries. As such reported profit includes only investment income less expenses incurred by the Company.

**PRINCIPAL ACTIVITY**

The Company owns businesses in Africa and Europe. The European business holds assets that ultimately achieve a return from the Australasian, Asian and US businesses it used to indirectly own. These businesses are engaged in the manufacture and distribution of engineered steel products; the provision of hot-dip galvanising and zinc reclamation services; and the manufacture and distribution of manganese materials.

**DIVIDENDS**

An interim dividend of £11.375 per share was paid on 22 March 2019. The directors recommend that no final dividend be paid.

The total distribution of dividends for the period ended 28 December 2019 will be £45,500,000.

**EVENTS SINCE THE END OF THE PERIOD**

Information relating to events since the end of the period is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 30 December 2018 to the date of this report.

M C Jaksich  
R A Massey  
J A Taylor  
G S Lebens  
T P Francis  
Mrs K C Potts

**Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**GOING CONCERN**

The directors have acknowledged the latest guidance on going concern. The Company has net cash balances of £8.2 million at 28 December 2019, and the Company's subsidiary businesses continue to trade profitably and hold significant cash balances. The dividends expected from the Company's subsidiary companies, interest receivable on loans to group undertakings, together with the Company's existing cash balances and the value of the Company's investments, are expected to be sufficient to fulfil the Company's foreseeable obligations to the Delta Pension Plan. Consequently, after making enquiries and considering known future uncertainties, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

**STRATEGIC REPORT**

As permitted by Paragraph 1a of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 2 to 3. These matters relate to risk exposure.

Report of the Directors

for the Period 30 December 2018 to 28 December 2019

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

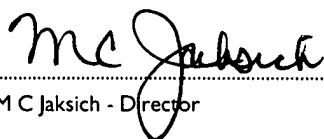
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Bostockwhite Limited, have indicated their willingness to continue in office.

**ON BEHALF OF THE BOARD:**

  
.....

M C Jaksich - Director

Date: September 10, 2020

Independent Auditors' Report to the Members of  
Delta Limited

**Opinion**

We have audited the financial statements of Delta Limited (the 'company') for the period ended 28 December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.



**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Samantha White FCA CTA (Senior Statutory Auditor)  
for and on behalf of Bostockwhite Limited  
Chartered Accountants and Statutory Auditors  
Cabourn House  
Station Street  
Bingham

Date: 10.9.2020

Income Statement

for the Period 30 December 2018 to 28 December 2019

	Notes	Period 30.12.18 to 28.12.19		Period 31.12.17 to 29.12.18	
		£'000	£'000	£'000	£'000
<b>TURNOVER</b>			-		-
Administrative expenses			5,982		16,876
<b>OPERATING LOSS</b>			(5,982)		(16,876)
Income from shares in group undertakings		5,831		-	
Interest receivable and similar income		8,696		11,304	
			14,527		11,304
			8,545		(5,572)
Amounts written off investments	4		5,189		57
			3,356		(5,629)
Other finance costs	15		3,000		3,500
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	5		356		(9,129)
Tax on profit/(loss)	6		868		1,119
<b>LOSS FOR THE FINANCIAL PERIOD</b>			(512)		(10,248)

The notes form part of these financial statements

Other Comprehensive Income

for the Period 30 December 2018 to 28 December 2019

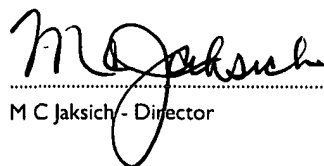
	Notes	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
<b>LOSS FOR THE PERIOD</b>		(512)	(10,248)
<b>OTHER COMPREHENSIVE INCOME</b>			
(Loss) / Gain arising on revaluation of investment in subsidiaries		1	(3)
Actuarial (losses)/gains on pension assets during the period		56,883	(33,313)
Actuarial gains/(losses) on pension liabilities during the period		(60,600)	73,200
Capital contribution		13,100	-
Income tax relating to components of other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		9,384	39,884
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		8,872	29,636

Balance Sheet

28 December 2019

	Notes	28.12.19 £'000	29.12.18 £'000
<b>FIXED ASSETS</b>			
Investments	8	105,384	147,480
<b>CURRENT ASSETS</b>			
Debtors	9	466	318
Cash at bank	10	8,165	7,780
		<u>8,631</u>	<u>8,098</u>
<b>CREDITORS</b>			
Amounts falling due within one year	11	<u>2,100</u>	<u>490</u>
<b>NET CURRENT ASSETS</b>		<u>6,531</u>	<u>7,608</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>111,915</u>	<u>155,088</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	(12)	(12)
<b>PENSION LIABILITY</b>	15	<u>(107,055)</u>	<u>(113,600)</u>
<b>NET ASSETS</b>		<u><u>4,848</u></u>	<u><u>41,476</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,000	1,000
Revaluation reserve	14	161	160
Capital redemption reserve	14	2,893	2,893
Other capital reserves	14	-	30,000
Retained earnings	14	<u>794</u>	<u>7,423</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>4,848</u></u>	<u><u>41,476</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on September 10, 2020 and were signed on its behalf by:



M C Jaksich - Director

The notes form part of these financial statements

Statement of Changes in Equity  
for the Period 30 December 2018 to 28 December 2019

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000
<b>Balance at 31 December 2017</b>	1,000	21,283	163
<b>Changes in equity</b>			
Deficit for the period	-	(10,248)	-
Other comprehensive income	-	39,887	(3)
Total comprehensive income	-	29,639	(3)
Dividends	-	(43,499)	-
<b>Balance at 29 December 2018</b>	1,000	7,423	160
<b>Changes in equity</b>			
Deficit for the period	-	(512)	-
Other comprehensive income	-	(3,717)	1
Total comprehensive income	-	(4,229)	1
Dividends	-	(45,500)	-
Reserve transfer	-	43,100	-
<b>Balance at 28 December 2019</b>	1,000	794	161

Statement of Changes in Equity - continued  
for the Period 30 December 2018 to 28 December 2019

	Capital redemption reserve £'000	Other capital reserves £'000	Total equity £'000
<b>Balance at 31 December 2017</b>	2,893	30,000	55,339
<b>Changes in equity</b>			
Deficit for the period	-	-	(10,248)
Other comprehensive income	-	-	39,884
Total comprehensive income	-	-	29,636
Dividends	-	-	(43,499)
<b>Balance at 29 December 2018</b>	2,893	30,000	41,476
<b>Changes in equity</b>			
Deficit for the period	-	-	(512)
Other comprehensive income	-	13,100	9,384
Total comprehensive income	-	13,100	8,872
Dividends	-	-	(45,500)
Reserve transfer	-	(43,100)	-
<b>Balance at 28 December 2019</b>	2,893	-	4,848

Notes to the Financial Statements

for the Period 30 December 2018 to 28 December 2019

**1. STATUTORY INFORMATION**

Delta Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The functional currency of the company is also Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Going concern**

In preparing the financial statements, the directors have adopted the going concern basis. The Company has net cash balances of £8.2 million at 28 December 2019, and the Company's subsidiary businesses continue to trade profitably and hold significant cash balances. The dividends expected from the Company's subsidiary companies, interest receivable on loans to group undertakings, together with the Company's existing cash balances and the value of the Company's investments, are expected to be sufficient to fulfil the Company's foreseeable obligations to the Delta Pension Plan. Consequently, after making enquiries and considering known future uncertainties, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

**Preparation of consolidated financial statements**

The financial statements contain information about Delta Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Valmont Industries, Inc. .

**Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

**2. ACCOUNTING POLICIES - continued**

**Investments in subsidiaries**

The Company accounts for its investments in subsidiary undertakings at fair value, whereby the original cost of the investments is adjusted for the movement in underlying net assets applicable to the investments since their date of acquisition with an adjustment to the Company's other comprehensive income. Gains or losses are transferred to the revaluation reserve to emphasise that these gains or losses have not been realised.

However, the gain shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

**Foreign currencies**

Foreign currency transactions are translated into sterling using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than sterling at exchange rates ruling at the balance sheet date are recognised in the income statement.

**Pension costs and other post-retirement benefits**

The Company operates a defined benefit pension plan.

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Company operates a funded defined benefit pension plan, where actuarially-determined payments are made to trustee-administered funds.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Company accounts for actuarial gains and losses in full through other comprehensive income in the period in which they occur. Where the actuarial valuation of the plan demonstrates that the plan is in surplus, the recognisable asset is limited to that from which the Company can benefit in the future.

The current service cost, administration costs and gains or losses on settlements and curtailments are included in administrative expenses in the profit and loss account. Past service costs, if any, are similarly included where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period.

The net of expected interest on pension plan liabilities and expected return on pension plan assets is recorded in the profit and loss account as other finance costs.



**2. ACCOUNTING POLICIES - continued**

**Impairment of assets**

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The present value of estimated future cash flows is calculated using discount rates reflecting the risks specific to that asset and the current market assessment of the time value of money for the value in use calculation. Impairments are recognised in the profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

**Loans to group undertakings**

The Company recognises loans to group undertakings when the transfer of substantial risks and rewards of ownership is made. Where the loans are denominated in foreign currencies, the assets are initially measured at the spot rate on the transfer date. The loan balance is then revalued at the year end spot rate and the foreign exchange difference is recorded in the profit and loss account.

**Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**Provisions**

Provisions are recognised when a present obligation (legal or constructive) exists in respect of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and where the amount can be reliably estimated by the directors. Where the impact is material, provisions are discounted to present value.

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

2. **ACCOUNTING POLICIES - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the Company's accounting policies which are described above, management has made various judgements that potentially have a significant effect on the amounts recognised in the financial statements. These judgements relate primarily to the following items:

**Investment income**

Interest receivable on investments and cash balances is recognised in the profit and loss account under the heading of interest receivable and similar income on an accruals basis.

**Pensions (see note 15)**

The obligation in respect of the Company's retirement benefit obligations is dependent on a number of estimates including those relating to mortality, inflation, salary increases and the rate at which liabilities are discounted. Any change in these assumptions would impact the retirement benefit obligation recognised.

**Carrying amount of certain assets**

In reviewing the carrying value of certain assets, estimates of future financial performance of the assets and businesses concerned are taken into account. The estimates inherently include assumptions of internal and external factors that, whilst considered reasonable at the date of these accounts, may change in the future from those levels currently expected.

**Deferred tax assets**

Deferred tax assets have not been recognised since the directors hold the view that it is improbable that the Company will be able to utilise them in the future, given the lack of operations and so potential taxable income in the UK.

3. **EMPLOYEES AND DIRECTORS**

There were no staff costs nor employees for the period ended 28 December 2019 (2018: Nil).

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Emoluments	-	-

**Directors' transactions**

There were no transactions with directors during the period.

4. **AMOUNTS WRITTEN OFF INVESTMENTS**

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Provision for diminution in value of fixed asset investments	5,189	57

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

**5. PROFIT/(LOSS) BEFORE TAXATION**

The operating loss is stated after charging:

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Auditor's remuneration - company	43	48
Auditor's remuneration - subsidiary entities	17	17
Foreign exchange differences	4,435	5,850
	<u>          </u>	<u>          </u>

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the period was as follows:

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Current tax:		
Foreign tax	868	1,119
	<u>          </u>	<u>          </u>
Tax on profit/(loss)	868	1,119
	<u>          </u>	<u>          </u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Profit/(loss) before tax	356	(9,129)
	<u>          </u>	<u>          </u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	68	(1,735)
Effects of:		
Tax effect of dividends not assessable for tax	(1,108)	-
Short term timing differences	562	2,491
Income not taxable / expenses not deductible	994	16
Foreign tax not recoverable under double taxation relief	352	347
group losses		
	<u>          </u>	<u>          </u>
Total tax charge	868	1,119
	<u>          </u>	<u>          </u>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

6. **TAXATION - continued****Tax effects relating to effects of other comprehensive income**

	30.12.18 to 28.12.19		
	Gross £'000	Tax £'000	Net £'000
(Loss) / Gain arising on revaluation of investment in subsidiaries	1	-	1
Actuarial (losses)/gains on pension assets during the period	56,883	-	56,883
Actuarial gains/(losses) on pension liabilities during the period	(60,600)	-	(60,600)
Capital contribution	13,100	-	13,100
	<u>9,384</u>	<u>-</u>	<u>9,384</u>
	31.12.17 to 29.12.18		
	Gross £'000	Tax £'000	Net £'000
(Loss) / Gain arising on revaluation of investment in subsidiaries	(3)	-	(3)
Actuarial (losses)/gains on pension assets during the period	(33,313)	-	(33,313)
Actuarial gains/(losses) on pension liabilities during the period	73,200	-	73,200
	<u>39,884</u>	<u>-</u>	<u>39,884</u>

A summary of deferred tax assets that are not recognised in these financial statements is set out in Note 9. This reflects unused tax losses carried forward of £61,183,357 (2018 - £61,183,357).

7. **DIVIDENDS**

	Period 30.12.18 to 28.12.19 £'000	Period 31.12.17 to 29.12.18 £'000
Interim	<u>45,500</u>	<u>43,499</u>

8. **FIXED ASSET INVESTMENTS**

	28.12.19 £'000	29.12.18 £'000
Shares in group undertakings	10,905	16,093
Loans to group undertakings	<u>94,479</u>	<u>131,387</u>
	<u>105,384</u>	<u>147,480</u>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

8. **FIXED ASSET INVESTMENTS - continued**

Additional information is as follows:

	Shares in group undertakings £'000
<b>COST OR VALUATION</b>	
At 30 December 2018	372,743
Revaluations	1
	<hr/>
At 28 December 2019	372,744
	<hr/>
<b>PROVISIONS</b>	
At 30 December 2018	356,650
Provision for period	5,577
Reversal of impairments	(388)
	<hr/>
At 28 December 2019	361,839
	<hr/>
<b>NET BOOK VALUE</b>	
At 28 December 2019	10,905
	<hr/>
At 29 December 2018	16,093
	<hr/>

(i) The net book value of shares is equivalent to the Company's share of the issued share capital and reserves of the subsidiary companies.

(ii) The cost of shares in subsidiary companies is £372,583,062 (2018: £372,583,062).

	Loans to group undertakings £'000
At 30 December 2018	131,387
Repayment in year	(32,253)
Exchange differences	(4,655)
	<hr/>
At 28 December 2019	94,479
	<hr/>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

8. **FIXED ASSET INVESTMENTS - continued**

The loans to group undertakings are represented by loan notes that are repayable in 2042 and attract interest at a rate of 8.44% per annum.

The Company has investments in the following principal subsidiary undertakings:

Country of Registered Office	Company	Ownership	% interest	Principal activity
Philippines	Industrial Galvanizers Corporation of the Philippine Inc	Indirect	100%	Galvanizing services
Philippines	IGCP Properties Inc	Indirect	40%	Property holding company
United Kingdom	Valmont EMD Holdings Limited	Direct	100%	Investment holding company
Netherlands	Delta Electrical and Engineering Holdings BV	Direct	100%	Investment holding company
United Kingdom	Delta Engineering Holdings Limited	Direct	100%	Investment holding company
United Kingdom	Delta Industries Limited	Direct	100%	Investment holding company
United Kingdom	Valmont MMC Holdings Limited	Direct	100%	Dormant company
Netherlands	Delta Group International BV	Direct	100%	Dormant company
United Kingdom	Delta Pension Nominees Limited	Direct	100%	Dormant company

The company has significant holdings in the following undertakings :

Country of Incorporation	Company	Ownership	% interest	Principal activity
South Africa	Delta EMD Limited	Indirect	49.1%	Investment holding company
South Africa	EMD Investments Proprietary Limited	Indirect	49.1%	Investment holding company
South Africa	Delta (EMD) Proprietary Limited	Indirect	49.1%	Manufacture and distribution of electrolytic manganese dioxide
Australia	Delta EMD Australia Proprietary Limited	Indirect	49.1%	Dormant company

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	28.12.19	29.12.18
	£'000	£'000
Amounts owed by group undertakings	265	152
VAT	116	64
Prepayments and accrued income	85	102
	<u>466</u>	<u>318</u>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Deferred tax not recognised:

	28.12.19 £'000	29.12.18 £'000
Tax losses	(10,401)	(10,401)
Retirement benefit obligations	(18,199)	(19,312)
	<u>(28,600)</u>	<u>(29,713)</u>

Deferred tax assets have not been recognised because the directors believe it is still uncertain that the company will generate taxable profits in the foreseeable future, so will be unable to utilise the deferred tax assets.

10. **CASH AT BANK**

Cash as at 28 December 2019 includes money market funds of £6,006,803 (2018: £3,208,388) and other bank balances of £2,158,183 (2018: £4,571,647).

Included in other bank balances as at 28 December 2019 £41,319 (2018: £41,475) are amounts held specifically for the settlement of unpaid dividends previously declared by Delta Limited. Due to the slow release of these funds, this amount should be considered as non-current assets.

11. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	28.12.19 £'000	29.12.18 £'000
Trade creditors	42	183
Amounts owed to group undertakings	1,864	134
Other creditors	41	41
Accrued expenses	153	132
	<u>2,100</u>	<u>490</u>

These amounts are interest free and repayable on demand, however this is at the discretion of the directors of Delta Limited.

12. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	28.12.19 £'000	29.12.18 £'000
Amounts owed to group undertakings	<u>12</u>	<u>12</u>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

13. **CALLED UP SHARE CAPITAL**

	28.12.19	29.12.18
	£'000	£'000
Ordinary shares		
Issued and fully paid		
4,000,000 ordinary shares of 25p each	1,000	1,000

The Company has one class of ordinary share.

14. **RESERVES**

	Retained earnings £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Other capital reserves £'000	Totals £'000
At 30 December 2018	7,423	160	2,893	30,000	40,476
Deficit for the period	(512)	-	-	-	(512)
Dividends	(45,500)	-	-	-	(45,500)
Capital contribution	-	-	-	13,100	13,100
Actuarial gains/(losses)	(3,717)	-	-	-	(3,717)
Surplus/(deficit) on revaluation of investments	-	1	-	-	1
Reserve transfer	43,100	-	-	(43,100)	-
At 28 December 2019	794	161	2,893	-	3,848

Reserves of the company held as at 28 December 2019 represent the following:

**Retained earnings**

Cumulative profit and loss of the company net of distributions to shareholders.

**Revaluation reserve**

This reserve represents the cumulative gains and losses on revaluation of shares in group undertakings.

**Capital Redemption Reserve**

A non-distributable reserve historically created by the buy back by the company of (previously issued) preference share capital.

**Other Capital Reserve**

A distributable reserve arising from capital contributions received from parent company.



Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

**15. EMPLOYEE BENEFIT OBLIGATIONS**

The company sponsors a funded defined benefit pension plan, the Delta Pension Plan (DPP) which provides retirement benefits based on final salary.

Company contributions to the DPP in 2020 are estimated to be £14.4 million. This includes £13.1 million being paid as part of a deficit reduction plan. The plan establishes that the company is committed to paying £13.1 million per annum as deficit funding contributions with the final amount being paid on 31 March 2028.

Additional Company contributions might be required if there are any redundancies or benefit augmentations during the year.

The valuation for FRS102 purposes has been based on a full assessment of the liabilities of the DPP as at 31 March 2018. The present value of the defined benefit obligation (DBO) and any past service costs were measured using the Projected Unit Credit Method.

Reconciliation of funded status to the balance sheet :

	28.12.19	29.12.18
	£'000	£'000
Fair value of assets	462,145	396,600
Present value of funded defined benefit obligations	(569,200)	(510,200)
	<hr/>	<hr/>
Funded status	(107,055)	(113,600)
Unrecognised asset	-	-
	<hr/>	<hr/>
Asset/(liability) recognised on the balance sheet	(107,055)	(113,600)
Present value of unfunded defined benefit obligations	-	-

Amounts recognised in income statement :

	28.12.19	29.12.18
	£'000	£'000
Service cost :		
Past service cost (including curtailments)	-	9,500
Operating cost :		
Administrative expenses	1,100	1,100
Financing cost :		
Interest on net defined benefit liability	3,000	3,500
	<hr/>	<hr/>
	4,100	14,100
	<hr/>	<hr/>

Amounts recognised in other comprehensive income :

	28.12.19	29.12.18
	£'000	£'000
Asset gains / (losses) arising during the period	56,845	(33,300)
Liability gains / (losses) arising during the period	(60,600)	73,200
	<hr/>	<hr/>
Total amount recognised in other comprehensive income	(3,755)	39,900
	<hr/>	<hr/>

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

**EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes to the present value of the defined benefit obligation during the period :

	28.12.19	29.12.18
	£'000	£'000
Opening defined benefit obligation (DBO)	510,200	580,700
Interest expense on DBO	14,600	14,500
Actuarial (gains)/losses on liabilities	60,600	(73,200)
Net benefits paid out	(16,200)	(21,300)
Past service cost (including curtailments)	-	9,500
	<u>569,200</u>	<u>510,200</u>

Changes to fair value of DPP assets during the period :

	28.12.19	29.12.18
	£'000	£'000
Opening fair value of DPP assets	396,600	440,200
Interest income on DPP assets	11,600	11,000
Gain / (loss) on DPP assets	56,845	(33,300)
Contributions by the Company	14,400	1,100
Net benefits paid out	(16,200)	(21,300)
Administration costs incurred	(1,100)	(1,100)
	<u>462,145</u>	<u>396,600</u>

Actual return on DPP assets :

	28.12.19	29.12.18
	£'000	£'000
Interest income on DPP assets	11,600	11,000
Gain / (loss) on DPP assets	56,845	(33,300)
	<u>68,445</u>	<u>(22,300)</u>

The principal assumptions used to calculate the liabilities under FRS 102 are set out below :

Main financial assumptions :

	29.12.18	29.12.18
	% pa	% pa
RPI Inflation	3.05	3.30
CPI Inflation	2.15	2.20
Revaluation in deferment (excess pension over GMP)	2.15	2.20
Pension increases (RPI inflation min 3% max 5% pa)	3.00	3.15
Discount rate for DPP liabilities	2.05	2.90

Notes to the Financial Statements - continued  
for the Period 30 December 2018 to 28 December 2019

**EMPLOYEE BENEFIT OBLIGATIONS - continued**

Main demographic assumptions :

	28.12.19	29.12.18
Mortality base table adopted	110% of S2PMA tables for males and 95% of S2PFA tables for females	110% of S2PMA tables for males and 95% of S2PFA tables for females
Mortality future improvements adopted	CMI 2018 (Sk=7.5 and A=0 ) with a long term rate of improvement of 1.25% p.a.	CMI 2017 (Sk=7.5 with a ) long term rate of improvement of 1.25% p.a.
Expected future lifetimes from age 65		
- Males aged 45	22.4 years	22.6 years
- Females aged 45	25.6 years	25.8 years
- Males aged 65	21.0 years	21.2 years
- Females aged 65	24.0 years	24.2 years
Cash commutation	All members assumed to exchange 22% of their pension at retirement	All members assumed to exchange 22% of their pension at retirement

Plan asset allocation :

	28.12.19		29.12.18	
	£'000	%	£'000	%
UK equities	9,700	2.1%	8,200	2.1%
Overseas equities	169,700	36.7%	136,600	34.4%
Secure income (property)	84,245	18.2%	43,200	10.9%
Index-linked gilts	94,500	20.4%	96,700	24.4%
Corporate bonds	74,700	16.2%	63,400	16.0%
Cash/net	29,300	6.4%	48,500	12.2%
	<u>462,145</u>	<u>100%</u>	<u>396,600</u>	<u>100%</u>

As at 29 December 2018, the DPP assets included £400,000 of shares in Delta EMD, a subsidiary of Delta Limited. None of the remainder of the DPP assets are directly invested in the Company's financial instruments or in the property occupied by, or other assets used by, the Company.

**16. ULTIMATE PARENT COMPANY**

The ultimate parent company is Valmont Industries Inc, a company incorporated in the US. Valmont Industries Inc is the parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared. Copies of the consolidated financial statements of Valmont Industries Inc can be obtained from [www.valmont.com](http://www.valmont.com).

**17. POST BALANCE SHEET EVENTS**

As at 28 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (or COVID-19) only came to light in early 2020. Therefore, as at 28 December 2019 the virus has had no impact.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the fiscal year ended December 28, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-31429

**Valmont Industries, Inc.**

**Delaware**

47-0351813

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

**One Valmont Plaza,**

**Omaha, Nebraska**

**68154-5215**

(Address of Principal Executive Offices)

(Zip Code)

(402) 963-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Symbol	Name of exchange on which registered
Common Stock \$1.00 par value	VMI	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At February 20, 2020 there were 21,544,582 of the Company's common shares outstanding. The aggregate market value of the voting stock held by non-affiliates of the Company based on the closing sale price the common shares as reported on the New York Stock Exchange on June 29, 2019 was \$2,908,458,040.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's proxy statement for its annual meeting of shareholders to be held on April 28, 2020 (the "Proxy Statement"), to be filed within 120 days of the fiscal year ended December 28, 2019, are incorporated by reference in Part III.

**VALMONT INDUSTRIES, INC.**  
**Annual Report Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**  
**For the fiscal year ended December 28, 2019**

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## PART I

### ITEM 1. BUSINESS.

#### (a) General Description of Business

##### *General*

We are a diversified global producer of highly-engineered fabricated metal products. In our Engineered Support Structures (ESS) segment, we are a leading producer of steel, aluminum and composite poles, towers, and components for the global lighting, traffic, and wireless communications markets. The ESS segment also produces engineered access systems, highway safety products, and integrated structure solutions for smart cities. Our Utilities Support Structures (Utility) segment manufactures steel and concrete pole structures for global utility transmission, distribution and generation platforms primarily in the United States. The Utility segment also produces complex steel energy generation structures sold outside the United States and engineered solar tracking solutions globally. Our Irrigation segment is a global producer of mechanized irrigation systems, provider of water management solutions for large-scale production agriculture, and technology for precision agriculture. Our Coatings segment provides global galvanizing, painting and anodizing services to preserve and protect metal products.

Our ESS segment sells the following products: outdoor lighting, traffic control, and roadway safety structures, wireless communication structures and components, and engineered access systems. Our Utility segment sells pole structures to support electrical transmission and distribution lines and related power distribution equipment. Our Irrigation segment produces mechanized irrigation equipment and related services that deliver water, fertilizers, herbicides, and pesticides to agricultural crops. Our Coatings segment provides coatings services for Valmont and other industrial customers. Customers and end-users of our products include municipalities and government entities globally, manufacturers of commercial lighting fixtures (OEM), contractors, telecommunications and utility companies, and large farming operations, as well as the general manufacturing sector. In 2019, approximately 31% of our net sales were either sold in markets or produced by our manufacturing plants outside of North America. We were founded in 1946, went public in 1968 and our shares trade on the New York Stock Exchange (ticker: VMI).

##### *Business Strategy*

Our strategy is to pursue growth opportunities that leverage our existing product portfolio, knowledge of our principal end-markets and customers and engineering capability to increase our sales, earnings and cash flow, including:

*Increasing the Market Penetration of our Existing Products.* Our strategy is to increase our market penetration by differentiating our products from our competitors' products through superior customer service, engineering proficiency, technological innovation and consistent high quality. For example, our Utility segment increased its 2018 sales by offering substations that are prepackaged to simplify our customer's installation and PyraMAX transmission structures.

*Bringing our Existing Products to New Markets.* Our strategy is to expand the sales of our existing products into geographic areas where we do not currently serve and where end-users do not currently purchase our type of product. For example, we have expanded our geographic presence in Europe, the Middle East, and North Africa for lighting structures. This strategy led to us building manufacturing presences in China and India to expand our offering of pole structures for lighting, utility and wireless communication to these markets. Our Irrigation segment has a long history of developing new emerging markets for mechanized irrigation around the world. In recent years, these markets include Central and Eastern Europe and African countries.

*Developing New Products for Markets that We Currently Serve.* Our strategy is to grow by developing new products for markets using our comprehensive understanding of end-user requirements and leveraging longstanding relationships with key distributors and end-users. In recent years we developed and sold structures for tramway applications in Europe. The customers for this product line include many of the state and local governments that purchase our lighting structures. Another example is the development and expansion of decorative lighting poles that have been introduced to our existing customer base. Our 2018 acquisition of Walpar, an industry leader in the design, engineering and manufacturing of overhead sign structures for the North America transportation market is another example of this strategy. The 2019 acquisition of Larson Camouflage, an industry leader in wireless communication concealment solutions give us the ability to offer integrated solutions to mobile carriers and other wireless communication customers around the world.

*Developing New Products for New Markets or Leveraging Core Competencies to Further Diversify our Business is a path to increase sales.* For example, the establishment and growth of our Coatings segment was based on using our expertise in galvanizing to develop what is now a global business segment. The decorative lighting market has different requirements and preferences than our traditional transportation and commercial markets. For example, our joint venture with Tehomet provided expertise in the decorative wood pole market. The 2018 acquisition of Convert Italia SpA, gave us a presence in engineered solar tracking products that we believe are complementary to our existing products and provide us with future growth opportunities.

#### **Acquisitions**

We have grown internally and by acquisition. Our significant business expansions during the past five years include the following (including the segment where the business reports):

2015

- Acquisition of a galvanizing business located in Hammonton, New Jersey (Coatings)

2016

- Acquisition of the remaining 30% not previously owned of IGC Galvanizing Industries (M) Sdn Bhd (Coatings)
- Acquisition of 5.2% of the remaining 10% not previously owned of Valmont SM (Utility)

2017

- Acquisition of a highway safety business (Aircon) that manufactures guardrails, structural metal products, and solar structural products in India (ESS)

2018

- Acquisition of an integrator of prepackaged pump stations (Irrigation)
- Acquisition of a worldwide provider of parts for agricultural irrigation equipment, Irrigation Components International (ICI), located in the United States (Irrigation)
- Acquisition of an engineering and manufacturer of overhead sign structures (Walpar) located in Southeast United States (ESS)
- Acquisition of 75% of a provider of engineered solar tracker solutions (Convert Italia SpA) headquartered in Italy (Utility)
- Acquisition of a steel lattice structures producer located in India (Utility)
- Acquisition of a galvanizing business located in New Zealand (Coatings)

2019

- Acquisition of a wireless communication concealment solutions provider (Larson Camouflage) headquartered in Arizona (ESS)
- Acquisition of the remaining 4.8% not previously owned of Valmont SM (Utility)
- Acquisition of a galvanizing business located in Texas (Coatings)
- Acquisition of a manufacturer and distributor of wireless site components and safety products in Florida (ESS)

In 2018, the Company divested of Donhad, a grinding media producer in Australia.

#### **(b) Segments**

The Company has four reportable segments based on our management structure. Each segment is global in nature with a manager responsible for segment operational performance and allocation of capital within the segment.

Our reportable segments are as follows:

**Engineered Support Structures:** This segment consists of the manufacture and distribution of engineered metal and composite poles, towers, and components for global lighting, traffic, and wireless communication markets, engineered access systems, integrated structure solutions for smart cities, and highway safety products;

*Utility Support Structures:* This segment consists of the manufacture of engineered steel and concrete structures for global utility transmission, distribution, substations, and renewable energy generation equipment;

*Coatings:* This segment consists of galvanizing, painting, and anodizing services to preserve and protect metal products; and

*Irrigation:* This segment consists of the manufacture of agricultural irrigation equipment, parts, services and tubular products, water management solutions, and technology for precision agriculture.

In addition to these four reportable segments, there are other businesses and activities which are not more than 10% of consolidated sales, operating income or assets. This includes the manufacture of forged steel grinding media for the mining industry and is reported in the "Other" category until its divestiture in 2018.

**(c) Narrative Description of Business**

Information concerning the principal products produced and services rendered, markets, competition and distribution methods for each of our four reportable segments is set forth below.

**Engineered Support Structures Segment (ESS)**

*Products Produced*—We engineer and manufacture steel, aluminum, and composite poles and structures to which lighting and traffic control fixtures are attached for a wide range of outdoor lighting applications, such as streets, highways, parking lots, sports stadiums and commercial and residential developments. The demand for these products is driven by infrastructure, commercial and residential construction and by consumers' desire for well-lit streets, highways, parking lots and common areas to help make these areas safer at night and to support trends toward more active lifestyles and 24-hour convenience. In addition to safety, customers want products that are visually appealing. In Europe, we are a leader in decorative lighting poles, which are attractive as well as functional. We are leveraging this expertise to expand our decorative product sales in North America, China, and the Middle East. Traffic poles are structures to which traffic signals and overhead signs are attached and aid the orderly flow of automobile traffic. These poles are typically standard designs but can also be engineered to be slightly modified to meet customer specifications to ensure the proper function and safety of the structure. Product engineering takes into account factors such as weather (e.g. wind, ice) and the products loaded on the structure (e.g. lighting fixtures, traffic signals, overhead signs) to determine the design of the pole. This product line also includes roadway safety systems, including guard rail barriers, wire rope safety barriers, crash attenuation barriers and other products. Highway safety systems are also designed and engineered to enhance roadway safety.

We also engineer, manufacture, and distribute a broad range of structures (poles and towers), camouflage concealment solutions, and components serving the wireless communication market. A wireless communication cell site mainly consists of a steel pole or tower, shelter (enclosure where the radio equipment is located), antennas (devices that receive and transmit data and voice information to and from wireless communication devices) and components (items that are used to mount antennas to a structure and to connect cabling and other parts from the antennas to the shelter). Larger mono-pole structures are engineered and designed to customer specifications, which include factors such as the number of antennas on the structure and wind and soil conditions. Due to the size of these mono-pole structures, design is important to ensure each structure meets performance and safety specifications. We do not provide any significant installation services on the structures we sell or manufacture. We also produce and distribute access systems that allow people to move safely and effectively in an industrial, infrastructure or commercial facility. Products offered in this product line include floor gratings, handrails, barriers and sunscreens. We also produce a line of engineered products which are used in architectural applications. Examples of these products are perforated metal sun screens and facades that can be used on building structures to improve shading and aesthetics.

*Markets*—The key markets for our lighting, traffic and roadway safety products are the transportation and commercial lighting markets and public roadway construction and upgrades. The transportation market includes street and highway lighting and traffic control, much of which is driven by government spending programs. For example, the U.S. government funds highway and road improvement through the federal highway program. This program provides funding to improve the nation's roadway system, which includes roadway lighting and traffic control enhancements. Matching funding from the various states may be required as a condition of federal funding. Some states are supplementing infrastructure funding with revenue sources. Public and private partnerships have recently emerged as an additional funding source. The current federal highway program was renewed and extended in late 2015. The current administration has recommended



increases to spending on roadway infrastructure. In the United States, there are approximately 4 million miles of public roadways, with approximately 24% carrying over 80% of the traffic. Accordingly, the need to improve traffic flow through traffic controls and lighting is a priority for many communities. Transportation markets in other areas of the world are also heavily funded by local and national governments.

The commercial lighting market is mostly funded privately and includes lighting for applications such as parking lots, shopping centers, sports stadiums and business parks. The commercial lighting market is driven by macro-economic factors such as general economic growth rates, interest rates and the commercial construction economy. Valmont has many long-standing relationships with OEM's who serve this market. Markets for access systems are typically driven by infrastructure, industrial and commercial construction spending. Customers include construction firms or installers who participate in these markets, natural gas and mineral exploration companies, resellers such as steel service centers, and end users. These markets can be cyclical depending on economic conditions.

The market for our communication products is driven by increased demand for wireless communication and data. Customers are wireless network providers and organizations that own cell sites and attach antennas from multiple carriers to the pole or tower structure (build to suit companies). We also sell products to state and federal governments for two-way radio communication, radar, broadcasting and security applications. We believe long-term growth should mainly be driven by increased usage and technologies such as 5G, which demand higher network density. Improved emergency response systems, as part of the U.S. Homeland Security initiatives, creates additional demand.

All of the products that we manufacture in this segment are parts of government or customer investments in basic infrastructure. The total cost of these investments can be substantial, so access to capital is often important to fund infrastructure needs. Demand can be cyclical in these markets due to overall economic conditions. Additionally, projects can sometimes be delayed due to funding or other issues.

*Competition*—Our competitive strategy in all of the markets we serve is to provide high value to the customer at a reasonable price. We compete on the basis of product quality, high levels of customer service, timely, complete, and accurate delivery of the product and design capability to provide the best solutions to our customers. There are numerous competitors in our markets, most of which are relatively small companies. Companies compete on the basis of price, product quality, reliable delivery, engineering design, and unique product features. Pricing can be very competitive, especially when demand is weak or when strong local currencies result in increased competition from imported products.

*Distribution Methods*—Sales and distribution activities are handled through a combination of a direct sales force and commissioned agents. Lighting agents represent Valmont as well as lighting fixture companies and sell other related products. Sales are typically to electrical distributors, who provide the pole, fixtures and other equipment to the end user as a complete package. Commercial lighting, wireless communication products and components, access systems and highway safety sales are normally made through Valmont sales employees, who work on a salary plus incentive, although some sales are made through independent, commissioned sales agents.

#### Utility Support Structures Segment (Utility)

*Products Produced*—We engineer and manufacture tapered steel, pre-stressed concrete and hybrid structures (concrete base section and steel upper sections), and steel lattice structures. These products are used to support the lines that carry power for electrical transmission, substation and distribution applications. Transmission refers to moving power from where it is produced to where it is used. Substations transfer high voltage electricity to low voltage transmission. Electrical distribution carries electricity from the substation to the end-user. We also design and engineer single axis solar tracker solutions for utility-scale solar applications.

Utility structures can be very large, so product design engineering is important to the function and safety of the structure. Our engineering process takes into account weather and loading conditions, such as wind speeds, ice loads and the power lines attached to the structure, in order to arrive at the final design. In Northern Europe, we produce utility structures for offshore and onshore wind energy. We also manufacture complex steel structures such as rotor houses for wind turbines, crown-mounted compensators, winches and cranes for oil and gas exploration, and material handling equipment for manufacturing.

*Markets*—Our sales in this segment are mainly in North America, where the key drivers in the utility business are significant upgrades in the electrical grid to support enhanced reliability standards, policy changes encouraging more

generation from renewable energy sources, interconnection of regional grids to share more efficient generation to the benefit of the consumer and increased electrical consumption which has outpaced the transmission investment in the past decades. According to the Edison Electric Institute, the electrical transmission grid in the U.S. requires significant investment in the coming years to respond to the compelling industry drivers and lack of investment prior to 2008. In international markets, electrical consumption is expected to increase. This will require substantial investment in new electricity generation capacity and growth in transmission grid development. We expect these factors to result in increased demand for electrical utility structures to transport electricity from source to user, as is used in the U.S. markets today. As utilities increase development of large-scale solar power and micro-grid applications, single axis tracker solutions will be an essential tool for achieving higher energy production. Sales of complex steel structures, wind turbine towers and rotor houses, material handling systems, utility transmission structures, and structures for oil & gas exploration mainly occur within Europe.

**Competition**—Our competitive strategy in this segment is to provide high value solutions to the customer at a reasonable price. We compete on the basis of product quality, engineering expertise, high levels of customer service and reliable, timely delivery of the product. There are a number of competitors in North America, but there are many competitors in international markets. Companies compete on the basis of price, quality and service. Utility sales are often made through a competitive bid process, whereby the lowest bidder is awarded the contract, provided the competitor meets all other qualifying criteria. In weak markets, price is a more important criteria in the bid process. We also sell on a preferred-provider basis to certain large utility customers. These contractual arrangements often last between 3 and 5 years and are frequently renewed. For offshore and complex steel structures, we compete based on our ability to co-engineer and design solutions with customers. We are one of a limited number of competitors that can execute advanced order production of complex steel constructions that entail electronics, hydraulics, and highly automated series production for very customized products.

**Distribution Methods**—Products are normally sold directly to electrical utilities or energy providers with some sales sold through commissioned sales agents.

### **Coatings Segment (Coatings)**

**Services Rendered**—We add finishes to metals that inhibit corrosion, extend service lives and enhance physical attractiveness of a wide range of materials and products. Among the services provided include:

- Hot-dip Galvanizing
- Anodizing
- Powder Coating
- E-Coating

In our Coatings segment, we take unfinished products from our customers and return them with a galvanized, anodized or painted finish. Galvanizing is a process that protects steel with a zinc coating that is bonded to the product surface to inhibit rust and corrosion. Anodizing is a process applied to aluminum that oxidizes the surface of the aluminum in a controlled manner, which protects the aluminum from corrosion and allows the material to be dyed a variety of colors. We also paint products using powder coating and e-coating technology (where paint is applied through an electrical charge) for a number of industries and markets.

**Markets**—Markets for our products are varied and our profitability is not substantially dependent on any one industry or external customer. However, a meaningful percentage of demand is internal, driven by Valmont's other segments. Demand for coatings services generally follows the local industrial economies. Galvanizing is used in a wide variety of industrial applications where corrosion protection of steel is desired. While markets are varied, our markets for anodized or painted products are more directly dependent on consumer markets than industrial markets.

**Competition**—The Coatings markets traditionally have been very fragmented, with a large number of competitors. Most of these competitors are relatively small, privately held companies who compete on the basis of price and personal relationships with their customers. As a result of ongoing industry consolidation, there are also several (public and private) multi-facility competitors. Our strategy is to compete on the basis of quality of the coating finish and timely delivery of the coated product to the customer. We also use the production capacity at our network of plants to ensure that the customer receives quality, timely service.

*Distribution Methods*—Due to freight costs, a galvanizing location has an effective service area of an approximate 300 to 500 mile radius. While we believe that we are globally one of the largest custom galvanizers, our sales are a small percentage of the total market. Sales and customer service are provided directly to the user by a direct sales force, generally assigned to each specific location.

#### **Irrigation Segment (Irrigation)**

*Products Produced*—We manufacture and distribute mechanical irrigation equipment and related service parts under the “Valley” brand name. A Valley irrigation machine usually is powered by electricity and propels itself over a farm field and applies water and chemicals to crops. Water and, in some instances, chemicals are applied through sprinklers attached to a pipeline that is supported by a series of towers, each of which is propelled via a drive train and tires. A standard mechanized irrigation machine (also known as a “center pivot”) rotates in a circle, although we also manufacture and distribute center pivot extensions that can irrigate corners of square and rectangular farm fields as well as conform to irregular field boundaries (referred to as a “corner” machine). Our irrigation machines can also irrigate fields by moving up and down the field as opposed to rotating in a circle (referred to as a “linear” machine). Irrigation machines can be configured to irrigate fields in size from 4 acres to over 500 acres, with a standard size in the U.S. configured for a 160-acre tract of ground. One of the key components of our irrigation machine is the control system. This is the part of the machine that allows the machine to be operated in the manner preferred by the grower, offering control of such factors as on/off timing, individual field sector control, rate and depth of water and chemical application. Our advanced technology solutions include a suite of smart panels and remote management of irrigation machines through smartphone, tablet, or centralized computer control. Irrigation net sales in 2019, 2018, and 2017 included technology sales of \$56.7 million, \$45.3 million, and \$43.4 million, respectively. We also offer customized water application and scheduling services, which provide forecast information to assist growers in determining precision of water application on the field. Our water management group also provides product and service sales related to the delivery of water through mechanized irrigation equipment. The irrigation machine used in international markets is substantially the same as the one produced for the North American market.

*Other Types of Irrigation* — There are other forms of irrigation available to farmers, two of the most prevalent being flood irrigation and drip irrigation. In flood irrigation, water is applied through a pipe or canal at the top of the field and allowed to run down the field by gravity. Drip irrigation involves plastic pipe or tape resting on the surface of the field or buried a few inches below ground level, with water being applied gradually. We estimate that center pivot and linear irrigation comprises 50% of the irrigated acreage in North America. International markets use predominantly flood irrigation.

The Company through its ownership in AgSense LLC, develops and markets remote monitoring technology for pivot irrigation systems that is sold on a subscription basis. AgSense technology allows growers to remotely monitor and operate irrigation equipment and other farm implements. Data management and control is achieved using applications running on either a desktop Internet browser or various mobile devices connected to the Internet. We also manufacture tubular products for industrial customers primarily in the agriculture industry as well as in the transportation and other industries.

*Markets*—Market drivers in North America and international markets are essentially the same. Since the purchase of an irrigation machine is a capital expenditure, the purchase decision is based on the expected return on investment. The benefits a grower may realize through investment in mechanical irrigation include improved yields through better irrigation, cost savings through reduced labor and lower water and energy usage. The purchase decision is also affected by current and expected net farm income, commodity prices, interest rates, the status of government support programs and water regulations in local areas. In many international markets, the relative strength or weakness of local currencies as compared with the U.S. dollar may affect net farm income, since export markets are generally denominated in U.S. dollars. In addition, governments are sponsoring irrigation projects for self-sufficiency in food production.

The demand for mechanized irrigation comes from the following sources:

- conversion from flood irrigation
- replacement of existing mechanized irrigation machines
- converting land that is not irrigated to mechanized irrigation

One of the key drivers in our Irrigation segment worldwide is that the usable water supply is limited. We estimate that:

- only 2.5% of total worldwide water supply is freshwater
- of that 2.5%, only 30% of freshwater is available to humans
- the largest user of that freshwater is agriculture

We believe these factors, along with the trend of a growing worldwide population and improving diets, reflect the need to use water more efficiently while increasing food production to feed this growing population. We believe that mechanized irrigation can improve water application efficiency by 40-90% compared with traditional irrigation methods by applying water uniformly near the root zone and reducing water runoff. Furthermore, reduced water runoff improves water quality in nearby rivers, aquifers and streams, thereby providing environmental benefits in addition to conservation of water.

*Competition*—In North America, there are a number of entities that provide irrigation products and services to agricultural customers. We believe we are the leader of the four main participants in the mechanized irrigation business. Participants compete for sales on the basis of price, product innovation and features, product durability and reliability, quality and service capabilities of the local dealer. Pricing can become very competitive, especially in periods when market demand is low. In international markets, our competitors are a combination of our major U.S. competitors and privately-owned local companies. Competitive factors are similar to those in North America, although pricing tends to be a more prevalent competitive strategy in international markets. Since competition in international markets is local, we believe local manufacturing capability is important to competing effectively in international markets and we have that capability in key regions.

*Distribution Methods*—We market our irrigation machines, technology offerings, and service parts through independent dealers. There are approximately 270 dealer locations in North America, with another approximately 270 dealers serving international markets in over 60 countries. The dealer determines the grower's requirements, designs the configuration of the machine, installs the machine (including providing ancillary products that deliver water and electrical power to the machine) and provides after-sales service. Our dealer network is supported and trained by our technical and sales teams. Our international dealers are supported through our regional headquarters in South America, South Africa, Western Europe, Australia, China and the United Arab Emirates as well as the home office in Valley, Nebraska.

## General

Certain information generally applicable to each of our four reportable segments is set forth below.

### *Suppliers and Availability of Raw Materials.*

Hot rolled steel coil and plate, zinc and other carbon steel products are the primary raw materials utilized in the manufacture of finished products for all segments. We purchase these essential items from steel mills, steel service centers, and zinc producers and these materials are usually readily available. While we may experience increased lead times to acquire materials and volatility in our purchase costs, we do not believe that key raw materials would be unavailable for extended periods. We have not experienced extended or wide-spread shortages of steel in the past several years, due to what we believe are strong relationships with some of the major steel producers. In the past several years, we experienced volatility in zinc and natural gas prices, but we did not experience any disruptions to our operations due to availability.

### *Patents, Licenses, Franchises and Concessions.*

We have a number of patents for our manufacturing machinery, poles and irrigation designs. We also have a number of registered trademarks. We do not believe the loss of any individual patent or trademark would have a material adverse effect on our financial condition, results of operations or liquidity.

### *Seasonal Factors in Business.*

Sales can be somewhat seasonal based upon the agricultural growing season and the infrastructure construction season. Sales of mechanized irrigation equipment to farmers are traditionally higher during the spring and fall and lower in the summer. Sales of infrastructure products are traditionally higher in the summer and fall and lower in the winter.

#### *Customers.*

We are not dependent for a material part of any segment's business upon a single customer or upon very few customers. The loss of any one customer would not have a material adverse effect on our financial condition, results of operations or liquidity.

#### *Backlog.*

The backlog of orders for the principal products manufactured and marketed was \$924.1 million at the end of the 2019 fiscal year and \$644.7 million at the end of the 2018 fiscal year. An order is reported in our backlog upon receipt of a purchase order from the customer or execution of a sales order contract. We anticipate that most of the 2019 backlog of orders will be filled during fiscal year 2020. At year-end, the segments with backlog were as follows (dollar amounts in millions):

	12/28/2019	12/29/2018
Engineered Support Structures	\$ 254.0	\$ 257.4
Utility Support Structures	615.0	325.9
Irrigation	55.0	59.7
Coatings	0.1	1.7
	<u>\$ 924.1</u>	<u>\$ 644.7</u>

#### *Environmental Disclosure.*

We are subject to various federal, state and local laws and regulations pertaining to environmental protection and the discharge of materials into the environment. Although we continually incur expenses and make capital expenditures related to environmental protection, we do not anticipate that future expenditures should materially impact our financial condition, results of operations, or liquidity.

#### *Number of Employees.*

At December 28, 2019, we had 9,862 employees.

#### (d) Available Information

We make available, free of charge through our web site at <http://www.valmont.com>, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

### ITEM 1A. RISK FACTORS.

The following risk factors describe various risks that may affect our business, financial condition and operations.

*The ultimate consumers of our products operate in cyclical industries that have been subject to significant downturns which have adversely impacted our sales in the past and may again in the future.*

Our sales are sensitive to the market conditions present in the industries in which the ultimate consumers of our products operate, which in some cases have been highly cyclical and subject to substantial downturns. For example, a significant portion of our sales of support structures is to the electric utility industry. Our sales to the U.S. electric utility industry were over \$600 million in 2019 and 2018. Purchases of our products are deferrable to the extent that utilities may reduce capital expenditures for reasons such as unfavorable regulatory environments, a slow U.S. economy or financing constraints. In the event of weakness in the demand for utility structures due to reduced or delayed spending for electrical generation and transmission projects, our sales and operating income likely will decrease.

The end users of our mechanized irrigation equipment are farmers. Accordingly, economic changes within the agriculture industry, particularly the level of farm income, may affect sales of these products. From time to time, lower levels of farm income resulted in reduced demand for our mechanized irrigation and tubing products. Farm income decreases when commodity prices, acreage planted, crop yields, government subsidies and export levels decrease. In addition, weather conditions, such as extreme drought may result in reduced availability of water for irrigation, and can affect farmers' buying decisions. Farm income can also decrease as farmers' operating costs increase. Increases in oil and natural gas prices result in higher costs of energy and nitrogen-based fertilizer (which uses natural gas as a major ingredient). Furthermore, uncertainty as to future government agricultural policies may cause indecision on the part of farmers. The status and trend of government farm supports, financing aids and policies regarding the ability to use water for agricultural irrigation can affect the demand for our irrigation equipment. In the United States, certain parts of the country are considering policies that would restrict usage of water for irrigation. All of these factors may cause farmers to delay capital expenditures for farm equipment. Consequently, downturns in the agricultural industry will likely result in a slower, and possibly a negative, rate of growth in irrigation equipment and tubing sales. As of November 2019, the U.S. Department of Agriculture (the "USDA") estimated U.S. 2019 net farm income to be \$92.5 billion, up 10.2 percent from the USDA's final U.S. 2018 net farm income of \$84.0 billion.

We have also experienced cyclical demand for those of our products that we sell to the wireless communications industry. Sales of wireless structures and components to wireless carriers and build-to-suit companies that serve the wireless communications industry have historically been cyclical. These customers may elect to curtail spending on new capacity to focus on cash flow and capital management. Changes in the competitive structure of the wireless industry, due to industry consolidation or reorganization, may interrupt capital plans of the wireless carriers as they assess their networks.

The engineered access systems product lines are partially dependent on investment spending by our customers in the oil, natural gas, and other mined mineral exploration industries, most specifically in the Asia Pacific region. During periods of continued low oil and natural gas prices, these customers may elect to curtail spending on new exploration sites which will cause us to experience lower demand for these specific product lines.

Due to the cyclical nature of these markets, we have experienced, and in the future we may experience, significant fluctuations in our sales and operating income with respect to a substantial portion of our total product offering, and such fluctuations could be material and adverse to our overall financial condition, results of operations and liquidity.

***Changes in prices and reduced availability of key commodities such as steel, aluminum, zinc, natural gas and fuel may increase our operating costs and likely reduce our net sales and profitability.***

Hot rolled steel coil and other carbon steel products have historically constituted approximately one-third of the cost of manufacturing our products. We also use large quantities of aluminum for lighting structures and zinc for the galvanization of most of our steel products. Our facilities use large quantities of natural gas for heating and processing tanks in our galvanizing operations. We use gasoline and diesel fuel to transport raw materials to our locations and to deliver finished goods to our customers. The markets for these commodities can be volatile. The following factors increase the cost and reduce the availability of these commodities:

- increased demand, which occurs when we and other industries require greater quantities of these commodities, which can result in higher prices and lengthen the time it takes to receive these commodities from suppliers;
- lower production levels of these commodities, due to reduced production capacities or shortages of materials needed to produce these commodities (such as coke and scrap steel for the production of steel) which could result in reduced supplies of these commodities, higher costs for us and increased lead times;
- increased cost of major inputs, such as scrap steel, coke, iron ore and energy;
- fluctuations in foreign exchange rates can impact the relative cost of these commodities, which may affect the cost effectiveness of imported materials and limit our options in acquiring these commodities; and
- international trade disputes, import duties, tariffs, and quotas, since we import some steel and aluminum finished components/products for various product lines.

Increases in the selling prices of our products may not fully recover higher commodity costs and generally lag increases in our costs of these commodities. Consequently, an increase in these commodities will increase our operating costs and likely reduce our profitability.

Rising steel prices in 2018 and 2017 put pressure on gross profit margins, especially in our Engineered Support Structures segment. The elapsed time between the quotation of a sales order and the manufacturing of the product ordered can be several months. As some of the sales in the Engineered Support Structures and Utility Support Structures segments are fixed price contracts, rapid increases in steel costs likely will result in lower operating income. Steel prices for both hot rolled coil and plate can also decrease substantially in a given period, which occurred in North America in 2019. Decreases in our product sales pricing and volumes offset the increase in gross profit realized from the lower steel prices. Steel is most significant for our Utility Support Structures segment where the cost of steel has been approximately 50% of the net sales, on average. Assuming a similar sales mix, a hypothetical 20% change in the price of steel would have affected our net sales from our utility support structures segment by approximately \$63 million for the year ended December 28, 2019.

We believe the volatility over the past several years was due to significant increases in global steel production and rapid changes in consumption (especially in rapidly growing economies, such as China and India). The speed with which steel suppliers impose price increases on us may prevent us from fully recovering these price increases particularly in our lighting and traffic and utility businesses. In the same respect, rapid decreases in the price of steel can also result in reduced operating margins in our utility businesses due to the long production lead times.

***Demand for our infrastructure products and coating services is highly dependent upon the overall level of infrastructure spending.***

We manufacture and distribute engineered infrastructure products for lighting and traffic, utility and other specialty applications. Our Coatings segments serve many construction-related industries. Because these products are used primarily in infrastructure construction, sales in these businesses are highly correlated with the level of construction activity, which historically has been cyclical. Construction activity by our private and government customers is affected by and can decline because of, a number of factors, including (but not limited to):

- weakness in the general economy, which may negatively affect tax revenues, resulting in reduced funds available for construction;
- interest rate increases, which increase the cost of construction financing; and
- adverse weather conditions which slow construction activity.

The current economic uncertainty in the United States and Europe will have some negative effect on our business. In our North American lighting product line, some of our lighting structure sales are for new residential and commercial areas. When residential and commercial construction is weak, we have experienced some negative impact on our light pole sales to these markets. In a broader sense, in the event of an overall downturn in the economies in Europe, Australia or China, we may experience decreased demand if our customers in these countries have difficulty securing credit for their purchases from us.

In addition, sales in our Engineered Support Structures segment, particularly our lighting, traffic and highway safety products, are highly dependent upon federal, state, local and foreign government spending on infrastructure development projects, such as the U.S. federal highway funding. The level of spending on such projects may decline for a number of reasons beyond our control, including, among other things, budgetary constraints affecting government spending generally or transportation agencies in particular, decreases in tax revenues and changes in the political climate, including legislative delays, with respect to infrastructure appropriations.

***Design patent litigation related to guardrails could reduce demand for such products and raise litigation risk.***

Certain of the Company's foreign subsidiaries in India, New Zealand, and Australia manufacture highway safety products, primarily for sale in non-U.S. markets, and license certain design patents related to guardrails to third parties. There are currently domestic U.S. product liability lawsuits against some companies that manufacture and install certain guardrail products. Such lawsuits, some of which have at times involved a foreign subsidiary based on its design patent, could lead to a decline in demand for such products or approval for use of such products by government purchasers both domestically and internationally, and potentially raise litigation risk for foreign subsidiaries and negatively impact their sales and license fees.

*We may lose some of our foreign investment or our foreign sales and profits may decline because of risks of doing business in foreign markets, including trade relations and tariffs.*

We are an international manufacturing company with operations around the world. At December 28, 2019, we operated over 80 manufacturing plants, located on six continents, and sold our products in more than 100 countries. In 2019, approximately 31% of our net sales were either sold in markets or produced by our manufacturing plants outside of North America. We have operations in geographic markets that have recently experienced political instability, such as the Middle East, and economic uncertainty, such as Western Europe, and health issues, such as the outbreak and spread of coronavirus in China. Our geographic diversity also requires that we hire, train and retain competent management for the various local markets.

Demand for our products and our profitability are affected by trade relations between countries. We also have a significant manufacturing presence in Australia, Europe and China. These operations are affected by U.S. trade policies, such as additional tariffs on a broad range of imports, and retaliatory actions by foreign countries, most recently China, which have impacted sales of our products. In addition, there can be a derived indirect impact on demand for our products arising from quotas, restrictions, and retaliatory tariffs (e.g. China tariffs on imported soybeans affects U.S. net farm income).

We expect that international sales will continue to account for a significant percentage of our net sales in the future. Accordingly, our foreign business operations and our foreign sales and profits are subject to the following potential risks:

- political and economic instability, resulting in the reduction of the value of, or the loss of, our investment;
- recessions in economies of countries in which we have business operations, decreasing our international sales;
- natural disasters and public health issues in our geographic markets, negatively impacting our workforce, manufacturing capability, and sales;
- difficulties and costs of staffing and managing our foreign operations, increasing our foreign operating costs and decreasing profits;
- potential violation of local laws or unsanctioned management actions that could affect our profitability or ability to compete in certain markets;
- difficulties in enforcing our rights outside the United States for patents on our manufacturing machinery, poles and irrigation designs;
- increases in tariffs, export controls, taxes and other trade barriers reducing our international sales and our profit on these sales; and
- acts of war or terrorism.

As a result, we may lose some of our foreign investment or our foreign sales and profits may be materially reduced because of risks of doing business in foreign markets.

*Failure to comply with any applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business.*

We must comply with all applicable laws, which include the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act or other anti-corruption laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. Although we have a compliance program in place designed to reduce the likelihood of potential violations of such laws, violations of these laws could result in criminal or civil sanctions and an adverse effect on the company's reputation, business and results of operations and financial condition.



*We are subject to currency fluctuations from our international sales, which can negatively impact our reported earnings.*

We sell our products in many countries around the world. Approximately 32% of our fiscal 2019 sales were in markets outside the United States and are often made in foreign currencies, mainly the Australian dollar, euro, Brazilian real, Canadian dollar, Chinese renminbi and South African rand. Because our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had and will continue to have an impact on our reported earnings. If the U.S. dollar weakens or strengthens versus the foreign currencies mentioned above, the result will be an increase or decrease in our reported sales and earnings, respectively. Currency fluctuations have affected our financial performance in the past and may affect our financial performance in any given period. In cases where local currencies are strong, the relative cost of goods imported from outside our country of operation becomes lower and affects our ability to compete profitably in our home markets.

We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Actions of this nature could have a material adverse effect on our results of operations and financial condition in any given period.

*Our businesses require skilled labor and management talent and we may be unable to attract and retain qualified employees.*

Our businesses require skilled factory workers and management in order to meet our customer's needs, grow our sales and maintain competitive advantages. Skills such as welding, equipment maintenance and operating complex manufacturing machinery may be in short supply in certain geographic areas, leading to shortages of skilled labor and/or increased labor costs. Management talent is critical as well, to help grow our businesses and effectively plan for succession of key employees upon retirement. In some geographic areas, skilled management talent for certain positions may be difficult to find. To the extent we have difficulty in finding and retaining these skills in the workforce, there may be an adverse effect on our ability to grow profitably in the future.

*We may incur significant warranty or contract management costs.*

In our Utility Support Structures segment, we manufacture large structures for electrical transmission. These products may be highly engineered for very large, complex contracts and subject to terms and conditions that penalize us for late delivery and result in consequential and compensatory damages. From time to time, we may have a product quality issue on a large utility structures order and the costs of curing that issue may be significant. Our products in the Engineered Support Structures segment include structures for a wide range of outdoor lighting, traffic, and wireless communication applications.

Our Irrigation products carry warranty provisions, some of which may span several years. In the event we have wide-spread product reliability issues with certain components, we may be required to incur significant costs to remedy the situation.

*We face strong competition in our markets.*

We face competitive pressures from a variety of companies in each of the markets we serve. Our competitors include companies who provide the technologies that we provide as well as companies who provide competing technologies, such as drip irrigation. Our competitors include international, national, and local manufacturers, some of whom may have greater financial, manufacturing, marketing and technical resources than we do, or greater penetration in or familiarity with a particular geographic market than we have.

In addition, certain of our competitors, particularly with respect to our utility and wireless communication product lines, have sought bankruptcy protection in recent years, and may emerge with reduced debt service obligations, which could allow them to operate at pricing levels that put pressures on our margins. Some of our customers have moved manufacturing operations or product sourcing overseas, which can negatively impact our sales of galvanizing and anodizing services.

To remain competitive, we will need to invest continuously in manufacturing, product development and customer service, and we may need to reduce our prices, particularly with respect to customers in industries that are experiencing downturns. We cannot provide assurance that we will be able to maintain our competitive position in each of the markets that we serve.

*We could incur substantial costs as the result of violations of, or liabilities under, environmental laws.*

Our facilities and operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contamination. Failure to comply with these laws and regulations, or with the permits required for our operations, could result in fines or civil or criminal sanctions, third party claims for property damage or personal injury, and investigation and cleanup costs. Potentially significant expenditures could be required in order to comply with environmental laws that regulators may adopt or impose in the future.

Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. We detected contaminants at some of our present and former sites, principally in connection with historical operations. In addition, from time to time we have been named as a potentially responsible party under Superfund or similar state laws. While we are not aware of any contaminated sites that are not provided for in our financial statements, including third-party sites, at which we may have material obligations, the discovery of additional contaminants or the imposition of additional cleanup obligations at these sites could result in significant liability beyond amounts provided for in our financial statements.

*We may not realize the improved operating results that we anticipate from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.*

We explore opportunities to acquire businesses that we believe are related to our core competencies from time to time, some of which may be material to us. We expect such acquisitions will produce operating results better than those historically experienced or presently expected to be experienced in the future by us in the absence of the acquisition. We cannot provide assurance that this assumption will prove correct with respect to any acquisition.

Any future acquisitions may present significant challenges for our management due to the time and resources required to properly integrate management, employees, information systems, accounting controls, personnel and administrative functions of the acquired business with those of Valmont and to manage the combined company on a going forward basis. We may not be able to completely integrate and streamline overlapping functions or, if such activities are successfully accomplished, such integration may be more costly to accomplish than presently contemplated. We may also have difficulty in successfully integrating the product offerings of Valmont and acquired businesses to improve our collective product offering. Our efforts to integrate acquired businesses could be affected by a number of factors beyond our control, including general economic conditions. In addition, the process of integrating acquired businesses could cause the interruption of, or loss of momentum in, the activities of our existing business. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of acquired businesses could adversely impact our business, results of operations and liquidity, and the benefits we anticipate may never materialize. These factors are relevant to any acquisition we undertake.

In addition, although we conduct reviews of businesses we acquire, we may be subject to unexpected claims or liabilities, including environmental cleanup costs, as a result of these acquisitions. Such claims or liabilities could be costly to defend or resolve and be material in amount, and thus could materially and adversely affect our business and results of operations and liquidity.

*We have, from time to time, maintained a substantial amount of outstanding indebtedness, which could impair our ability to operate our business and react to changes in our business, remain in compliance with debt covenants and make payments on our debt.*

As of December 28, 2019, we had \$787.5 million of total indebtedness outstanding. We had \$556.6 million of capacity to borrow under our revolving credit facility at December 28, 2019. We normally borrow money to make business acquisitions and major capital expenditures. From time to time, our borrowings have been significant. Our level of indebtedness could have important consequences, including:

- our ability to satisfy our obligations under our debt agreements could be affected and any failure to comply with the requirements, including significant financial and other restrictive covenants, of any of our debt agreements and could result in an event of default under the agreements governing our indebtedness;
- a substantial portion of our cash flow from operations will be required to make interest and principal payments and will not be available for operations, working capital, capital expenditures, expansion, or general corporate and other purposes, including possible future acquisitions that we believe would be beneficial to our business;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

We had \$353.5 million of cash at December 28, 2019, which mitigates a portion of the risk associated with our debt. Approximately 47% of our consolidated cash balances are outside the United States and most of our interest-bearing debt is borrowed by U.S. entities. In the event that we would have to repatriate cash from international operations to meet cash needs in the U.S., we may be subject to legal, contractual or other restrictions. In addition, as we use cash for acquisitions and other purposes, any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and business prospects.

The restrictions and covenants in our debt agreements could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business, or the economy in general, or otherwise conduct necessary corporate activities. These covenants may prevent us from taking advantage of business opportunities that arise.

A breach of any of these covenants would result in a default under the applicable debt agreement. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and acceleration of, the debt outstanding under our other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are favorable to us.

*We assumed an underfunded pension liability as part of the 2010 Delta acquisition and the combined company may be required to increase funding of the plan and/or be subject to restrictions on the use of excess cash.*

Delta is the sponsor of a United Kingdom defined benefit pension plan that, as of December 28, 2019, covered approximately 6,500 inactive or retired former Delta employees. The plan has no active employees as members. At December 28, 2019, this plan was, for accounting purposes, underfunded by approximately £107.1 million (\$140.0 million). The current agreement with the trustees of the pension plan for annual funding is approximately £13.1 million (\$17.1 million) in respect of the funding shortfall and approximately £1.3 million (\$1.7 million) in respect of administrative expenses. Although this funding obligation was considered in the acquisition price for the Delta shares, the underfunded position may adversely affect the combined company as follows:

- Laws and regulations in the United Kingdom normally require the plan trustees and us to agree on a new funding plan every three years. The next funding plan will be developed in 2022. Changes in actuarial assumptions, including future discount, inflation and interest rates, investment returns and mortality rates, may increase the underfunded position of the pension plan and cause the combined company to increase its funding levels in the pension plan to cover underfunded liabilities.
- The United Kingdom regulates the pension plan and the trustees represent the interests of covered workers. Laws and regulations, under certain circumstances, could create an immediate funding obligation to the pension plan which could be significantly greater than the £107.1 million (\$140.0 million) assumed for accounting purposes as of December 28, 2019. Such immediate funding is calculated by reference to the cost of buying out liabilities on the insurance market, and could affect our ability to fund the Company's future growth of the business or finance other obligations.

*Our operations could be adversely affected if our information technology systems are compromised or otherwise subjected to cyber crimes.*

Cyber crime continually increases in sophistication and may pose a significant risk to the security of our information technology systems and networks, which if breached could materially adversely affect the confidentiality, availability and integrity of our data. Our operations involve transferring data across national borders, and we must comply with increasingly complex and rigorous standards to protect business and personal data in the U.S. and foreign countries, including members of the European Union. We protect our sensitive information and confidential personal data, our facilities and information technology systems, but we may be vulnerable to future security breaches. This could lead to legal risk, fines and penalties, negative publicity, theft, modification or destruction of proprietary information or key information, manufacture of defective products, production downtimes and operational disruptions, which could adversely affect our reputation, competitiveness and results of operations.

*Regulatory and business developments regarding climate change could adversely impact our operations and demand for our products.*

Regulatory and business developments regarding climate change could adversely impact our operations. We follow the scientific discussion on climate change and related legislative and regulatory enactments, including those under consideration, to deliberate the potential impact on our operations and demand for our products. The scientific discussion on the presence and scope of climate change and the attention that domestic and international legislatures and regulatory authorities have given to enacting or considering laws or rules related to climate change are expected to continue. The production and market for our products are subject to the impact of laws and rules related to climate change. Our customers, and our operating segments, are exposed to risks of increased costs to comply with such laws and rules, including increased costs for raw materials and transportation, as well as exposure to damage to our respective business reputations upon any failure of compliance. Other adverse consequences of climate change could include an increased frequency of severe weather events and rising sea levels that could affect operations at our manufacturing facilities, the price of insuring company assets, or other unforeseen disruptions of the Company's operations, systems, property, or equipment.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

#### **ITEM 2. PROPERTIES.**

Our corporate headquarters are currently located in a leased facility in Omaha, Nebraska, under a lease expiring in 2021. Our corporate headquarters will move to a new leased facility in Omaha, Nebraska, expected to open in 2021. The headquarters of the Company's reportable segments are located in Valley, Nebraska. We also maintain a management headquarters in Sydney, Australia. Most of our significant manufacturing locations are owned or are subject to long-term renewable leases. Our principal manufacturing locations are in Valley, Nebraska, McCook, Nebraska, Tulsa, Oklahoma, Brenham, Texas, Charmeil, France, Monterrey, Mexico, and Shanghai, China. All of these facilities are owned by us. We believe that our manufacturing capabilities and capacities are adequate for us to effectively serve our customers. Our capital spending programs consist of investment for replacement, achieving operational efficiencies and expanding capacities where needed. Our principal operating locations by reportable segment are listed below.

Engineered Support Structures segment North America manufacturing locations are in Nebraska, Texas, Alabama, Indiana, Minnesota, Oregon, South Carolina, Washington, Arizona and Canada. The largest of these operations are in Valley, Nebraska and Brenham, Texas, both of which are owned facilities. We have communication components distribution locations in New York, California, Florida, Georgia, and Texas. International locations are in France, the Netherlands, Finland, Estonia, England, Germany, Poland, Morocco, Australia, Indonesia, the Philippines, Thailand, Malaysia, India and China. The largest of these operations are in Charmeil, France and Shanghai, China, both of which are owned facilities.

Utility Support Structures segment North America manufacturing locations are in Alabama, Georgia, Florida, California, Texas, Oklahoma, Tennessee, Kansas, Nebraska and Mexico. The largest of these operations are in Tulsa, Oklahoma and Monterrey, Mexico. The Tulsa and Monterrey facilities are owned. The largest principal international manufacturing location is Denmark which is owned and there are also manufacturing locations in China, Italy and India.

Coatings segment North America operations include U.S. operations located in Nebraska, California, Minnesota, Iowa, Indiana, Illinois, Kansas, New Jersey, Oregon, Utah, Oklahoma, Texas, Virginia, Alabama, Florida and South Carolina and two locations near Toronto, Canada. International operations are located in Australia, Malaysia, the Philippines and India.

Irrigation segment North America manufacturing operations are located in Valley, Nebraska, McCook, Nebraska and Indiana. Our principal manufacturing operations serving international markets are located in Uberaba, Brazil, Nigel, South Africa, Jebel Ali, United Arab Emirates, and Shandong, China. All facilities are owned except for China, which is leased.

Our operations in the "other" category were located in Australia, prior to divestiture in 2018.

### **ITEM 3. LEGAL PROCEEDINGS.**

We are not a party to, nor are any of our properties subject to, any material legal proceedings. We are, from time to time, engaged in routine litigation incidental to our businesses.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

#### **Information about our Executive Officers**

Our executive officers during fiscal 2019, their ages, positions held, and the business experience of each during the past five years are, as follows:

Stephen G. Kaniewski, age 48, President and Chief Executive Officer since December 31, 2017, previously President and Chief Operating Officer since October 2016. Utility Support Structures Group President, August 2015 to October 2016. Vice President of Global Operations for the Irrigation segment in 2014.

Mark C. Jaksich, age 62, Executive Vice President and Chief Financial Officer since February 2014.

Timothy P. Francis, age 43, Senior Vice President and Controller since June 2014.

T. Mitchell Parnell, age 54, Senior Vice President Human Resources since January 2019. Vice President Human Resources, Valmont Engineered Support Structures 2016 - 2018, Vice President Human Resources PPC - Belden 2010 to 2015.

Claudio O. Laterreur, age 53, Senior Vice President and Chief Information Officer since May 2019. US Industrial Products Partner at IBM and North America Vice President for manufacturing at Neoris, from 2013 - 2019.

R. Andrew Massey, age 50, Vice President and Chief Legal & Compliance Officer since 2006.

Teresa M. Hecker, age 51, Vice President Internal Audit since October 2018. Previously Audit Director since December 2017. Audit Director of Conagra Brands, Inc. (CAG) from 2013 to December 2017.

Ellen S. Dasher, age 50, Vice President Global Taxation since December 2015, previously Assistant Director of Taxation.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange under the symbol "VMI". We had approximately 21,631 shareholders of common stock at December 28, 2019.

#### Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price paid per share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
September 29, 2019 to October 26, 2019	44,673	\$ 133.79	44,673	\$ 206,217,000
October 27, 2019 to November 30, 2019	12,909	136.84	12,909	204,451,000
December 1, 2019 to December 28, 2019	—	—	—	204,451,000
Total	57,582	\$ 134.47	57,582	\$ 204,451,000

On May 13, 2014, we announced a capital allocation philosophy which covered both the quarterly dividend rate as well as a share repurchase program. The Board of Directors at that time authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. On February 24, 2015 and again on October 31, 2018, the Board of Directors authorized additional purchases of up to \$250 million of the Company's outstanding common stock with no stated expiration date. As of December 28, 2019, we have acquired 5,922,454 shares for approximately \$795.5 million under this share repurchase program.

# ITEM 6. SELECTED FINANCIAL DATA.

## SELECTED FIVE-YEAR FINANCIAL DATA

(Dollars in thousands, except per share amounts)	2019	2018	2017	2016	2015
<b>Operating Data</b>		(3)		(4)	
Net sales	\$ 2,766,976	\$ 2,737,144	\$ 2,745,967	\$ 2,521,676	\$ 2,618,924
Operating income (1)	237,720	202,280	267,080	245,374	131,695
Net earnings attributable to Valmont Industries, Inc. (2)	153,769	94,351	116,240	173,232	40,117
Depreciation and amortization	82,264	82,827	84,957	82,417	91,144
Capital expenditures	97,425	71,985	55,266	57,920	45,468
<b>Per Share Data</b>					
Earnings:					
Basic (2)	\$ 7.10	\$ 4.23	\$ 5.16	\$ 7.68	\$ 1.72
Diluted (2)	7.06	4.20	5.11	7.63	1.71
Cash dividends declared	1.500	1.500	1.500	1.500	1.500
<b>Financial Position</b>					
Working capital	\$ 874,640	\$ 931,605	\$ 1,069,567	\$ 903,368	\$ 860,298
Property, plant and equipment, net	558,129	513,992	518,928	518,335	532,489
Total assets	2,763,411	2,530,274	2,602,250	2,391,731	2,392,382
Long-term debt, including current installments	765,704	742,601	754,854	755,646	757,995
Total Valmont Industries, Inc. shareholders' equity.	1,111,484	1,059,762	1,112,836	943,482	918,441
<b>Cash flow data:</b>					
Net cash flows from operating activities	\$ 307,614	\$ 153,008	\$ 133,148	\$ 232,820	\$ 272,267
Net cash flows from investing activities	(168,150)	(155,445)	(49,615)	(53,049)	(48,171)
Net cash flows from financing activities	(98,950)	(162,110)	(32,010)	(95,158)	(220,005)
<b>Financial Measures</b>					
Invested capital(a)	\$ 1,944,369	\$ 1,888,802	\$ 1,906,810	\$ 1,738,978	\$ 1,724,182
Return on invested capital(a)	9.4%	7.8%	10.5%	9.8%	4.8%
Adjusted EBITDA(b)	\$ 326,393	\$ 336,236	\$ 351,987	\$ 326,629	\$ 285,115
Return on beginning shareholders' equity(c)	14.5%	8.5%	12.3%	18.9%	3.3%
Leverage ratio (d)	2.41	2.24	2.15	2.32	2.66
<b>Year End Data</b>					
Shares outstanding (000)	21,544	21,942	22,694	22,521	22,857
Approximate number of shareholders	21,631	21,569	24,801	26,057	27,010
Number of employees	9,862	10,328	10,690	10,552	10,697

(1) Fiscal 2018 operating income included impairments of goodwill and intangible assets of \$15,780 and restructuring expenses of \$34,031. Fiscal 2015 operating income included impairments of goodwill and intangible assets of \$41,970 and restructuring expenses of \$39,852.

(2) Fiscal 2018 included impairments of goodwill and intangible assets of \$14,736 after-tax (\$0.66 per share), restructuring expenses and non-recurring asset impairments from exiting certain local markets of \$37,779 after-tax (\$1.68 per share), refinancing of long-term debt expenses of \$11,115 after-tax (\$0.50 per share), and a loss from the divestiture of the grinding media business of \$5,350 after-tax (\$0.24 per share). Fiscal 2017 included \$41,935 of tax expense (\$1.85 per share) associated with recording the impact of the 2017 Tax Act. Fiscal 2016 included deferred income tax benefit of \$30,590 (\$1.35 per share) resulting primarily from the re-measurement of the deferred tax asset for the Company's U.K. defined benefit pension plan. In addition, fiscal 2016 included \$9,888 (\$0.44 per share) recorded as a valuation allowance against a tax credit asset. Fiscal 2016 also included the reversal of a contingent liability that was recognized as part of the Delta purchase accounting of \$16,591 (\$0.73 per share) which is not taxable. Fiscal 2015 included impairments of goodwill and intangible assets of \$40,140 after-tax (\$1.72 per share), restructuring expenses of \$28,167 after-tax (\$1.20 per share), and deferred income tax expense of \$7,120 (\$0.31 per share) for a change in U.K. tax rates.

(3) The Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue From Contracts with Customers, on a modified retrospective basis as of the first day of fiscal 2018. Revenue recognition for the prior three years presented in this table was under a different basis which was ASC Topic 605. Please see footnote 1 to the financial statements for further information.

(4) Fiscal 2016 was a 53 week fiscal year.

- a) Return on Invested Capital is calculated as Operating Income (after-tax) divided by the average of beginning and ending Invested Capital. Invested Capital represents total assets minus total liabilities (excluding interest-bearing debt). Return on Invested Capital is one of our key operating ratios, as it allows investors to analyze our operating performance in light of the amount of investment required to generate our operating profit. Return on Invested Capital is also a measurement used to determine management incentives. Return on Invested Capital is a non-GAAP measure. Accordingly, Invested Capital and Return on Invested Capital should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The table below shows how Invested Capital and Return on Invested Capital are calculated from our income statement and balance sheet.

	2019	2018	2017	2016	2015
Operating income	\$ 237,720	\$ 202,280	\$ 267,080	\$ 245,374	\$ 131,695
Adjusted effective tax rate (1)	24.0%	27.1%	28.1%	30.8%	32.0%
Tax effect on operating income	(57,053)	(54,818)	(75,049)	(75,575)	(42,142)
After-tax operating income	180,667	147,462	192,031	169,799	89,553
Average invested capital	1,916,586	1,897,806	1,822,894	1,731,580	1,874,331
Return on invested capital	9.4%	7.8%	10.5%	9.8%	4.8%
Total assets	2,763,411	2,530,274	2,602,250	2,391,731	2,392,382
Less: Accounts payable	(197,957)	(218,115)	(227,906)	(177,488)	(179,983)
Less: Accrued expenses	(285,209)	(171,233)	(165,455)	(162,318)	(175,947)
Less: Defined benefit pension liability	(140,007)	(143,904)	(189,552)	(209,470)	(179,323)
Less: Deferred compensation	(45,114)	(46,107)	(48,526)	(44,319)	(48,417)
Less: Other noncurrent liabilities	(8,904)	(10,394)	(20,585)	(14,910)	(40,290)
Less: Dividends payable	(8,079)	(8,230)	(8,510)	(8,445)	(8,571)
Less: Lease liability	(85,817)	—	—	—	—
Less: Deferred tax liability	(47,955)	(43,489)	(34,906)	(35,803)	(35,669)
Total Invested capital	\$ 1,944,369	\$ 1,888,802	\$ 1,906,810	\$ 1,738,978	\$ 1,724,182
Beginning of year invested capital	\$ 1,888,802	\$ 1,906,810	\$ 1,738,978	\$ 1,724,182	\$ 2,024,479
Average invested capital	\$ 1,916,586	\$ 1,897,806	\$ 1,822,894	\$ 1,731,580	\$ 1,874,331

(1) The adjusted effective tax rate for 2018 excludes the effects of the \$14,355 goodwill impairment which is not deductible for income tax purposes. The effective tax rate in 2018 including this item is 30.1%. The adjusted effective tax rate for 2017 excludes the \$41,935 of tax expense associated with recording the impact of the 2017 Tax Act. The effective tax rate in 2017 including these items is 46.5%. The adjusted effective tax rate for 2016 excludes deferred income tax benefit of \$30,590 resulting primarily from the re-measurement of the deferred tax asset for the Company's U.K. defined benefit pension plan. In addition, fiscal 2016 excludes \$9,888 recorded as a valuation allowance against a tax credit asset. Fiscal 2016 also excludes the reversal of a contingent liability that was recognized as part of the Delta purchase accounting of \$16,591, which is not taxable. The effective tax rate in 2016 including these items is 19.1%. The adjusted effective tax rate in 2015 excludes the effects of the goodwill impairments which are not deductible for income tax purposes and the \$7,120 million deferred income tax expense recognized as a result of the U.K. corporate tax rate decreasing from 20% to 18%. The effective tax rate in 2015 including these items is 51.0%.

Return on invested capital, as presented, may not be comparable to similarly titled measures of other companies.

- (b) Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) is one of our key financial ratios in that it is the basis for determining our maximum borrowing capacity at any one time. Our bank credit agreements contain a financial covenant that our total interest-bearing debt not exceed 3.50x Adjusted EBITDA (or 3.75x Adjusted EBITDA after certain material acquisitions) for the most recent four quarters. These bank credit agreements allow us to add estimated EBITDA from acquired businesses for periods we did not own the acquired businesses. The bank credit agreements also provide for an adjustment to EBITDA, subject to certain specified limitations, for non-cash charges or gains that are non-recurring in nature. If this financial covenant is violated, we may incur additional financing costs or be required to pay the debt before its maturity date. Adjusted EBITDA is non-GAAP measure and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of Adjusted EBITDA is as follows:



	2019	2018	2017	2016	2015
Net cash flows from operations	\$ 307,614	\$ 153,008	\$ 133,148	\$ 232,820	\$ 272,267
Interest expense	40,153	44,237	44,645	44,409	44,621
Income tax expense	50,207	43,135	106,145	42,063	47,427
Loss on investment	172	62	(237)	(586)	(4,555)
Change in fair value of contingent consideration	—	—	—	3,242	—
Loss on divestiture of grinding media business	—	(6,084)	—	—	—
Impairment of goodwill and intangible assets	—	(15,780)	—	—	(41,970)
Impairment of property, plant and equipment	—	(5,000)	—	(1,099)	(19,836)
Deferred income tax (expense) benefit	(3,940)	1,659	(39,755)	23,685	(4,858)
Noncontrolling interest	(5,697)	(5,955)	(6,079)	(5,159)	(5,216)
Equity in earnings of nonconsolidated subsidiaries	—	—	—	—	(247)
Stock-based compensation	(11,587)	(10,392)	(10,706)	(9,931)	(7,244)
Pension plan expense	513	2,251	(648)	(1,870)	810
Contribution to pension plan	18,461	1,537	40,245	1,488	16,500
Changes in assets and liabilities, net of acquisitions	(72,016)	61,647	81,305	13,690	(71,863)
Other	2,513	225	3,924	(631)	(2,327)
EBITDA	326,393	264,550	351,987	342,121	223,309
Reversal of contingent liability	—	—	—	(16,591)	—
Impairment of goodwill and intangible assets	—	15,780	—	—	41,970
Cash restructuring expenses	—	29,031	—	—	—
Impairment of assets - restructuring activities	—	12,944	—	1,099	19,836
Loss on divestiture of grinding media business	—	6,084	—	—	—
EBITDA from acquisitions (months not owned by Company)	—	7,847	—	—	—
Adjusted EBITDA	\$ 326,393	\$ 336,236	\$ 351,987	\$ 326,629	\$ 285,115

	2019	2018	2017	2016	2015
Net earnings attributable to Valmont Industries, Inc.	\$ 153,769	\$ 94,351	\$ 116,240	\$ 173,232	\$ 40,117
Interest expense	40,153	44,237	44,645	44,409	44,621
Income tax expense	50,207	43,135	106,145	42,063	47,427
Depreciation and amortization expense	82,264	82,827	84,957	82,417	91,144
EBITDA	326,393	264,550	351,987	342,121	223,309
Reversal of contingent liability	—	—	—	(16,591)	—
Impairment of goodwill and intangible assets	—	15,780	—	—	41,970
Cash restructuring expenses	—	29,031	—	—	—
Impairment of assets - restructuring activities	—	12,944	—	1,099	19,836
Loss on divestiture of grinding media business	—	6,084	—	—	—
EBITDA from acquisitions (months not owned by Company)	—	7,847	—	—	—
Adjusted EBITDA	\$ 326,393	\$ 336,236	\$ 351,987	\$ 326,629	\$ 285,115

Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. During 2018, we incurred \$14,820 of costs associated with refinancing of debt. This category of expense is not in the definition of EBITDA for debt covenant calculation purposes per our debt agreements. As such, it was not added back in the Adjusted EBITDA reconciliation to cash flows from operations or net earnings for the year ended December 29, 2018. In October 2017, our revolving credit facility was amended to allow the Company to add-back non-recurring cash restructuring costs in 2018.

- (c) Return on beginning shareholders' equity is calculated by dividing Net earnings attributable to Valmont Industries, Inc. by the prior year's ending Total Valmont Industries, Inc. shareholders' equity.

- (d) Leverage ratio is calculated as the sum of current portion of long-term debt, notes payable to bank, and long-term debt divided by Adjusted EBITDA. The leverage ratio is one of the key financial ratios in the covenants under our major debt agreements and the ratio cannot exceed 3.5 (or 3.75x after certain material acquisitions) for any reporting period (four quarters). If those covenants are violated, we may incur additional financing costs or be required to pay the debt before its maturity date. Leverage ratio is a non-GAAP measure and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of this ratio is as follows:

	2019	2018	2017	2016	2015
Current portion of long-term debt	\$ 760	\$ 779	\$ 966	\$ 851	\$ 1,077
Notes payable to bank	21,774	10,678	161	746	976
Long-term debt	764,944	741,822	753,888	754,795	756,918
Total interest bearing debt	787,478	753,279	755,015	756,392	758,971
Adjusted EBITDA	326,393	336,236	351,987	326,629	285,115
Leverage Ratio	2.41	2.24	2.15	2.32	2.66

Leverage ratio, as presented, may not be comparable to similarly titled measures of other companies.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Forward-Looking Statements

Management's discussion and analysis, and other sections of this annual report, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial position. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes.

## General

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
	Dollars in millions, except per share amounts				
Consolidated					
Net sales	\$ 2,767.0	\$ 2,757.1	0.4 %	\$ 2,746.0	0.4 %
Gross profit	692.5	658.3	5.2 %	681.8	(3.4)%
as a percent of sales	25.0%	23.9%		24.8%	
SG&A expense	454.8	456.0	(0.3)%	414.7	10.0 %
as a percent of sales	16.4%	16.5%		15.1%	
Operating income	237.7	202.3	17.5 %	267.1	(24.3)%
as a percent of sales	8.6%	7.3%		9.7%	
Net interest expense	36.2	39.6	(8.6)%	39.9	(0.8)%
Effective tax rate	24.0%	30.1%		46.5%	
Net earnings attributable to Valmont Industries, Inc	153.8	94.4	62.9 %	116.2	(18.8)%
Diluted earnings per share	\$ 7.06	\$ 4.20	68.1 %	\$ 5.11	(17.8)%
Engineered Support Structures Segment					
Net sales	\$ 1,002.1	\$ 967.3	3.6 %	\$ 912.2	6.0 %
Gross profit	229.0	213.1	7.5 %	225.9	(5.7)%
SG&A expense	163.4	178.3	(8.4)%	162.9	9.5 %
Operating income	65.6	34.8	88.5 %	63.0	(44.8)%
Utility Support Structures Segment					
Net sales	\$ 885.6	\$ 855.2	3.6 %	\$ 856.3	(0.1)%
Gross profit	187.6	170.5	10.0 %	178.4	(4.4)%
SG&A expense	99.8	105.7	(5.6)%	80.6	31.1 %
Operating income	87.8	64.8	35.5 %	97.8	(33.7)%
Coatings Segment					
Net sales	\$ 300.6	\$ 286.7	4.8 %	\$ 256.8	11.6 %
Gross profit	94.2	91.0	3.5 %	78.4	16.1 %
SG&A expense	43.2	35.7	21.0 %	28.2	26.6 %
Operating income	51.0	55.3	(7.8)%	50.2	10.2 %
Irrigation Segment					
Net sales	\$ 578.7	\$ 624.8	(7.4)%	\$ 644.4	(3.0)%
Gross profit	171.9	192.8	(10.8)%	197.3	(2.3)%
SG&A expense	100.2	95.1	5.4 %	95.8	(0.7)%
Operating income	71.7	97.7	(26.6)%	101.5	(3.7)%
Other					
Net sales	\$ —	\$ 23.1	(100.0)%	\$ 76.3	(69.7)%
Gross profit	—	0.8	(100.0)%	7.4	(89.2)%
SG&A expense	—	1.7	(100.0)%	5.3	(67.9)%
Operating income	—	(0.9)	(100.0)%	2.1	(142.9)%
Adjustment to LIFO inventory valuation method					
Gross profit	\$ 9.8	\$ (9.9)	199.0 %	\$ (5.7)	(73.7)%
Operating income	9.8	(9.9)	199.0 %	(5.7)	(73.7)%
Net corporate expense					
Gross profit	\$ —	\$ —	—	\$ 0.1	(100.0)%
SG&A expense	48.2	39.5	22.0 %	41.9	(5.7)%
Operating loss	(48.2)	(39.5)	22.0 %	(41.8)	(5.5)%

## RESULTS OF OPERATIONS

### FISCAL 2019 COMPARED WITH FISCAL 2018

#### Overview

The increase in net sales in 2019, as compared with 2018, was due to higher sales in the ESS, Utility, and Coatings segments that were substantially offset by lower sales in the Irrigation and Other segments. The changes in net sales in 2019, as compared with 2018, were as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Other</u>
Sales - 2018	\$ 2,757.1	\$ 967.3	\$ 855.2	\$ 286.7	\$ 624.8	\$ 23.1
Volume	(102.1)	18.1	(60.3)	(15.8)	(44.1)	—
Pricing/mix	82.0	17.6	51.5	11.5	1.4	—
Acquisition/(divestiture)	76.3	27.4	43.9	23.9	4.2	(23.1)
Currency translation	(46.3)	(28.3)	(4.7)	(5.7)	(7.6)	—
Sales - 2019	\$ 2,767.0	\$ 1,002.1	\$ 885.6	\$ 300.6	\$ 578.7	\$ —

Volume effects are estimated based on a physical production or sales measure. Since products we sell are not uniform in nature, pricing and mix relate to a combination of changes in sales prices and the attributes of the product sold. Accordingly, pricing and mix changes do not necessarily directly result in operating income changes.

Average steel index prices for both hot rolled coil and plate were lower in North America and China in 2019, as compared to 2018, resulting in lower average costs of sales and improved gross profit.

The Company acquired the following companies during 2019 and 2018:

- A majority ownership stake in Torrent Engineering and Equipment ("Torrent") in the first quarter of 2018 (Irrigation).
- Derit Infrastructure Pvt. Ltd. ("Dert") in the third quarter of 2018, which operates a lattice steel manufacturing facility located in India (Utility and Coatings).
- A majority ownership stake in Convert Italia SpA ("Convert") in the third quarter of 2018, a provider of engineered solar tracker solutions (Utility).
- Walpar in the third quarter of 2018, a domestic manufacturer of overhead sign structures (ESS).
- CSP Coating Systems ("CSP Coatings") in the fourth quarter of 2018, a coatings provider in New Zealand (Coatings).
- Larson Camouflage ("Larson") in the first quarter of 2019, an industry leading provider of architectural and camouflage concealment solutions for the wireless telecommunication market (ESS).
- United Galvanizing ("United") in the first quarter of 2019, a domestic coatings provider (Coatings).
- Connect-It Wireless, Inc. ("Connect-It") in the second quarter of 2019, a domestic communication components business (ESS).

The Company divested of its grinding media business in the second quarter of 2018, which resulted in a pre-tax loss of approximately \$6.1 million. The grinding media business is reported in Other and the loss was recorded in other income (expenses) on the Consolidated Statements of Earnings.

#### Restructuring Plan

In February 2018, the Company announced a restructuring plan related to certain operations in 2018, primarily in the ESS segment, through consolidation and other cost-reduction activities (the "2018 Plan"). The Company incurred pre-tax expenses from the 2018 Plan of \$34.0 million in 2018.

### *Currency Translation*

In 2019, we realized a reduction in operating profit, as compared with fiscal 2018, due to currency translation effects. The breakdown of this effect by segment was as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Other</u>	<u>Corporate</u>
Full year	\$ (1.9)	\$ (0.8)	\$ 0.1	\$ (0.5)	\$ (0.8)	\$ —	\$ 0.1

### *Gross Profit, SG&A, and Operating Income*

At a consolidated level, the increase in gross margin (gross profit as a percent of sales) in 2019, as compared with 2018, can be attributed to restructuring costs incurred in 2018 of \$18.4 million, lower raw material costs, and improved selling prices across our infrastructure businesses. The ESS and Utility segments realized an increase in gross margin in 2019, while Irrigation and Coatings realized a decrease in gross margin.

The Company saw a decrease in selling, general, and administrative (SG&A) expense in 2019, as compared to 2018. The decrease was driven by higher nonrecurring expenses in 2018 including impairment of the goodwill and trade name of the offshore and other complex structures ("Offshore") business totaling \$15.8 million, restructuring costs of \$15.6 million, expenses from recently acquired businesses of \$9.0 million, and acquisition diligence expenses of \$4.4 million. The decrease was partially offset by higher deferred compensation expenses of \$6.8 million (offset recognized in other expense as described below), and higher compensation and project related costs in 2019.

Operating income was higher for the ESS and Utility segments and lower for the Irrigation and Coatings segments in 2019, as compared to 2018. The overall increase in operating income can be attributed to the Offshore goodwill and trade name impairment and restructuring costs incurred in 2018 and a lower cost structure resulting from those activities in 2019.

### *Net Interest Expense and Debt*

Net interest expense for 2019 was lower than 2018 due to a debt refinancing in the third quarter of 2018 that included retiring \$250.2 million senior unsecured notes due 2020 at 6.625% and issuing new senior unsecured notes of \$200.0 million due 2044 and \$55.0 million due 2054 at 5.0% and 5.25%, respectively. Costs associated with the refinancing of debt totaled \$14.8 million. In addition, the Company entered into certain cross currency swaps in 2018 that effectively swaps the Company's U.S. denominated debt for Euro and Danish kroner debt at lower interest rates which reduces interest expense. Interest income was lower in 2019 due to having less cash on hand to invest during the year.

### *Other Income/Expense*

The increase in other income in 2019, as compared with 2018, is due to the change in valuation of deferred compensation assets in 2019 that resulted in additional income of \$6.8 million. This amount is offset by a reduction of the same amount in SG&A expense. The Company also divested of its grinding media business in 2018 that resulted in a loss of \$6.1 million.

### *Income Tax Expense*

Our effective income tax rate in 2019 and 2018 was 24.0% and 30.1%, respectively. The 2018 tax rate was higher due to certain restructuring costs and impairment charges for which no tax benefits were recorded.

### *Earnings Attributable to Noncontrolling Interests*

Noncontrolling interest expense in 2019 was consistent with 2018.

### ***Cash Flows from Operations***

Our cash flows provided by operations was \$307.6 million in 2019, as compared with \$153.0 million provided by operations in 2018. The increase in operating cash flows was due to improved working capital management offset by higher contributions to the Delta pension plan. The lower working capital is primarily due to a larger liability for customer billings in excess of costs and earnings (accrued expenses). This was partially offset by the 2019 Delta pension plan contribution (the 2018 annual payment was contributed early in December 2017) which is a use of cash flows from operations.

### ***Engineered Support Structures (ESS) segment***

The increase in sales in 2019 as compared with 2018, was due to recent acquisitions, improved communication product line sales, and improved sales pricing. Sales were partially offset by unfavorable foreign currency translation effects of \$28.3 million.

Global lighting and traffic, and highway safety product sales in 2019 were \$2.3 million higher as compared to 2018, due to higher sales pricing and increased sales volumes. Sales volumes and pricing in North America were higher across commercial and transportation markets and also increased due to the acquisition of Walpar. Sales in Europe were lower in 2019, as compared to 2018, due to volume decreases from ceasing manufacturing operations in Morocco and unfavorable foreign currency translation effects as the value of the euro depreciated against the U.S. dollar. Sales volumes in Asia-Pacific were higher in India due to improved demand, offset by lower demand in China for lighting and traffic products. Highway safety product sales decreased in 2019, as compared to 2018, due to a slowdown in government spending in Australia and India and certain project sales in 2018 that did not reoccur in 2019.

Communication product line sales increased by \$39.1 million in 2019, as compared with 2018. In North America, communication structure and component sales increased in 2019 due to strong demand from the network expansion by providers and acquisition of Larson and Connect-It. In Asia-Pacific, sales volumes decreased due to lower demand in China and Australia for new wireless communication structures.

Access Systems product line net sales decreased in 2019 by \$16.0 million, as compared to 2018. The decrease was attributed to lower sales volumes in Australia and unfavorable foreign currency translation effects.

Gross profit, as a percentage of sales, and operating income for the segment were higher in 2019, as compared to 2018, due to improved sales volume and pricing, restructuring costs incurred in 2018, and recent acquisitions. The improvements in profitability were partially offset by an approximate \$7 million loss recognized in 2019 on certain access systems projects and much lower gross profit during the second half of 2019 attributed to weak ANZ access systems market conditions. SG&A spending was lower in 2019, as compared to 2018, due to restructuring costs incurred in 2018 and foreign currency translation effects. The decrease in SG&A expense was partially offset by the expenses of recent acquisitions.

### ***Utility Support Structures (Utility) segment***

In the Utility segment, sales increased in 2019 as compared with 2018, due to higher sales pricing in North America and the acquisition of Convert and Derit that was offset by lower North America volumes and unfavorable foreign currency translation effects. A number of our sales contracts in North America contain provisions that tie the sales price to published steel index pricing at the time our customer issues their purchase order. Specific to North America, the average sales price increase was partially offset by lower sales volumes for steel utility structures; concrete utility structure sales volumes were higher. The 2018 acquisitions of Convert and Derit contributed \$43.9 million of additional sales in 2019, as compared to 2018.

Offshore and other complex structures sales decreased in 2019, as compared to 2018, due to lower sales pricing and unfavorable foreign currency translation effects, partially offset by sales volume increases.

Gross profit as a percentage of sales increased in 2019, as compared to 2018, due to improved sales pricing in North America and restructuring costs incurred in 2018. SG&A expense was lower in 2019, as compared with 2018, due to the goodwill and trade name impairment recorded in 2018 for Offshore business of \$15.8 million that was partially offset by expenses associated with recent acquisitions and higher compensation related expenses.

### *Coatings segment*

Coatings segment sales increased in 2019, as compared to 2018, due to increased sales prices and the acquisition of United, CSP Coatings, and Derit. Sales volume demand otherwise decreased in North America in 2019, as compared to 2018, due to lower industrial economy growth in the U.S. offset somewhat by price actions. In the Asia-Pacific region, the acquisition of Derit and CSP Coatings and price increases to recover zinc cost increases drove improved sales in 2019 as compared to 2018.

Gross profit increased in 2019 as compared to 2018, due to contributions from recent acquisitions. SG&A expense was higher in 2019, as compared to 2018, due to expenses of recent acquisitions and non-recurring expenses. 2019 included approximately \$3.0 million of expenses associated with a legal settlement; in 2018 the business recorded the reversal of an environmental remediation liability related to one of our North America galvanizing locations of \$1.9 million. Operating income was lower in 2019 compared to 2018, due to sales volume decreases globally and non-recurring expenses.

### *Irrigation segment*

The decrease in Irrigation segment net sales in 2019, as compared to 2018, is primarily due to lower sales volumes in North America and international markets and unfavorable foreign currency translation effects. Continued low farm commodity prices and uncertainty around trade disputes with China dampened net farm income and caused growers to delay irrigation investments. However, sales of technology-related products and services continue to grow, as growers are increasing adoption of technology to reduce costs and enhance profitability. The decrease in international sales can be attributed to project delays and lower overall large project work across most regions. In addition, the weakening of the Brazilian real and South African rand in 2019 resulted in lower sales due to currency translation.

SG&A was higher in 2019, as compared to 2018. The increase can be attributed to expenses associated with the recent acquisitions and planned higher product development expenses. Operating income for the segment decreased in 2019 due to lower sales volumes for the tubing and international irrigation businesses and the associated operating leverage of fixed factory and SG&A costs.

### *Other*

In April 2018, the Company completed the sale of Donhad, a mining consumable business with operations in Australia. There are no remaining businesses recorded within Other.

### *LIFO expense*

Unit costs of raw materials in the U.S. decreased in 2019, as compared to the end of 2018, resulting in a LIFO benefit. In 2018, unit costs of raw materials in the U.S. increased, as compared to the end of 2017, resulting in LIFO expense.

### *Net corporate expense*

Corporate SG&A expense was higher in 2019 as compared to 2018. The increase can be attributed to \$6.8 million of increased appreciation of deferred compensation plan assets. The increase in deferred compensation plan assets is offset by the same amount in other income/expense.

## **FISCAL 2018 COMPARED WITH FISCAL 2017**

### *Overview*

The increase in net sales in 2018, as compared with 2017, was due to higher sales in the ESS and Coatings segments that were offset by lower sales in the Irrigation, Utility, and Other segments. The changes in net sales in 2018, as compared

with 2017, were as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Other</u>
Sales - 2017	\$ 2,746.0	\$ 912.2	\$ 856.3	\$ 256.8	\$ 644.4	\$ 76.3
Volume	(100.6)	8.3	(74.8)	10.8	(40.6)	(4.3)
Pricing/mix	114.8	28.1	50.3	16.9	17.1	2.4
Acquisition/(divestiture)	1.5	17.2	18.9	3.1	14.3	(52.0)
Currency translation	(4.6)	1.5	4.5	(0.9)	(10.4)	0.7
Sales - 2018	\$ 2,757.1	\$ 967.3	\$ 855.2	\$ 286.7	\$ 624.8	\$ 23.1

Volume effects are estimated based on a physical production or sales measure. Since products we sell are not uniform in nature, pricing and mix relate to a combination of changes in sales prices and the attributes of the product sold. Accordingly, pricing and mix changes do not necessarily directly result in operating income changes. On the first day of fiscal 2018, the Company adopted the new revenue recognition accounting standard ("ASC 606"). Within the Utility Support Structures segment, the steel and concrete product lines now recognize revenue over time whereas in 2017 and years prior, their revenue was recognized at a point in time, which was typically upon product delivery to the customer. The impact of the adoption of ASC 606 in 2018 was an increase in sales of \$36.4 million and an increase in operating income of \$6.2 million primarily in the Utility segment. It is not practicable to estimate the sales volumes attributable to the adoption of ASC 606 and thus is not a separate line item in the table above. Information on the adoption of the revenue standard can be found under Critical Accounting Policies within Management's Discussion and Analysis.

Average steel index prices for both hot rolled coil and plate were higher in North America and China in 2018, as compared to 2017, resulting in higher average cost of material. In general, the average selling prices increased during the year to mitigate decrease in gross profit realized from the higher cost of steel for the Company.

The Company acquired the following companies during 2018:

- Torrent Engineering and Equipment ("Torrent") in the first quarter of 2018 that is included in our Irrigation segment.
- Derit Infrastructure Pvt. Ltd. ("Derit"), a manufacturing facility located in India that is included in both the Utility and Coatings segments.
- A majority ownership stake in Convert Italia SpA ("Convert"), a provider of engineered solar tracker solutions, also acquired during the third quarter of 2018 and included in the Utility segment.
- Walpar, a manufacturer of overhead sign structures, in the third quarter of 2018 that is included in the ESS segment.
- CSP Coating Systems ("CSP Coatings"), a coatings provider in New Zealand, acquired in the fourth quarter of 2018 that is included in the Coatings segment.

The Company divested of its grinding media business in the second quarter of 2018, which resulted in a pre-tax loss of approximately \$6.1 million. The grinding media business is reported in Other and the loss was recorded in other income (expenses) on the Consolidated Statements of Earnings.

#### **Restructuring Plan**

In February 2018, the Company announced a restructuring plan related to certain operations in 2018, primarily in the ESS segment, through consolidation and other cost-reduction activities (the "2018 Plan"). The Company incurred pre-tax expenses from the 2018 Plan of \$34.0 million. The decrease in 2018 gross profit and operating income due to restructuring expense by segment is as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Irrigation</u>	<u>Corporate</u>
Gross Profit	\$ 18.4	\$ 14.3	\$ 4.1	\$ —	\$ —
Operating Income	\$ 34.0	\$ 28.5	\$ 5.2	\$ 0.2	\$ 0.1



### *Currency Translation*

In 2018, we realized a reduction in operating profit, as compared with fiscal 2017, due to currency translation effects. The breakdown of this effect by segment was as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Other</u>	<u>Corporate</u>
Full year	\$ (1.8)	\$ (0.5)	\$ 0.3	\$ —	\$ (1.6)	\$ —	\$ —

### *Gross Profit, SG&A, and Operating Income*

At a consolidated level, the reduction in gross margin (gross profit as a percent of sales) in 2018, as compared with 2017, was primarily due to restructuring costs incurred in the ESS and Utility segments. The Irrigation and Coatings segments realized an increase in gross margin in 2018, while Utility, ESS, and Other realized a decrease in gross margin.

The Company saw an increase in selling, general, and administrative (SG&A) expense in 2018, as compared to 2017, due to impairment of the goodwill and trade name of the Offshore and other complex structures ("Offshore") business totaling \$15.8 million, restructuring costs incurred of \$15.6 million, SG&A from recently acquired businesses of \$9.0 million, and acquisition diligence expenses of \$4.4 million. The increase was partially offset by lower deferred compensation expenses of \$5.0 million (offset recognized in other expense as described below) and \$3.6 million of SG&A in 2017 from the grinding media business divested in 2018.

Operating income was lower for all reportable segments with the exception of Coatings in 2018, as compared to 2017. The decrease is attributed to the impairment of the goodwill and trade name of the Offshore business, restructuring costs incurred in the ESS and Utility segments, and the disposal of the grinding media business included in Other.

### *Net Interest Expense and Debt*

Net interest expense for 2018 was consistent with 2017. The Company issued \$200.0 million and \$55.0 million of senior secured notes in June 2018 at 5.0% and 5.25%, respectively. Proceeds from the debt issuance were subsequently used to pay off the 2020 bonds in July 2018.

The approximate \$14.8 million in pre-tax costs (\$11.1 million after-tax) associated with refinancing of debt is due to the Company's repurchase through tender of \$250.2 million in aggregate principal amount of the senior unsecured notes due 2020. This expense was comprised of the following:

- Cash prepayment expenses of approximately \$15.8 million; plus
- Recognition of \$1.0 million of expense comprised of the write-offs of unamortized loss on the cash flow hedge and deferred financing costs; less
- Recognition of \$2.0 million of the unamortized premium originally recorded upon the issuance of the 2020 notes.

### *Other Income/Expense*

The change in other income/expense in 2018, as compared with 2017, was primarily due to the divestiture of our grinding media business that resulted in a loss of approximately \$6.1 million. Excluding the divestiture, higher other income was driven by a periodic pension benefit in 2018 that resulted a beneficial change of \$2.8 million. In addition, the change in market value of the Company's shares held of Delta EMD was an improvement of \$0.8 million. The remaining change was due to more favorable foreign currency transaction gains/losses in 2018 as compared to 2017. The increase in other income was partially offset by a change in valuation of deferred compensation assets in 2018 which resulted in additional expense of \$5.0 million. This amount is offset by a reduction of the same amount in SG&A expense.

### *Income Tax Expense*

Our effective income tax rate in 2018 and 2017 was 30.1% and 46.5%, respectively. The 2018 tax rate was impacted by the reduction in the U.S. corporate income tax rate from 35% to 21% offset by 2018 restructuring costs and impairment charges for which no tax benefits have been recorded. The 2017 tax rate was impacted by The Tax Cuts and Jobs Act of 2017

(the "2017 Tax Act" or "Act") which resulted in a one-time fourth quarter of 2017 charge of approximately \$42 million related to the transition effects of the Act. Excluding this charge, our effective tax rate would have been 28.1% for 2017.

The \$42 million charge was comprised of (a) approximately \$9.9 million of expense related to the taxation of unremitted foreign earnings ("transition tax"), the federal portion of which is payable over eight (8) years beginning in 2018, (b) approximately \$20.4 million of expense related to the remeasurement of U.S. deferred tax balances to reflect the new U.S. corporate income tax rate, using a federal and state tax rate of 25.0%, and (c) approximately \$11.7 million of deferred expenses related to foreign withholding taxes and U.S. state income taxes. During 2018, the Company finalized the transition tax which resulted in a credit to tax expense of \$0.5 million.

Earnings attributable to noncontrolling interests was consistent in 2018 and 2017.

#### ***Cash Flows from Operations***

Our cash flows provided by operations was \$153.0 million in 2018, as compared with \$133.1 million provided by operations in 2017. The increase in operating cash flows was due to lower contributions to the Delta pension plan partially offset by lower net earnings.

#### ***Engineered Support Structures (ESS) segment***

The increase in sales in 2018, as compared with 2017, was due to higher sales pricing to cover the higher costs of steel and sales volume increases from acquisitions in 2018.

Global lighting and traffic, and highway safety product sales in 2018 were \$73.4 million higher as compared to 2017, due to higher sales pricing and increased sales volumes. Sales volumes and pricing in North America were higher across commercial and transportation markets and also increased due to the acquisition of Walpar in the third quarter of 2018. Improved sales volumes in Europe contributed to higher sales in 2018, as compared to 2017, along with favorable currency translation effects as the value of the euro appreciated against the U.S. dollar. Sales volumes in Asia-Pacific were higher in India due to improved demand, offset by lower demand in China for lighting and traffic products. Highway safety product sales increased in 2018, as compared to 2017, due to higher demand in Australia and the acquisition of Aircon in the third quarter of 2017.

Communication product line sales were lower by \$21.9 million in 2018, as compared with 2017. In North America, communication structure and component sales increased in 2018 due to strong demand from the network expansion by providers. In Asia-Pacific, sales volumes decreased due to much lower demand in China for new wireless communication structures.

Access Systems product line net sales decreased in 2018 by \$2.7 million, as compared to 2017. The decrease can be attributed to lower sales volumes in Asia due to less large project work that was partially offset by improved demand in Australia, in part due to efforts to expand our sales reach into architectural and construction markets.

Gross profit, as a percentage of sales, and operating income for the segment were lower in 2018, as compared to 2017, due to restructuring costs incurred in 2018. In 2018, the segment incurred \$14.3 million of restructuring costs within product cost of sales and \$14.2 million within SG&A expense. In addition, approximately \$8.0 million of asset impairment costs were incurred related to exiting certain local markets in 2018. SG&A spending was higher in 2018, as compared to 2017, due to restructuring costs and SG&A expenses of Walpar that was acquired in the third quarter of 2018. Operating income decreased primarily from the \$28.5 million of incurred restructuring costs.

#### ***Utility Support Structures (Utility) segment***

In the Utility segment, sales decreased in 2018, as compared with 2017, due to lower sales volumes in North America that are offset by sales price increases to cover higher steel costs and the acquisition of Convert and Derit in the third quarter of 2018. A number of our sales contracts in North America contain provisions that tie the sales price to published steel index pricing at the time our customer issues their purchase order. Measured in tonnages, sales volumes for steel utility structures in North America were lower whereas concrete utility structure sales volumes were higher in 2018, as compared to 2017. The Company adopted new revenue recognition guidance effective the first day of fiscal 2018; steel and concrete

reported sales in 2017 were recognized upon delivery to customers (point in time) whereas reported revenue for 2018 is based on progress of production on customer orders (over time).

Offshore and other complex structures sales decreased in 2018, as compared to 2017, due to lower sales volumes that were partially offset by positive effects from currency translation.

Gross profit as a percentage of sales decreased in 2018, as compared to 2017, due to restructuring costs incurred of \$4.1 million and lower offshore and complex steel structures sales volumes. SG&A expense was higher in 2018, as compared with 2017, due to the goodwill and trade name impairment recorded for Offshore business of \$15.8 million, restructuring expenses, and increased expenses related to the acquisition of Derit and Convert. Excluding restructuring expenses, expenses associated with the acquisitions, and the intangible asset impairment, operating income in 2018 was consistent with 2017.

#### *Coatings segment*

Coatings segment sales increased in 2018, as compared to 2017, due to increased sales prices to recover higher zinc costs globally and higher sales volumes. The Company acquired Derit in the third quarter of 2018 and CSP Coatings in the fourth quarter of 2018 that also contributed to higher sales. Sales pricing and volume demand increased in North America in 2018, as compared to 2017. In the Asia-Pacific region, continued improvements in the Australia market along with overall higher sales pricing provided an increase in net sales.

SG&A expense was higher in 2018, as compared to 2017, due to higher compensation costs related to improved business operations and currency translation effects. Non-recurring items were recognized in 2018 and 2017 which reduced SG&A. 2018 included the reversal of an environmental remediation liability related to one of our North America galvanizing locations of \$1.9 million; in 2017 the business recorded a reversal of an environmental remediation liability of \$2.6 million due to the sale of a former galvanizing operation in Australia. Operating income was higher in 2018 compared to 2017, due to improved sales volumes and the associated operating leverage of fixed costs and improved sales pricing.

#### *Irrigation segment*

The decrease in Irrigation segment net sales in 2018, as compared to 2017, is primarily due to sales volume decreases, particularly in the international markets. The decrease in international sales can be attributed to project delays and lower overall large project work across most regions. In addition, the weakening of the Brazilian real and Argentina peso in 2018 resulted in lower sales due to currency translation. North America sales increased in 2018, as compared to 2017, due to higher sales pricing and recent acquisitions. Sales volumes in North America for the year were lower due to continued weak farm income levels. Recent proposed tariffs also caused uncertainly leading farmers to delay irrigation purchases.

SG&A was lower in 2018, as compared to 2017. The decrease can be attributed to lower incentives from reduced business operations and currency translation effects which were partially offset by expenses associated with the 2018 acquisitions. Operating income for the segment decreased in 2018 compared to 2017, due to lower sales volumes and the associated operating deleverage of fixed costs and currency translation effects.

#### *Other*

In April 2018, the Company completed the sale of Donhad, a mining consumable business with operations in Australia. The Company realized an approximate \$6.1 million loss on the sale that is recorded in other income/expense, subject to certain post-closing adjustments.

#### *LIFO expense*

Steel index prices for both hot rolled coil and plate, and zinc in the U.S. increased at a higher rate in 2018, as compared to 2017, resulting in higher LIFO expense.

#### *Net corporate expense*

Corporate SG&A expense was lower in 2018 as compared to 2017. The decrease can be attributed to lower deferred compensation expenses of \$5.0 million, which is offset by the same amount in other expense, and lower incentive expense. The decrease was partially offset by higher compensation expenses.

## LIQUIDITY AND CAPITAL RESOURCES

### *Cash Flows*

**Working Capital and Operating Cash Flows**-Net working capital was \$874.6 million at December 28, 2019, as compared with \$931.6 million at December 29, 2018. The decrease in net working capital in 2019 is attributed to an increase in liability for customer billings in excess of costs and earnings of \$113.0 million. Cash flow provided by operations was \$307.6 million in 2019, as compared with \$153.0 million in 2018 and \$133.1 million in 2017. The increase in operating cash flow in 2019, as compared to 2018, was the result of increased net earnings and improved working capital management, offset by higher contributions to the Delta pension plan.

**Investing Cash Flows**-Capital spending in fiscal 2019 was \$97.4 million, as compared with \$72.0 million in fiscal 2018 and \$55.3 million in fiscal 2017. The increase in capital spending in 2019 resulted from plant investments in Poland (ESS), concrete distribution poles (Utility), and United Arab Emirates (Irrigation). The increase in investing cash outflows in 2019, as compared to 2018, was primarily due to an increase in capital expenditures and lower proceeds from the sale of assets as we sold our mining consumable business in 2018. The increase was partially offset by reduced spending on acquisitions. We expect our capital spending for the 2020 fiscal year to be approximately \$120.0 million.

**Financing Cash Flows**-Our total interest-bearing debt increased to \$787.5 million at December 28, 2019, from \$753.3 million at December 29, 2018. Financing cash outflows decreased in 2019, as compared to 2018, due to the Company acquiring fewer shares under the share repurchase program. No shares were repurchased in 2017.

### *Capital Allocation Philosophy*

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. In May 2014, our Board of Directors approved and publicly announced a capital allocation philosophy with the following priorities for cash generated:

- working capital and capital expenditure investments necessary for future sales growth;
- dividends on common stock in the range of 15% of the prior year's fully diluted net earnings;
- acquisitions; and
- return of capital to shareholders through share repurchases.

We also announced our intention to manage our capital structure to maintain our investment grade debt rating. Our most recent ratings were Baa3 by Moody's Investors Services, Inc., BBB- by Fitch Ratings, and BBB+ by Standard and Poor's Rating Services. We would be willing to allow our debt rating to fall to BBB- to finance a special acquisition or other opportunity. We expect to maintain a ratio of debt to invested capital which will support our current investment grade debt rating.

The Board of Directors in May 2014 authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. The Board of Directors authorized an additional \$250 million of share purchases, without an expiration date in both February 2015 and again in October 2018. The purchases will be funded from available working capital and short-term borrowings and will be made subject to market and economic conditions. We are not obligated to make any repurchases and may discontinue the program at any time. As of December 28, 2019, we have acquired approximately 5.9 million shares for approximately \$795.5 million under these share repurchase programs.

### *Sources of Financing*

Our debt financing at December 28, 2019 consisted primarily of long-term debt. During 2018, the Company issued an additional \$200 million aggregate principal amount of its 5.00% senior notes due 2044 and \$55 million aggregate principal amount of its 5.25% senior notes due 2054 and redeemed \$250.2 million in remaining aggregate principal amount of the 2020 senior notes. Our long-term debt as of December 28, 2019, principally consists of:

- \$450 million face value (\$436.3 million carrying value) of senior unsecured notes that bear interest at 5.00% per annum and are due in October 2044.
- \$305 million face value (\$297.5 million carrying value) of senior unsecured notes that bear interest at 5.25% per annum and are due in October 2054.

We are allowed to repurchase the notes subject to the payment of a make-whole premium. Both tranches of these notes are guaranteed by certain of our subsidiaries.

Our amended and restated our revolving credit facility with JP Morgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto has a maturity date of October 18, 2022. The credit facility provides for \$600 million of committed unsecured revolving credit loans with available borrowings thereunder to \$400 million in foreign currencies. We may increase the credit facility by up to an additional \$200 million at any time, subject to lenders increasing the amount of their commitments. The leverage ratio of 3.5X increases to 3.75X for the four consecutive fiscal quarters after certain material acquisitions. The Company and our wholly-owned subsidiaries Valmont Industries Holland B.V. and Valmont Group Pty. Ltd., are authorized borrowers under the credit facility. The obligations arising under the credit facility are guaranteed by the Company and its wholly-owned subsidiaries PiRod, Inc., Valmont Coatings, Inc., Valmont Newmark, Inc. and Valmont Queensland Pty. Ltd.

The interest rate on our borrowings will be, at our option, either:

(a) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by us) plus 100 to 162.5 basis points, depending on the credit rating of our senior debt published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.; or

(b) the higher of

- the prime lending rate,
- the Federal Funds rate plus 50 basis points, and
- LIBOR (based on a 1 month interest period) plus 100 basis points (inclusive of facility fees),

plus, in each case, 0 to 62.5 basis points, depending on the credit rating of our senior debt published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

A commitment fee is also required under the revolving credit facility which accrues at 10 to 25 basis points, depending on the credit rating of our senior debt published by Standard and Poor's Rating Services and Moody's Investor Services, Inc., on the average daily unused portion of the commitment under the revolving credit facility.

At December 28, 2019, we had \$29.0 million of outstanding borrowings under the revolving credit facility. The revolving credit facility has a maturity date of October 18, 2022 and contains certain financial covenants that may limit our additional borrowing capability under the agreement. At December 28, 2019, we had the ability to borrow \$556.6 million under this facility, after consideration of standby letters of credit of \$14.6 million associated with certain insurance obligations. We also maintain certain short-term bank lines of credit totaling \$131.3 million; \$109.6 million of which was unused at December 28, 2019.

Our senior unsecured notes and revolving credit agreement each contain cross-default provisions which permit the acceleration of our indebtedness to them if we default on other indebtedness that results in, or permits, the acceleration of such other indebtedness.

These debt agreements contain covenants that require us to maintain certain coverage ratios and may limit us with respect to certain business activities, including capital expenditures. These debt agreements allow us to add estimated EBITDA from acquired businesses for periods we did not own the acquired businesses. The debt agreements also provide for an adjustment to EBITDA, subject to certain specified limitations, for non-cash charges or gains that are non-recurring in nature.

Our key debt covenants are as follows:

- *Leverage ratio* - Interest-bearing debt is not to exceed 3.50x Adjusted EBITDA (or 3.75x Adjusted EBITDA after certain material acquisitions) of the prior four quarters; and
- *Interest earned ratio* - Adjusted EBITDA over the prior four quarters must be at least 2.50x our interest expense over the same period.

At December 28, 2019, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at December 28, 2019 were as follows (amounts in thousands):

Interest-bearing debt	\$ 787,478
Adjusted EBITDA-last four quarters	326,393
Leverage ratio	2.41
Adjusted EBITDA-last four quarters	326,393
Interest expense-last four quarters	40,153
Interest earned ratio	8.13

The calculation of Adjusted EBITDA-last four quarters is presented under the column for fiscal 2019 in footnote (b) to the table "Selected Five-Year Financial Data" in Item 6 - Selected Financial Data.

Our businesses are cyclical, but we have diversity in our markets, from a product, customer and a geographical standpoint. We have demonstrated the ability to effectively manage through business cycles and maintain liquidity. We have consistently generated operating cash flows in excess of our capital expenditures. Based on our available credit facilities, recent issuance of senior unsecured notes and our history of positive operational cash flows, we believe that we have adequate liquidity to meet our needs for fiscal 2020 and beyond.

We have cash balances of \$353.5 million at December 28, 2019, approximately \$165.6 million is held in our non-U.S. subsidiaries. If we distributed our foreign cash balances certain taxes would be applicable. At December 28, 2019, we have a liability for foreign withholding taxes and U.S. state income taxes of \$3.7 million and \$0.6 million, respectively.

#### FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS

We have future financial obligations related to (1) payment of principal and interest on interest-bearing debt, (2) Delta pension plan contributions, (3) operating leases and (4) purchase obligations. These obligations at December 28, 2019 were as follows (in millions of dollars):

<u>Contractual Obligations</u>	<u>Total</u>	<u>2020</u>	<u>2021-2022</u>	<u>2023-2024</u>	<u>After 2024</u>
Long-term debt	\$ 794.7	\$ 0.8	\$ 30.4	\$ —	\$ 763.5
Interest	1,116.2	39.2	78.2	77.6	921.2
Delta pension plan contributions	182.7	18.3	36.5	36.5	91.4
Operating leases	123.1	18.7	28.2	18.2	58.0
Unconditional purchase commitments	69.9	69.9	—	—	—
Total contractual cash obligations	\$ 2,286.6	\$ 146.9	\$ 173.3	\$ 132.3	\$ 1,834.1

Long-term debt mainly consisted of \$755.0 million principal amount of senior unsecured notes. At December 28, 2019, we had outstanding borrowings of \$29.0 million under our bank revolving credit agreement. Obligations under these agreements may be accelerated in event of non-compliance with debt covenants. The Delta pension plan contributions are related to the current cash funding commitments to the plan with the plan's trustees. Operating leases relate mainly to various production and office facilities and are in the normal course of business.

Unconditional purchase commitments relate to purchase orders for zinc, aluminum and steel, all of which we plan to use in 2020, and certain capital investments planned for 2020. We believe the quantities under contract are reasonable in light of normal fluctuations in business levels and we expect to use the commodities under contract during the contract period.

At December 28, 2019, we had approximately \$13.1 million of various long-term liabilities related to certain income tax and other matters. These items are not scheduled above because we are unable to make a reasonably reliable estimate as to the timing of any potential payments.

## **OFF BALANCE SHEET ARRANGEMENTS**

We maintain standby letters of credit for contract performance on certain sales contracts.

## **MARKET RISK**

### *Changes in Prices*

Certain key materials we use are commodities traded in worldwide markets and are subject to fluctuations in price. The most significant materials are steel, aluminum, zinc and natural gas. Over the last several years, prices for these commodities have been volatile. The volatility in these prices was due to such factors as fluctuations in supply and demand conditions, government tariffs and the costs of steel-making inputs. Steel is most significant for our Utility Support Structures segment where the cost of steel has been approximately 50% of the net sales, on average. In 2018, we began using steel hot rolled coil derivative contracts on a limited basis to mitigate the impact of rising steel prices on operating income. Assuming a similar sales mix, a hypothetical 20% change in the price of steel would have affected our net sales from our Utility Support Structures segment by approximately \$63 million for the year ended December 28, 2019.

We have also experienced volatility in natural gas prices in the past several years. Our main strategies in managing these risks are a combination of fixed price purchase contracts with our vendors to reduce the volatility in our purchase prices and sales price increases where possible. We use natural gas swap contracts on a limited basis to mitigate the impact of rising gas prices on our operating income.

### *Risk Management*

**Market Risk**—The principal market risks affecting us are exposure to interest rates, foreign currency exchange rates and commodity prices. At times, we utilize derivative financial instruments to hedge these exposures, but we do not use derivatives for trading purposes.

**Interest Rates**—Our interest-bearing debt at December 28, 2019 was mostly fixed rate debt. Our notes payable and a small portion of our long-term debt accrue interest at a variable rate. Assuming average interest rates and borrowings on variable rate debt, a hypothetical 10% change in interest rates would have affected our interest expense in 2019 and 2018 by approximately \$0.1 million. Likewise, we have excess cash balances on deposit in interest-bearing accounts in financial institutions. An increase or decrease in interest rates of ten basis points would have impacted our annual interest earnings in 2019 and 2018 by approximately \$0.3 million and \$0.3 million, respectively.

**Foreign Exchange**—Exposures to transactions denominated in a currency other than the entity's functional currency are not material, and therefore the potential exchange losses in future earnings, fair value and cash flows from these transactions are not material. The Company is also exposed to investment risk related to foreign operations. From time to time, as market conditions indicate, we will enter into foreign currency contracts to manage the risks associated with anticipated future transactions, current balance sheet positions, and foreign subsidiary investments that are in currencies other than the functional currencies of our businesses. At December 28, 2019, the Company had outstanding foreign currency forward contracts which mitigate foreign currency risk of the Company's investment in its Australian dollar denominated businesses. The forward contracts, which qualify as net investment hedges, have a maturity date of April 2021 and notional amounts to sell Australian dollars and receive \$100.0 million. In 2019, the Company entered into two fixed-for-fixed cross currency swaps ("CCS"), swapping U.S. dollar principal and interest payments on a portion of its 5.00% senior unsecured notes due 2044 for Danish krone (DKK) and Euro denominated payments. The CCS were entered into in order to mitigate foreign currency risk on the Company's Euro and DKK investments and to reduce interest expense. The notional of the Euro and DKK CCS are \$80.0 million and \$50.0 million, respectively, and mature in 2024. Much of our cash in non-U.S. entities is denominated in foreign currencies, where fluctuations in exchange rates will impact our cash balances in U.S. dollar terms.

A hypothetical 10% change in the value of the U.S. dollar would impact our reported cash balance by approximately \$14.1 million in 2019 and \$18.5 million in 2018.

We manage our investment risk in foreign operations by borrowing in the functional currencies of the foreign entities or by utilizing hedging instruments (as discussed above) where appropriate. The following table indicates the change in the recorded value of our most significant investments at year-end assuming a hypothetical 10% change in the value of the U.S. Dollar.

	2019	2018
	(in millions)	
Australian dollar	\$ 14.7	\$ 18.1
Euro	9.9	12.1
Danish krone	5.7	7.0
Chinese renminbi	6.9	6.7
Canadian dollar	3.8	4.7
U.K. pound	6.3	4.4
Brazilian real	3.3	2.7

Commodity risk— Steel hot rolled coil is a significant commodity input used by all of our segments in the manufacture of our products, with the exception of Coatings. Steel prices are volatile and we may utilize derivative instruments to mitigate commodity price risk on fixed price orders. In 2019 and 2018, the Company entered into steel hot rolled coil forward contracts which qualified as a cash flow hedge of the variability in the cash flows attributable to future steel purchases. There are no outstanding steel coil forward contracts at December, 28, 2019.

Natural gas is a significant commodity used in our factories, especially in our Coatings segment galvanizing operations, where natural gas is used to heat tanks that enable the hot-dipped galvanizing process. Natural gas prices are volatile and we mitigate some of this volatility through the use of derivative commodity instruments. Our current policy is to manage this commodity price risk for 0-50% of our U.S. natural gas requirements for the upcoming 6-12 months through the purchase of natural gas swaps based on NYMEX futures prices for delivery in the month being hedged. The objective of this policy is to mitigate the impact on our earnings of sudden, significant increases in the price of natural gas. At December 28, 2019, we have open natural gas swaps for 80,000 MMBtu.

## CRITICAL ACCOUNTING POLICIES

The following accounting policies involve judgments and estimates used in preparation of the consolidated financial statements. There is a substantial amount of management judgment used in preparing financial statements. We must make estimates on a number of items, such as impairments of long-lived assets, income taxes, revenue recognition for the product lines recognized over time, inventory obsolescence, and pension benefits. We base our estimates on our experience and on other assumptions that we believe are reasonable under the circumstances. Further, we re-evaluate our estimates from time to time and as circumstances change. Actual results may differ under different assumptions or conditions. The selection and application of our critical accounting policies are discussed annually with our audit committee.

### *Depreciation, Amortization and Impairment of Long-Lived Assets*

Our long-lived assets consist primarily of property, plant and equipment, right-of-use (lease) assets, and goodwill and intangible assets acquired in business acquisitions. We have assigned useful lives to our property, plant and equipment and certain intangible assets ranging from 3 to 40 years. Upon adoption of ASC 842 in 2019, the Company impaired the right-of-use asset for one of our galvanizing facilities in Australia as it will not generate sufficient cash flows to recover the carrying value. Impairment losses were recorded in 2018 as facilities were closed and certain fixed assets were no longer expected to be used as a result of our restructuring plans.

We identified twelve reporting units for purposes of evaluating goodwill and we annually evaluate our reporting units for goodwill impairment during the third fiscal quarter, which usually coincides with our strategic planning process. We assess the value of our reporting units using after-tax cash flows from operations (less capital expenses) discounted to present value. The key assumptions in the discounted cash flow analysis are the discount rate and the projected cash flows. We also use sensitivity analysis to determine the impact of changes in discount rates and cash flow forecasts on the valuation of the



reporting units. For both the 2019 and 2018 annual impairment test, we did not first perform the qualitative assessment of each of our reporting units using our judgment.

The estimated fair value of all of our reporting units exceeded their respective carrying value, so no goodwill was impaired in 2019. The access systems reporting unit with \$45.7 million of goodwill, is the reporting unit that did not have a substantial excess of estimated fair value over its carrying value. The model assumes geographic expansion of its architectural product lines, which realized recent organic growth in its existing market. If architectural systems sales do not increase, the Company will be required to perform an interim test of goodwill. A hypothetical 1.0% change in the discount rate would increase/decrease the fair value of this reporting unit by approximately \$15.0 million, which approximates the cushion between the estimated fair value and carrying value of this reporting unit. A goodwill impairment of \$14.4 million, which represents all of the goodwill of the offshore and other complex steel reporting unit, was recorded in the third quarter of 2018.

If our assumptions on discount rates and future cash flows change as a result of events or circumstances, and we believe these assets may have declined in value, then we may record impairment charges, resulting in lower profits. Our reporting units are all cyclical and their sales and profitability may fluctuate from year to year. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual test. In the evaluation of our reporting units, we look at the long-term prospects for the reporting unit and recognize that current performance may not be the best indicator of future prospects or value, which requires management judgment.

Our indefinite-lived intangible assets consist of trade names. We assess the values of these assets apart from goodwill as part of the annual impairment testing. We use the relief-from-royalty method to evaluate our trade names, under which the value of a trade name is determined based on a royalty that could be charged to a third party for using the trade name in question. The royalty, which is based on a reasonable rate applied against estimated future sales, is tax-effected and discounted to present value. The most significant assumptions in this evaluation include estimated future sales, the royalty rate and the after-tax discount rate. For our evaluation purposes, the royalty rates used vary between 0.5% and 1.5% of sales and the after-tax discount rate of 13.0% to 16.0%, which we estimate to be the after-tax cost of capital for such assets.

Our trade names were tested for impairment in the third quarter of 2019 using the relief-from-royalty valuation methodology and determined none to be impaired. In 2018, an impairment of \$1.4 million was recorded against the offshore and other complex steel structures trade name (Valmont SM).

#### *Inventories*

We use the last-in first-out (LIFO) method to determine the value of approximately 41% of our inventory. The remaining 59% of our inventory was valued on a first-in first-out (FIFO) basis. In periods of rising costs to produce inventory, the LIFO method will result in lower profits than FIFO, because higher recent costs are recorded to cost of goods sold than under the FIFO method. Conversely, in periods of falling costs to produce inventory, the LIFO method will result in higher profits than the FIFO method.

In 2019, we experienced lower average costs to produce inventory than in the prior year, due mainly to lower costs of steel and steel-related products, which resulted in lower cost of sales of approximately \$9.8 million, than if our entire inventory had been valued on the FIFO method. In 2018 and 2017, we experienced higher average costs to produce inventory than in the prior year, due mainly to higher cost for steel and steel-related products. This resulted in higher costs of goods sold in 2018 and 2017 of approximately \$9.9 million and \$5.7 million, respectively, than if our entire inventory had been valued on the FIFO method.

We write down slow-moving and obsolete inventory by the difference between the value of the inventory and our estimate of the reduced value based on potential future uses, the likelihood that overstocked inventory will be sold and the expected selling prices of the inventory. If our ability to realize value on slow-moving or obsolete inventory is less favorable than assumed, additional inventory write downs may be required.

## Income Taxes

We record valuation allowances to reduce our deferred tax assets to amounts that are more likely than not to be realized. We consider future taxable income expectations and tax-planning strategies in assessing the need for the valuation allowance. If we estimate a deferred tax asset is not likely to be fully realized in the future, a valuation allowance to decrease the amount of the deferred tax asset would decrease net earnings in the period the determination was made. Likewise, if we subsequently determine that we are able to realize all or part of a net deferred tax asset in the future, an adjustment reducing the valuation allowance would increase net earnings in the period such determination was made.

At December 28, 2019, we had approximately \$64.1 million in deferred tax assets relating to tax credits and loss carryforwards, with a valuation allowance of \$35.2 million, including \$2.3 million in valuation allowances remaining in the Delta entities related to capital loss carryforwards, which are unlikely ever to be realized. If circumstances related to our deferred tax assets change in the future, we may be required to increase or decrease the valuation allowance on these assets, resulting in an increase or decrease in income tax expense and a reduction or increase in net income. Also, we consider the earnings in our greater than 50% owned non-U.S. subsidiaries to not be indefinitely reinvested and, accordingly, we have a deferred tax liability of \$4.3 million related to these unremitted foreign earnings for future taxes that will be incurred when cash is repatriated.

We are subject to examination by taxing authorities in the various countries in which we operate. The tax years subject to examination vary by jurisdiction. We regularly consider the likelihood of additional income tax assessments in each of these taxing jurisdictions based on our experiences related to prior audits and our understanding of the facts and circumstances of the related tax issues. We include in current income tax expense any changes to accruals for potential tax deficiencies. If our judgments related to tax deficiencies differ from our actual experience, our income tax expense could increase or decrease in a given fiscal period.

## Pension Benefits

Delta Ltd. maintains a defined benefit pension plan for qualifying employees in the United Kingdom. There are no active employees as members in the plan. Independent actuaries assist in properly measuring the liabilities and expenses associated with accounting for pension benefits to eligible employees. In order to use actuarial methods to value the liabilities and expenses, we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rate and expected rate of return on pension assets.

We evaluate our critical assumptions at least annually. Key assumptions are based on the following factors:

- Discount rate is based on the yields available on AA-rated corporate bonds with durational periods similar to that of the pension liabilities.
- Expected return on plan assets is based on our asset allocation mix and our historical return, taking into consideration current and expected market conditions. Most of the assets in the pension plan are invested in corporate bonds, the expected return of which are estimated based on the yield available on AA rated corporate bonds. The long-term expected returns on equities are based on historic performance over the long-term.
- Inflation is based on the estimated change in the consumer price index ("CPI") or the retail price index ("RPI"), depending on the relevant plan provisions.

The discount rate used to measure the defined benefit obligation was 2.05% at December 28, 2019. The following tables present the key assumptions used to measure pension expense for 2020 and the estimated impact on 2020 pension expense relative to a change in those assumptions:

<u>Assumptions</u>	<u>Pension</u>
Discount rate	2.05%
Expected return on plan assets	4.18%
Inflation - CPI	2.15%
Inflation - RPI	3.05%

<u>Assumptions In Millions of Dollars</u>	<u>Increase in Pension Expense</u>
0.25% decrease in discount rate	\$ 1.1
0.25% decrease in expected return on plan assets	\$ 1.5
0.25% increase in inflation	\$ 1.2

### *Revenue Recognition*

Effective the first day of fiscal 2018, we adopted the requirements of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Please see note 1 to the consolidated financial statements for additional information on the new standard and the cumulative effect from the modified retrospective adjustment.

We determine the appropriate revenue recognition for our contracts by analyzing the type, terms and conditions of each contract or arrangement with a customer. We have no contracts with customers, under any product line, where we could earn variable consideration. With the exception of our Utility segment and the wireless communication structures product line, our inventory is interchangeable for a variety of the product line's customers. There is one performance obligation for revenue recognition. Our Irrigation and Coatings segments recognize revenue at a point in time, which is when the service has been performed or when the goods ship; this is the same time that the customer is billed. Lighting, traffic, highway safety, and access system product lines within the ESS segment recognize revenue and bill customers at a point in time, which is typically when the product ships or when it is delivered, as stipulated in the customer contract.

The following provides additional information about our contracts with utility and wireless communication structures customers, where the revenue is recognized over time, the judgments we make in accounting for those contracts, and the resulting amounts recognized in our financial statements.

*Accounting for utility structures and wireless communication monopole contracts:* Steel and concrete utility and wireless communication monopole structures are engineered to customer specifications resulting in limited ability to sell the structure to a different customer if an order is canceled after production commences. The continuous transfer of control to the customer is evidenced either by contractual termination clauses or by our rights to payment for work performed to-date plus a reasonable profit as the products do not have an alternative use to us. Since control is transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. We have certain wireless communication structures customers' contracts where we do not have the right to payment for work performed. In those instances, we recognize revenue at a point in time which is time of shipment of the structure.

The selection of the method to measure progress towards completion requires judgment. For our steel and concrete utility and wireless communication structure product lines, we recognize revenue on an inputs basis, using total production hours incurred to-date for each order as a percentage of total hours estimated to produce the order. The completion percentage is applied to the order's total revenue and total estimated costs to determine reported revenue, cost of goods sold and gross profit. Our enterprise resource planning (ERP) system captures the total costs incurred to-date and the total production hours, both incurred to-date and forecast to complete. Revenue from the offshore and other complex steel structures business is also recognized using an inputs method, based on the cost-to-cost measure of progress. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

Management must make assumptions and estimates regarding manufacturing labor hours and wages, the usage and cost of materials, and manufacturing burden / overhead recovery rates for each production facility. For our steel, concrete and wireless communication structures, production of an order, once started, is typically completed within three months. Projected profitability on open production orders is reviewed and updated monthly. We elected the practical expedient to not disclose the partially satisfied performance obligation at the end of the period when the contract has an original expected duration of one year or less.

We also have a few steel structure customer orders in a fiscal year that require one or two years to complete, due to the quantity of structures. Burden rates and routed production hours, per structure, will be adjusted if and when actual costs incurred are significantly higher than what had been originally projected. This resets the timing of revenue recognition for future periods so it is better aligned with the new production schedule. For our offshore and other complex steel structures, we update the estimates of total costs to complete each order quarterly. Based on these updates, revenue in the current period may reflect adjustments for amounts that had been previously recognized. During fiscal 2019 and 2018, there were no changes to inputs/estimates which resulted in adjustments to revenue for production that occurred prior to the beginning of the year. A provision for loss on the performance obligation is recognized if and when an order is projected to be at a loss, whether or not production has started.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The information required is included under the captioned paragraph, "MARKET RISK" on page 35 of this report.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following consolidated financial statements of the Company and its subsidiaries are included herein as listed below:

	<u>Page</u>
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	42
Consolidated Statements of Earnings—Three-Year Period Ended December 28, 2019	44
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Valmont Industries, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Valmont Industries, Inc. and subsidiaries (the "Company") as of December 28, 2019 and December 29, 2018, the related consolidated statements of earnings, comprehensive income, cash flows, and shareholders' equity, for each of the three years in the period ended December 28, 2019, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in conformity with the accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective December 30, 2018, the Company adopted FASB Accounting Standards Update 2016-02, *Leases*.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Goodwill - Refer to Notes 1 and 8 to the consolidated financial statements

#### Critical Audit Matter Description

The Company has goodwill of \$429 million as of December 28, 2019, which is allocated among twelve reporting units. The Company evaluates its twelve reporting units for goodwill impairment during the third fiscal quarter of each year. Reporting units are evaluated using after-tax cash flows from operations (less capital expenses) discounted to present value. The discounted cash flow method requires management to make significant estimates and assumptions related to projected cash

flows. The estimated fair value of all reporting units exceeded their respective carrying value, therefore, no impairment was recognized.

We identified goodwill for certain reporting units as a critical audit matter because of the significant estimates and assumptions made by management to estimate fair value, including the impact of forecasted geographic expansion and forecasted growth in a recently acquired reporting unit, and the difference between the fair values and the carrying values of these reporting units as of December 28, 2019. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to certain assumptions within the projected cash flows.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the goodwill impairment assessment for certain reporting units included the following, among others:

- We tested the effectiveness of internal controls over management's goodwill impairment evaluation, including those over the projected cash flows.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's projected cash flows by comparing to (1) historical results, (2) internal communications to management and the Board of Directors, (3) industry reports and (4) forecasted information included in Company press releases to analysts and investors.
- With the assistance of our fair value specialists, we evaluated the certain reporting units' valuation compared to its peer companies.
- We evaluated the impact of changes in management's forecasts from the August 31, 2019 annual measurement date to December 28, 2019.

/s/ DELOITTE & TOUCHE LLP  
Omaha, Nebraska  
February 26, 2020

We have served as the Company's auditor since 1996.

Valmont Industries, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

	2019	2018	2017
Product sales	\$ 2,434,190	\$ 2,437,334	\$ 2,447,219
Services sales	332,786	319,810	298,748
Net sales	2,766,976	2,757,144	2,745,967
Product cost of sales	1,853,965	1,887,959	1,860,087
Services cost of sales	220,515	210,905	204,112
Total cost of sales	2,074,480	2,098,864	2,064,199
Gross profit	692,496	658,280	681,768
Selling, general and administrative expenses	454,776	440,220	414,688
Impairment of goodwill and intangible assets	—	15,780	—
Operating income	237,720	202,280	267,080
Other income (expenses):			
Interest expense	(40,153)	(44,237)	(44,645)
Interest income	3,942	4,668	4,737
Gain (loss) on investments - unrealized	5,960	(839)	3,863
Costs associated with refinancing of debt	—	(14,820)	—
Loss from divestiture of grinding media business	—	(6,084)	—
Other	2,204	2,473	(2,571)
	(28,047)	(58,839)	(38,616)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	209,673	143,441	228,464
Income tax expense (benefit):			
Current	46,267	44,794	66,390
Deferred	3,940	(1,659)	39,755
	50,207	43,135	106,145
Net earnings	159,466	100,306	122,319
Less: Earnings attributable to noncontrolling interests	(5,697)	(5,955)	(6,079)
Net earnings attributable to Valmont Industries, Inc.	\$ 153,769	\$ 94,351	\$ 116,240
Earnings per share:			
Basic	\$ 7.10	\$ 4.23	\$ 5.16
Diluted	\$ 7.06	\$ 4.20	\$ 5.11

See accompanying notes to consolidated financial statements.



Valmont Industries, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
Three-year period ended December 28, 2019  
(Dollars in thousands)

	2019	2018	2017
Net earnings	\$ 159,466	\$ 100,306	\$ 122,319
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments:			
Unrealized translation gains (losses)	(2,506)	(65,436)	79,279
Realized loss on divestiture of grinding media business recorded in other expense	—	9,203	—
	\$ (2,506)	\$ (56,233)	\$ 79,279
Gain/(loss) on hedging activities:			
Unrealized gain (loss) on net investment hedges, net of tax expense (benefit) of \$384 in 2019, \$1,894 in 2018 and (\$880) in 2017	1,154	5,291	(1,695)
Realized loss on grinding media net investment hedge	—	1,215	—
Amortization cost (benefit) included in interest expense	(64)	423	74
Deferred loss on interest rate hedges	—	(2,467)	—
Commodity hedges	(2,130)	1,021	—
Realized (gain) loss on commodity hedges recorded in earnings	2,130	(1,021)	—
Unrealized gain (loss) on cross currency swaps	1,815	352	—
	2,905	4,814	(1,621)
Actuarial gain (loss) on defined benefit pension plan, net of tax expense (benefit) of (\$2,710) in 2019, \$8,177 in 2018, (\$501) in 2017	(10,828)	29,885	(10,871)
Other comprehensive income (loss)	(10,429)	(21,534)	(66,787)
Comprehensive income	149,037	78,772	189,106
Comprehensive income attributable to noncontrolling interests	(5,505)	(8,584)	(5,529)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 143,532	\$ 70,188	\$ 183,577

See accompanying notes to consolidated financial statements.



**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
December 28, 2019 and December 29, 2018  
(Dollars in thousands, except shares and per share amounts)

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 353,542	\$ 313,210
Receivables, less allowance of \$9,548 in 2019 and \$8,277 in 2018	480,000	483,963
Inventories	374,565	383,566
Contract asset - costs and profits in excess of billings	141,322	112,525
Prepaid expenses, restricted cash, and other assets	32,043	42,800
Refundable income taxes	6,947	4,576
Total current assets	<u>1,388,419</u>	<u>1,340,640</u>
Property, plant and equipment, at cost	1,245,261	1,160,865
Less accumulated depreciation and amortization	687,132	646,873
Net property, plant and equipment	<u>558,129</u>	<u>513,992</u>
Goodwill	428,864	385,207
Other intangible assets, net	175,742	175,956
Other assets	212,257	114,470
Total assets	<u>\$ 2,763,411</u>	<u>\$ 2,530,274</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current installments of long-term debt	\$ 760	\$ 779
Notes payable to banks	21,774	10,678
Accounts payable	197,957	218,115
Accrued employee compensation and benefits	83,528	79,291
Accrued expenses	201,681	91,942
Dividends payable	8,079	8,330
Total current liabilities	<u>513,779</u>	<u>409,035</u>
Deferred income taxes	47,955	43,489
Long-term debt, excluding current installments	764,944	741,822
Defined benefit pension liability	140,007	143,904
Operating lease liabilities	85,817	—
Deferred compensation	45,114	46,107
Other noncurrent liabilities	8,904	10,394
Shareholders' equity:		
Preferred stock of \$1 par value -		
Authorized 500,000 shares; none issued	—	—
Common stock of \$1 par value -		
Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Additional paid-in capital	—	—
Retained earnings	2,140,948	2,027,596
Accumulated other comprehensive income (loss)	(313,422)	(303,185)
Cost of treasury stock, common shares of 6,356,103 in 2019 and 5,951,971 in 2018	(743,942)	(692,549)
Total Valmont Industries, Inc. shareholders' equity	<u>1,111,484</u>	<u>1,059,762</u>
Noncontrolling interest in consolidated subsidiaries	45,407	75,761
Total shareholders' equity	<u>1,156,891</u>	<u>1,135,523</u>
Total liabilities and shareholders' equity	<u>\$ 2,763,411</u>	<u>\$ 2,530,274</u>

See accompanying notes to consolidated financial statements.

**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Three-year period ended December 28, 2019 (Dollars in thousands)

	2019	2018	2017
Cash flows from operating activities:			
Net earnings	\$ 159,466	\$ 100,306	\$ 122,319
Adjustments to reconcile net earnings to net cash flows from operations:			
Depreciation and amortization	82,264	82,827	84,957
Noncash loss on trading securities	(172)	(62)	237
Contribution to defined benefit pension plan	(18,461)	(1,537)	(40,245)
Impairment of property, plant and equipment	—	5,000	—
Impairment of goodwill & intangible assets	—	15,780	—
Loss on divestiture of grinding media business	—	6,084	—
Stock-based compensation	11,587	10,392	10,706
Defined benefit pension plan expense (benefit)	(513)	(2,251)	648
(Gain) loss on sale of property, plant and equipment	(2,513)	(225)	(3,924)
Deferred income taxes	3,910	(1,659)	39,755
Changes in assets and liabilities (net of acquisitions):			
Receivables	5,408	12,571	(49,112)
Inventories	12,313	(13,774)	(57,442)
Prepaid expenses	4,413	(11,018)	(6,214)
Contract asset - costs and profits in excess of billings	(29,274)	(32,932)	176
Accounts payable	(21,410)	(1,486)	39,405
Accrued expenses	108,784	49	(1,998)
Other noncurrent liabilities	(1,274)	(10,888)	(7,228)
Income taxes payable (refundable)	(6,944)	(4,139)	1,108
Net cash flows from operating activities	307,614	153,008	133,148
Cash flows from investing activities:			
Purchase of property, plant and equipment	(97,425)	(71,985)	(55,266)
Proceeds from sale of assets	5,556	63,103	8,185
Acquisitions, net of cash acquired	(81,841)	(143,020)	(5,362)
Proceeds from settlement of net investment hedge	11,184	(1,621)	5,123
Investments in nonconsolidated subsidiaries	(6,169)	—	—
Other, net	545	(1,922)	(2,295)
Net cash flows used in investing activities	(168,150)	(155,445)	(49,615)
Cash flows from financing activities:			
Borrowings (payments) under short-term agreements	11,327	10,543	(585)
Proceeds from long-term borrowings	31,000	251,655	—
Principal payments on long-term borrowings	(10,768)	(262,191)	(887)
Settlement of financial derivatives	—	(2,467)	—
Debt issuance costs	—	(2,322)	—
Dividends paid	(32,642)	(33,726)	(33,862)
Dividends to noncontrolling interest	(7,737)	(7,055)	(5,674)
Purchase of noncontrolling interest	(27,845)	(5,510)	—
Proceeds from exercises under stock plans	13,619	7,357	35,159
Purchase of treasury shares	(62,915)	(114,805)	—
Purchase of common treasury shares—stock plan exercises	(12,989)	(3,589)	(26,161)
Net cash flows used in financing activities	(98,950)	(162,110)	(32,010)
Effect of exchange rate changes on cash and cash equivalents	(182)	(15,048)	27,682
Net change in cash and cash equivalents	40,332	(179,595)	79,205
Cash, cash equivalents, and restricted cash—beginning of year	313,210	492,805	413,600
Cash, cash equivalents, and restricted cash—end of year	\$ 353,542	\$ 313,210	\$ 492,805

See accompanying notes to consolidated financial statements.

Valmont Industries, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except shares and per share amounts)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 31, 2016	\$ 27,900	\$ —	\$ 1,874,722	\$ (346,359)	\$ (612,781)	\$ 39,104	\$ 982,586
Net earnings	—	—	116,240	—	—	6,079	122,319
Other comprehensive income (loss)	—	—	—	67,337	—	(550)	66,787
Cash dividends declared (\$1.50 per share)	—	—	(33,927)	—	—	—	(33,927)
Dividends to noncontrolling interests	—	—	—	—	—	(5,674)	(5,674)
Stock plan exercises; 154,437 shares acquired	—	—	—	—	(26,161)	—	(26,161)
Stock options exercised; 284,574 shares issued	—	(4,666)	(2,691)	—	42,516	—	35,159
Stock option expense	—	5,137	—	—	—	—	5,137
Stock awards; 42,846 shares issued	—	(471)	—	—	6,040	—	5,569
Balance at December 30, 2017	27,900	—	1,954,344	(279,022)	(590,386)	38,959	1,151,795
Net earnings	—	—	94,351	—	—	5,955	100,306
Other comprehensive income (loss)	—	—	—	(24,163)	—	2,629	(21,534)
Cash dividends declared (\$1.50 per share)	—	—	(33,426)	—	—	—	(33,426)
Dividends to noncontrolling interests	—	—	—	—	—	(7,055)	(7,055)
Purchase of noncontrolling interest	—	—	—	—	—	(5,510)	(5,510)
Cumulative impact of ASC 606 adoption	—	—	9,771	—	—	—	9,771
Impact of ASU 2016-16 adoption	—	—	1,038	—	—	—	1,038
Addition of noncontrolling interest	—	—	—	—	—	40,783	40,783
Purchase of treasury shares; 843,278 shares acquired	—	—	—	—	(114,805)	—	(114,805)
Stock plan exercises; 27,555 shares acquired	—	—	—	—	(3,589)	—	(3,589)
Stock options exercised; 63,717 shares issued	—	(2,397)	1,518	—	8,236	—	7,357
Stock option expense	—	4,064	—	—	—	—	4,064
Stock awards; 61,208 shares issued	—	(1,667)	—	—	7,995	—	6,328
Balance at December 29, 2018	27,900	—	2,027,596	(303,185)	(692,549)	75,761	1,135,523
Net earnings	—	—	153,769	—	—	5,697	159,466
Other comprehensive income (loss)	—	—	—	(10,237)	—	(192)	(10,429)
Cash dividends declared (\$1.50 per share)	—	—	(32,503)	—	—	—	(32,503)
Dividends to noncontrolling interests	—	—	—	—	—	(7,737)	(7,737)
Purchase of noncontrolling interest	—	277	—	—	—	(28,122)	(27,845)
Impact of ASU 842 adoption	—	—	(8,886)	—	—	—	(8,886)
Purchase of treasury shares; 491,045 shares acquired	—	—	—	—	(62,915)	—	(62,915)
Stock plan exercises; 90,868 shares acquired	—	—	—	—	(12,989)	—	(12,989)
Stock options exercised; 119,789 shares issued	—	(3,756)	972	—	16,403	—	13,619
Stock option expense	—	2,772	—	—	—	—	2,772
Stock awards; 60,021 shares issued	—	707	—	—	8,108	—	8,815
Balance at December 28, 2019	\$ 27,900	\$ —	\$ 2,140,948	\$ (313,422)	\$ (743,942)	\$ 45,407	\$ 1,156,891

See accompanying notes to consolidated financial statements.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Valmont Industries, Inc. and its wholly and majority-owned subsidiaries (the Company). Investments in 20% to 50% owned affiliates and joint ventures are accounted for by the equity method. Investments in less than 20% owned affiliates are accounted for by the cost method. All intercompany items have been eliminated.

*Cash overdrafts*

Cash book overdrafts totaling \$13,971 and \$8,888 were classified as accounts payable at December 28, 2019 and December 29, 2018, respectively. The Company's policy is to report the change in book overdrafts as an operating activity in the Consolidated Statements of Cash Flows.

*Segments*

The Company has four reportable segments based on its management structure. Each segment is global in nature with a manager responsible for segment operational performance and allocation of capital within the segment. Reportable segments are as follows:

**ENGINEERED SUPPORT STRUCTURES:** This segment consists of the manufacture and distribution of engineered metal and composite poles, towers, and components for global lighting, traffic, and wireless communication markets, engineered access systems, integrated structure solutions for smart cities, and highway safety products;

**UTILITY SUPPORT STRUCTURES:** This segment consists of the manufacture of engineered steel and concrete structures for global utility transmission, distribution, substations, and renewable energy generation equipment;

**COATINGS:** This segment consists of galvanizing, painting, and anodizing services to preserve and protect metal products; and

**IRRIGATION:** This segment consists of the manufacture of agricultural irrigation equipment, parts, services, tubular products, water management solutions, and technology for precision agriculture.

In addition to these four reportable segments, there are other businesses and activities which are not more than 10% of consolidated sales, operating income or assets. This includes the manufacture of forged steel grinding media for the mining industry and is reported in the "Other" category until its divestiture in 2018.

*Fiscal Year*

The Company operates on a 52 or 53 week fiscal year with each year ending on the last Saturday in December. Accordingly, the Company's fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017 consisted of 52 weeks.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accounts Receivable*

Accounts receivable are reported on the balance sheet net of any allowance for doubtful accounts. Allowances are maintained in amounts considered to be appropriate in relation to the outstanding receivables based on age of the receivable, economic conditions and customer credit quality. As the Company's international Irrigation business has grown, the exposure to potential losses in international markets has also increased. These exposures can be difficult to estimate, particularly in areas of political instability, or with governments with which the Company has limited experience, or where there is a lack of transparency as to the current credit condition of governmental units. The Company's allowance for doubtful accounts related to current accounts receivable was \$9,548 at December 28, 2019.

*Inventories*

Approximately 41% and 37% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of December 28, 2019 and December 29, 2018, respectively. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately \$43,805 and \$53,619 at December 28, 2019 and December 29, 2018, respectively.

*Long-Lived Assets*

Property, plant and equipment are recorded at historical cost. The Company generally uses the straight-line method in computing depreciation and amortization for financial reporting purposes and accelerated methods for income tax purposes. The annual provisions for depreciation and amortization have been computed principally in accordance with the following ranges of asset lives: buildings and improvements 15 to 40 years, machinery and equipment 3 to 12 years, transportation equipment 3 to 24 years, office furniture and equipment 3 to 7 years and intangible assets 5 to 20 years. Depreciation expense in fiscal 2019, 2018 and 2017 was \$64,177, \$67,499 and \$69,046, respectively.

An impairment loss is recognized if the carrying amount of an asset may not be recoverable and exceeds estimated future undiscounted cash flows of the asset. A recognized impairment loss reduces the carrying amount of the asset to its estimated fair value. Upon adoption of ASC 842 in 2019, the Company impaired the right-of-use (lease) asset for one of its galvanizing facilities in Australia as it will not generate sufficient cash flows to recover the carrying value. Impairment losses were recorded in 2018 as facilities were closed and future plans for certain fixed assets changed in connection with the Company's restructuring plans.

The Company evaluates its reporting units for impairment of goodwill during the third fiscal quarter of each year, or when events or changes in circumstances indicate the carrying value may not be recoverable. Reporting units are evaluated using after-tax operating cash flows (less capital expenditures) discounted to present value. Indefinite-lived intangible assets are assessed separately from goodwill as part of the annual impairment testing, using a relief-from-royalty method. If the underlying assumptions related to the valuation of a reporting unit's goodwill or an indefinite-lived intangible asset change materially before or after the annual impairment testing, the reporting unit or asset is evaluated for potential impairment. In these evaluations, management considers recent operating performance, expected future performance, industry conditions and other indicators of potential impairment. See footnote 8 for details of impairments recognized during 2018.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Income Taxes*

The Company uses the asset and liability method to calculate deferred income taxes. Deferred tax assets and liabilities are recognized on temporary differences between financial statement and tax bases of assets and liabilities using enacted tax rates. The effect of tax rate changes on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date.

*Warranties*

The Company's provision for product warranty reflects management's best estimate of probable liability under its product warranties. Estimated future warranty costs are recorded at the time a sale is recognized. Future warranty liability is determined based on applying historical claim rate experience to units sold that are still within the warranty period. In addition, the Company records provisions for known warranty claims.

*Pension Benefits*

Certain expenses are incurred in connection with a defined benefit pension plan. In order to measure expense and the related benefit obligation, various assumptions are made including discount rates used to value the obligation, expected return on plan assets used to fund these expenses and estimated future inflation rates. These assumptions are based on historical experience as well as current facts and circumstances. An actuarial analysis is used to measure the expense and liability associated with pension benefits.

*Derivative Instruments*

The Company may enter into derivative financial instruments to manage risk associated with fluctuation in interest rates, foreign currency rates or commodities. Where applicable, the Company may elect to account for such derivatives as either a cash flow, fair value, or net investment hedge.

*Comprehensive Income (Loss)*

Comprehensive income (loss) includes net income, currency translation adjustments, certain derivative-related activity and changes in net actuarial gains/losses from a pension plan. Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. The components of accumulated other comprehensive income (loss) consisted of the following:

	Foreign Currency Translation Adjustments	Gain on Hedging Activities	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income (Loss)
Balance at December 29, 2018	\$ (230,261)	\$ 11,171	\$ (84,095)	\$ (303,185)
Current-period comprehensive income (loss)	(2,314)	2,905	(10,828)	(10,237)
Balance at December 28, 2019	<u>\$ (232,575)</u>	<u>\$ 14,076</u>	<u>\$ (94,923)</u>	<u>\$ (313,422)</u>



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Revenue Recognition*

On December 31, 2017, the Company adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC 606)*. The Company elected to use the modified retrospective approach for the adoption of the new revenue standard.

The Company determines the appropriate revenue recognition for our contracts by analyzing the type, terms and conditions of each contract or arrangement with a customer. Contracts with customers for all businesses are fixed-price with sales tax excluded from revenue, and do not include variable consideration. Discounts included in contracts with customers, typically early pay discounts, are recorded as a reduction of net sales in the period in which the sale is recognized. Contract revenues are classified as product when the performance obligation is related to the manufacturing of goods. Contract revenues are classified as service when the performance obligation is the performance of a service. Service revenue is primarily related to the Coatings segment.

Customer acceptance provisions exist only in the design stage of our products and acceptance of the design by the customer is required before the project is manufactured and delivered to the customer. The Company is not entitled to any compensation solely based on design of the product and does not recognize revenue associated with the design stage. There is one performance obligation for revenue recognition. No general rights of return exist for customers once the product has been delivered and the Company establishes provisions for estimated warranties. The Company does not sell extended warranties for any of its products.

Shipping and handling costs associated with sales are recorded as cost of goods sold. The Company elected to use the practical expedient of treating freight as a fulfillment obligation instead of a separate performance obligation and ratably recognize freight expense as the structure is being manufactured, when the revenue from the associated customer contract is being recognized over time. With the exception of the Utility segment and the wireless communication structures product line, the Company's inventory is interchangeable for a variety of each segment's customers. The Company elected the practical expedient to not disclose the partially satisfied performance obligation at the end of the period when the contract has an original expected duration of one year or less. The Company did not have any significant contracts with an original expected duration of more than one year at December 28, 2019. In addition, the Company elected the practical expedient to not adjust the amount of consideration to be received in a contract for any significant financing component if payment is expected within twelve months of transfer of control of goods or services; the Company expects all consideration to be received in one year or less at contract inception.

*Segment and Product Line Revenue Recognition*

The global Utility segment revenues are derived from manufactured steel and concrete structures for the North America utility industry and offshore and other complex structures used in energy generation and distribution outside of the United States. Steel and concrete utility structures are engineered to customer specifications resulting in limited ability to sell the structure to a different customer if an order is canceled after production commences. The continuous transfer of control to the customer is evidenced either by contractual termination clauses or by our rights to payment for work performed to-date plus a reasonable profit as the products do not have an alternative use to the Company. Since control is transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment. For our steel and concrete utility and wireless communication structure product lines, we generally recognize revenue on an inputs basis, using total production hours incurred to-date for each order as a percentage of total hours estimated to produce the order. The completion percentage is applied to the order's total revenue and total estimated costs to determine reported revenue, cost of goods sold and gross profit. Production of an order, once started, is typically completed within three months. Revenue from the offshore and other complex structures business is also recognized using an inputs method, based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. External sales agents are used in certain sales of steel and concrete structures; the Company has chosen to use the practical expedient to expense estimated commissions owed to third parties by recognizing them proportionately as the goods are manufactured.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The global ESS segment revenues are derived from the manufacture and distribution of engineered metal, composite structures and components for lighting and traffic and roadway safety, engineered access systems, and wireless communication. For the lighting and traffic and roadway safety product lines, revenue is recognized upon shipment or delivery of goods to the customer depending on contract terms, which is the same point in time that the customer is billed. For Access Systems, revenue is generally recognized upon delivery of goods to the customer which is the same point in time that the customer is billed. The wireless communication monopole product line has large regional customers who have unique product specifications for these larger communication structures. When the customer contract includes a cancellation clause that would require them to pay for work completed plus a reasonable margin if an order was canceled, revenue is recognized over time based on hours worked as a percent of total estimated hours to complete production. For the remaining wireless communication product line customers which do not provide a contractual right to bill for work completed on a canceled order, revenue is recognized upon shipment or delivery of the goods to the customer which is the same point in time that the customer is billed. For wireless communication towers and components, revenue is recognized upon shipment or delivery of goods to the customer depending on contract terms, which is the same point in time that the customer is billed.

The global Coatings segment revenues are derived by providing coating services to customers' products, which include galvanizing, anodizing, and powder coating. Revenue is recognized once the coating service has been performed and the goods are ready to be picked up or delivered to the customer which is the same time that the customer is billed.

The global Irrigation segment revenues are derived from the manufacture of agricultural irrigation equipment and related parts and services for the agricultural industry and tubular products for industrial customers. Revenue recognition for the irrigation segment is generally upon shipment of the goods to the customer which is the same point in time that the customer is billed. The remote monitoring subscription services are primarily billed annually and revenue is recognized on a straight-line basis over the subsequent twelve months.

Disaggregation of revenue by product line is disclosed in the Segment footnote. A breakdown by segment of revenue recognized over time and revenue recognized at a point in time for the fiscal years ended December 28, 2019 and December 29, 2018 is as follows:

	<i>Point in Time</i>	<i>Over Time</i>	<i>Point in Time</i>	<i>Over Time</i>
	<b>Fiscal year ended December 28, 2019</b>	<b>Fiscal year ended December 28, 2019</b>	<b>Fiscal year ended December 29, 2018</b>	<b>Fiscal year ended December 29, 2018</b>
Utility Support Structures	\$ 47,450	\$ 838,158	\$ 16,760	\$ 838,446
Engineered Support Structures	952,056	50,020	922,677	44,681
Coatings	300,640	—	286,739	—
Irrigation	564,918	13,734	612,385	12,376
Other	—	—	23,080	—
Total	\$ 1,865,064	\$ 901,912	\$ 1,861,641	\$ 895,503

The Company's contract asset as of December 28, 2019 and December 29, 2018 was \$141,322 and \$112,525, respectively. Both steel and concrete utility customers in North America are generally invoiced upon shipment or delivery of the goods to the customer's specified location and there are typically no up-front or progress payments. The increase in the contract asset in 2019 is attributed to an increase in finished structures that had not yet been shipped to the customers.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

At December 28, 2019 and December 29, 2018, the liability for revenue recognized over time was \$117,945 and \$4,906. The liability for customer billings in excess of costs and earnings is included in Accrued Expenses on the Consolidated Balance Sheets. During the fiscal year ended December 28, 2019 and December 29, 2018, the Company recognized \$3,921 and \$5,222 of revenue that was included in the liability as of December 29, 2018 and December 30, 2017. The revenue recognized was due to applying advance payments received for projects completed during the period.

*Use of Estimates*

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the reported amounts of revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

*Equity Method Investments*

The Company has equity method investments in non-consolidated subsidiaries which are recorded within "Other assets" on the Consolidated Balance Sheets.

*Treasury Stock*

Repurchased shares are recorded as "Treasury Stock" and result in a reduction of "Shareholders' Equity." When treasury shares are reissued, the Company uses the last-in, first-out method, and the difference between the repurchase cost and re-issuance price is charged or credited to "Additional Paid-In Capital."

In May 2014, the Company announced a capital allocation philosophy which covered a share repurchase program. Specifically, the Board of Directors at that time authorized the purchase of up to \$500,000 of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. In February 2015 and again in October 2018, the Board of Directors authorized an additional purchase of up to \$250,000 of the Company's outstanding common stock with no stated expiration date. As of December 28, 2019, the Company has acquired 5,922,454 shares for approximately \$795,549 under this share repurchase program.

*Research and Development*

Research and development costs are charged to operations in the year incurred. These costs are a component of "Selling, general and administrative expenses" on the Consolidated Statements of Earnings. Research and development expenses were approximately \$13,900 in 2019, \$11,500 in 2018, and \$11,600 in 2017.

*Recently Adopted Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases*, which provides revised guidance on leases requiring lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The Company adopted this ASU in the first quarter of 2019. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet for all classes of underlying assets. In addition, the Company elected certain practical expedients not to reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease components for all classes of underlying assets. The Company did not to recast its comparative periods in transition (the "Comparatives Under 840 Option") as allowed under ASU 2018-11.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recently Issued Accounting Pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), Measurement of Credit Losses on Financial Instruments. The standard replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses on instruments within its scope, including trade receivables. This update is intended to provide financial statement users with more decision-useful information about the expected credit losses. The effective date of ASU No. 2016-13 will be the first quarter of the Company's fiscal 2020. The Company does not expect the impact of the adoption of ASU No. 2016-13 to be significant on its consolidated financial statements.

**(2) ACQUISITIONS**

*Acquisitions of Businesses*

On May 13, 2019, the Company acquired the assets of Connect-It Wireless, Inc. ("Connect-It") for \$6,034 in cash. Connect-It operates in Florida and is a manufacturer and distributor of wireless site components and safety products. In the purchase price allocation, goodwill of \$3,299 and customer relationships of \$828 were recorded and the remainder is net working capital. A portion of the goodwill is deductible for tax purposes. Connect-It is included in the ESS segment and was acquired to expand the Company's wireless component distribution network. The purchase price allocation was finalized in the fourth quarter of 2019.

On February 11, 2019, the Company acquired the outstanding shares of United Galvanizing ("United"), a provider of coatings services for \$26,000 in cash. The agreed upon purchase price was \$28,000, with \$2,000 being contingent on seller representations and warranties that was settled in the first quarter of 2020. The acquisition of United, located in Houston, Texas further expands the Company's galvanizing footprint in North America and will be reported in the Coatings segment.

The fair values assigned were \$12,374 for goodwill, \$3,170 for customer relationships, trade name of \$894, \$10,987 for property, plant, and equipment, and the remainder is net working capital. Goodwill is not deductible for tax purposes and the customer relationship will be amortized over 10 years. The trade name has an indefinite life. The Company finalized the purchase price allocation in the fourth quarter of 2019.

On December 31, 2018, the Company acquired the assets of Larson Camouflage ("Larson"), an industry leading provider of architectural and camouflage concealment solutions for the wireless telecommunication market for \$31,106 in cash. The agreed upon purchase price was \$34,562, with 10% being held back for seller representations and warranties (paid in the first quarter of 2020). Larson was acquired to grow our product offerings in the wireless communication market and will be reported in the ESS segment. The fair values assigned were \$16,223 for customer relationships, \$15,346 for goodwill, \$1,151 for property, plant, and equipment and the remainder is net working capital. Goodwill is deductible for tax purposes and the customer relationships will be amortized over 12 years. The purchase price allocation was finalized in the fourth quarter of 2019.

On October 18, 2018, the Company acquired CSP Coatings Systems of Auckland, New Zealand, a provider of a wide range of coatings services for approximately \$17,711. The acquisition further strengthens the Company's Asia-Pacific market position and will be reported in the Coatings segment. The preliminary fair values assigned were \$7,373 to property, plant, and equipment, \$3,113 for customer relationships, \$5,120 for goodwill, with the remainder net working capital. Goodwill is not deductible for tax purposes and the customer relationships will be amortized over 10 years. The Company finalized the purchase price allocation in the second quarter of 2019.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
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**(2) ACQUISITIONS (Continued)**

On August 3, 2018, the Company purchased approximately 72% of the outstanding shares of Walpar, LLC ("Walpar") for \$57,805 in cash. Walpar is an industry leader in the design, engineering and manufacturing of overhead sign structures for the North America transportation market. Walpar is located in Birmingham, Alabama and its operations are reported in the ESS segment. The transaction was funded with cash on hand. The acquisition of Walpar was completed to expand the Company's product offering in the sign structure market. Customer relationships will be amortized over 12 years and the trade name has an indefinite life. Goodwill is not deductible for tax purposes.

In January 2019, the 28% non-controlling interest shares of Walpar, LLC were acquired for \$23,082. During the third quarter of 2019, the Company finalized its purchase price allocation including its assessment of the value of intangibles on the opening balance sheet. As a result of updated cash flow projections it was determined that a \$3,500 reduction in customer relationships, along with an offsetting increase in goodwill less deferred tax, was necessary to adjust the allocation of fair value to assets acquired and liabilities assumed. The following table summarizes the fair values of the assets acquired and liabilities assumed of Walpar as of the date of acquisition:

	<u>At August 3, 2018</u>
Current assets	\$ 13,210
Customer relationships	28,500
Trade name	3,500
Goodwill	45,453
Total fair value of assets acquired	<u>\$ 90,663</u>
Current liabilities	2,197
Deferred taxes	7,579
Total fair value of liabilities assumed	<u>\$ 9,776</u>
Non-controlling interests	23,082
Net assets acquired	<u>\$ 57,805</u>

On August 3, 2018, the Company acquired 75% of the outstanding shares of Convert Italia SpA ("Convert") for \$43,504 in cash. In the second quarter of 2019, the Company paid the former owners approximately \$18,700 additional purchase price which was reflected in the contingent consideration liability on the fair value of assets and liabilities assumed on acquisition. Convert is a designer and provider of engineered solar tracker solutions that is headquartered in Italy, with offices in Brazil and Argentina. The Company acquired Convert to grow market adjacencies in the Utility Support Structures segment.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(2) ACQUISITIONS (Continued)**

Patents and proprietary technology will be amortized over 15 years and the trade name has an indefinite life. Goodwill is not deductible for tax purposes. The fair value measurement process and purchase price allocation was finalized in the third quarter of 2019. The following table summarizes the fair values of the assets acquired and liabilities assumed of Convert at the date of acquisition:

	At August 3, 2018
Current assets	\$ 18,349
Other assets	3,166
Patent and Proprietary Technology	16,554
Trade name	8,701
Goodwill	42,169
Total fair value of assets acquired	\$ 88,939
Current liabilities	5,376
Contingent consideration liability	19,497
Deferred taxes	6,061
Total fair value of liabilities assumed	\$ 30,934
Non-controlling interests	14,501
Net assets acquired	\$ 43,504

On August 1, 2018, the Company acquired the operational assets of Derit Infrastructure Pvt. Ltd. ("Derit") for \$14,700 in cash, net of assumed liabilities. The Company acquired the net assets at fair value with no value assigned to intangible assets in the purchase price allocation. Derit has a manufacturing facility in India with production capabilities for steel lattice structures for power transmission, wireless communication, and a provider of zinc galvanizing services. Derit was acquired to provide the Company with lattice structure manufacturing capabilities and to further expand the geographic footprint of the galvanizing business. The majority of the business will be reported in the Utility Support Structures segment, while the galvanizing business will be reported in the Coatings segment. The purchase price allocation was finalized in the fourth quarter of 2018.

On January 26, 2018, the Company acquired 60% of the assets of Torrent Engineering and Equipment ("Torrent") for \$4,800 in cash. Torrent operates in Indiana and is an integrator of prefabricated pump stations that involves designing high pressure water and compressed air process systems. Torrent has annual sales of approximately \$9,000. In the purchase price allocation, goodwill of \$3,922 and \$4,020 of customer relationships and other intangible assets were recorded. A portion of the goodwill is deductible for tax purposes. Torrent is included in the Irrigation segment and was acquired to expand the Company's water management capabilities. The purchase price allocation was finalized in the second quarter of 2018.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(2) ACQUISITIONS (Continued)**

The Company's Consolidated Statements of Earnings for the fiscal year ended December 28, 2019 included net sales from acquisitions of \$117,296. In aggregate, these acquisitions did not contribute net earnings to the Company's consolidated 2019 results. The proforma effect of these acquisitions on the 2019, 2018, and 2017 Consolidated Statements of Earnings is as follows:

	Fifty-two Weeks Ended December 28, 2019	Fifty-two Weeks Ended December 29, 2018	Fifty-two Weeks Ended December 30, 2017
Net sales	\$ 2,772,150	\$ 2,842,162	\$ 2,818,035
Net earnings	154,302	98,292	122,407
Earnings per share-diluted	7.09	4.38	5.39

**Acquisitions of Noncontrolling Interests**

In April 2019, the Company acquired the remaining 4.8% of Valmont SM that it did not own for \$4,763. In March 2018, the Company acquired the remaining 10% of Valmont Industria e Comercio Ltda. that it did not own for \$5,510. As this transaction was for acquisitions of all of the remaining shares of consolidated subsidiaries with no change in control, it was recorded within shareholders' equity and as a financing cash flow in the Consolidated Statements of Cash Flows.

**(3) DIVESTITURE**

On April 30, 2018, the Company completed the sale of Donhad, its grinding media business in Australia, reported in the Other segment. The business was sold because it did not fit the long-term strategic plans for the Company. The grinding media business historical annual sales, operating profit, and net assets are not significant for discontinued operations presentation. The grinding media business had an operating loss of \$913 for the year ended December 29, 2018, and operating income of \$2,134 for the ended December 30, 2017. The Company received Australian \$82,500 (U.S. \$62,518).

The pre-tax loss from the divestiture is reported in other income (expense). The loss is comprised of the proceeds from buyer, less deal-related costs, less the net assets of the business which resulted in a gain of \$4,334. Offsetting this amount is a \$(10,418) realized loss on foreign exchange translation adjustments and net investment hedges previously reported in shareholders' equity.

Pre-tax gain from divestiture, before recognition of currency translation loss	\$ 4,334
Recognition of cumulative currency translation loss and hedges (out of OCI)	(10,418)
Net pre-tax loss from divestiture of the grinding media business	<u>\$ (6,084)</u>

The transaction did not result in a taxable capital gain as the cash proceeds were less than the tax carrying value of the business. There is an insignificant tax benefit from the tax deductibility of deal related expenses.



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(4) RESTRUCTURING ACTIVITIES**

**2018 Plan**

During 2018, the Company executed certain regional restructuring activities (the "2018 Plan") primarily in the ESS and Utility segments to transform its operational business model including exiting certain local markets. The 2018 Plan included the closure of seven facilities, including three in China. The one Utility facility and one ESS facility in Europe ceased production in the second quarter of 2019. All other facilities were closed by December 29, 2018. The Company recorded the following pre-tax expenses:

	<u>ESS</u>	<u>Utility</u>	<u>Irrigation</u>	<u>Other/ Corporate</u>	<u>TOTAL</u>
Severance	\$ 6,255	\$ 1,825	\$ —	\$ —	\$ 8,080
Other cash restructuring expenses	3,512	2,228	—	—	5,740
Impairments of fixed assets/net loss on disposals	4,560	—	—	—	4,560
Total cost of sales	<u>14,327</u>	<u>4,053</u>	<u>—</u>	<u>—</u>	<u>18,380</u>
Severance	10,654	1,100	129	—	11,883
Other cash restructuring expenses	3,151	—	51	126	3,328
Impairments of fixed assets/net loss on disposals	440	—	—	—	440
Total selling, general and administrative expenses	<u>14,245</u>	<u>1,100</u>	<u>180</u>	<u>126</u>	<u>15,651</u>
Consolidated total	<u>\$ 28,572</u>	<u>\$ 5,153</u>	<u>\$ 180</u>	<u>\$ 126</u>	<u>\$ 34,031</u>

In connection with exiting certain local markets as a result of the 2018 Plan, the Company also recorded \$7,944 of impairments of current and other assets during fiscal 2018, primarily inventory.

Change in the liabilities recorded for the restructuring plans were as follows:

	<u>Balance at December 29, 2018</u>	<u>Recognized Restructuring Expense</u>	<u>Costs Paid or Otherwise Settled</u>	<u>Balance at December 28, 2019</u>
Severance	\$ 6,594	\$ —	\$ (6,594)	\$ —
Other cash restructuring expenses	3,462	—	(3,462)	—
Total	<u>\$ 10,056</u>	<u>\$ —</u>	<u>\$ (10,056)</u>	<u>\$ —</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(5) CASH FLOW SUPPLEMENTARY INFORMATION**

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the fifty-two weeks ended December 28, 2019 and December 29, 2018, and December 30, 2017 were as follows:

	2019	2018	2017
Interest	\$ 39,032	\$ 43,305	\$ 44,528
Income taxes	43,629	47,355	63,791

The 2019 acquisition of United and Larson included hold back payments contingent on seller representations and warranties of \$2,000 and \$3,456, respectively. The hold back payments were paid in the first quarter of 2020 and will be shown as an investing use of cash in the acquisitions line item of the consolidated statements of cash flows in 2020.

**(6) INVENTORIES**

Inventories consisted of the following at December 28, 2019 and December 29, 2018:

	2019	2018
Raw materials and purchased parts	\$ 158,314	\$ 190,115
Work-in-process	38,088	35,566
Finished goods and manufactured goods	221,968	211,504
Subtotal	418,370	437,185
Less: LIFO reserve	43,805	53,619
	<u>\$ 374,565</u>	<u>\$ 383,566</u>

**(7) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, at cost, consist of the following:

	2019	2018
Land and improvements	\$ 111,091	\$ 99,797
Buildings and improvements	364,396	348,836
Machinery and equipment	584,447	549,311
Transportation equipment	23,650	24,380
Office furniture and equipment	85,130	85,239
Construction in progress	76,547	53,302
	<u>\$ 1,245,261</u>	<u>\$ 1,160,865</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(8) GOODWILL AND INTANGIBLE ASSETS**

*Amortized Intangible Assets*

The components of amortized intangible assets at December 28, 2019 and December 29, 2018 were as follows:

December 28, 2019			
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 237,626	\$ 149,720	13 years
Patents & Proprietary Technology	24,068	6,358	14 years
Other	8,054	7,035	5 years
	<u>\$ 269,748</u>	<u>\$ 163,113</u>	

December 29, 2018			
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 219,508	\$ 132,180	13 years
Patents & Proprietary Technology	23,662	4,837	14 years
Other	7,971	6,891	5 years
	<u>\$ 251,141</u>	<u>\$ 143,908</u>	

Amortization expense for intangible assets was \$18,087, \$15,328 and \$15,911 for the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively.

Estimated annual amortization expense related to finite-lived intangible assets is as follows:

	Estimated Amortization Expense
2020	\$ 17,343
2021	15,298
2022	13,120
2023	11,345
2024	9,434

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(8) GOODWILL AND INTANGIBLE ASSETS (Continued)**

*Non-amortized intangible assets*

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at December 28, 2019 and December 29, 2018 were as follows:

	December 28, 2019	December 29, 2018	Year Acquired
Newmark	\$ 11,111	\$ 11,111	2004
Webforge	9,143	8,872	2010
Valmont SM	7,966	8,155	2014
Ingal EPS/Ingal Civil Products	7,454	7,233	2010
Shakespeare	4,000	4,000	2014
Walpar	3,500	4,300	2018
Convert	8,378	8,580	2018
Other	17,555	16,472	
	<u>\$ 69,107</u>	<u>\$ 68,723</u>	

In its determination of these intangible assets as indefinite-lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

The Company's trade names were tested for impairment separately from goodwill in the third quarter of 2019. The value of each trade name was determined using the relief-from-royalty method. Based on this evaluation, no trade names were determined to be impaired. The Company recorded a charge of \$1,425 in the third quarter of 2018 for the offshore and other complex steel structures (Valmont SM) trade name.

*Goodwill*

The carrying amount of goodwill by segment as of December 28, 2019 and December 29, 2018 was as follows:

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Total
Gross balance at December 29, 2018	\$ 204,735	\$ 123,618	\$ 80,937	\$ 25,164	\$ 434,454
Accumulated impairment losses	(18,670)	(14,355)	(16,222)	—	(49,247)
Balance at December 29, 2018	186,065	109,263	64,715	25,164	385,207
Acquisitions	21,870	7,889	12,374	—	42,133
Foreign currency translation	2,029	(913)	436	(28)	1,524
Balance at December 28, 2019	<u>\$ 209,964</u>	<u>\$ 116,239</u>	<u>\$ 77,525</u>	<u>\$ 25,136</u>	<u>\$ 428,864</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(8) GOODWILL AND INTANGIBLE ASSETS (Continued)**

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Gross balance at December 30, 2017	\$ 170,076	\$ 90,248	\$ 76,696	\$ 19,778	\$ 15,814	\$ 372,612
Accumulated impairment losses	(18,670)	—	(16,222)	—	—	(34,892)
Balance at December 30, 2017	151,406	90,248	60,474	19,778	15,814	337,720
Acquisitions	42,216	34,280	5,120	5,503	—	87,119
Impairment	—	(14,355)	—	—	—	(14,355)
Divestiture of grinding media	—	—	—	—	(15,814)	(15,814)
Foreign currency translation	(7,557)	(910)	(879)	(117)	—	(9,463)
Balance at December 29, 2018	\$ 186,065	\$ 109,263	\$ 64,715	\$ 25,164	\$ —	\$ 385,207

The Company's annual impairment test of goodwill was performed during the third quarter of 2019, using the discounted cash flow method. The estimated fair value of all of our reporting units exceeded their respective carrying value, so no goodwill was impaired. The access systems reporting unit with \$45,727 of goodwill, is the reporting unit that did not have a substantial excess of estimated fair value over its carrying value. The model assumes geographic expansion of its architectural product lines with realized recent organic growth in its existing market. If architectural systems sales do not increase, the Company will be required to perform an interim test of goodwill. A hypothetical 1% change in the discount rate would increase/decrease the fair value of the reporting unit by approximately \$15,000, which approximates the cushion between estimated fair value and carrying value. In the third quarter of 2018, the Company recognized a goodwill impairment totaling \$14,355, which represented all of the goodwill of the offshore and other complex steel reporting unit.

**(9) BANK CREDIT ARRANGEMENTS**

The Company maintains various lines of credit for short-term borrowings totaling \$132,849 at December 28, 2019. As of December 28, 2019 and December 29, 2018, \$21,774 and \$10,678 was outstanding and recorded as notes payable in the Consolidated Balance Sheets, respectively. The interest rates charged on these lines of credit vary in relation to the banks' costs of funds. The weighted average interest rate on short-term borrowings was 2.54% at December 28, 2019. The unused and available borrowings under the lines of credit were \$111,075 at December 28, 2019. The lines of credit can be modified at any time at the option of the banks. The Company pays no fees in connection with unused lines of credit.

**(10) INCOME TAXES**

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries are as follows:

	2019	2018	2017
United States	\$ 175,923	\$ 127,852	\$ 152,372
Foreign	33,750	15,589	76,092
	<u>\$ 209,673</u>	<u>\$ 143,441</u>	<u>\$ 228,464</u>

In fiscal 2017, the Company estimated and recognized approximately \$41,935 of tax expense for the 2017 Tax Act. The SEC staff issued SAB 118, which provided guidance on accounting for the tax effects of the 2017 Tax Act.

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**(10) INCOME TAXES (Continued)**

The Company's accounting for the following element of the 2017 Tax Act was finalized as of December 30, 2017:

*Reduction of U.S. federal corporate tax rate:* The 2017 Tax Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, the Company recorded a decrease related to deferred taxes of \$20,372, with a corresponding net adjustment to deferred income tax expense for the year ended December 30, 2017.

The Company's accounting for the following elements of the 2017 Tax Act were provisional estimates at December 30, 2017, and were finalized as of December 29, 2018 as follows:

*Deemed Repatriation transition tax:* The Deemed Repatriation transition tax ("Transition Tax") is a tax on unremitted foreign earnings of certain foreign subsidiaries, which subjected the Company's unremitted foreign earnings of approximately \$394,000 to tax at certain specified rates less associated foreign tax credits. The Company recorded a Transition Tax obligation of \$9,890 during fiscal 2017 and reduced this expense by \$550 in 2018 upon finalization. At December 28, 2019, \$785 of the Transition Tax has not been paid and is due in fiscal 2024.

*Indefinite reinvestment assertion:* The Company position remains that unremitted foreign earnings subject to the Transition Tax are not indefinitely reinvested. The Company recorded foreign withholding taxes and U.S. state income taxes of \$10,373 and \$1,300. This expense was recorded in 2017 with a decrease of \$140 recognized in 2018 as it was finalized. In addition, the Company has taken the position that on non-U.S. subsidiaries, unremitted foreign earnings are not indefinitely reinvested and it recorded additional foreign withholding taxes and U.S. state income taxes of \$754 and \$43, respectively during 2019.

Income tax expense (benefit) consists of:

	2019	2018	2017
Current:			
Federal	\$ 27,809	\$ 21,106	\$ 49,324
State	5,568	6,585	4,415
Foreign	13,130	17,559	12,880
	46,507	45,250	66,619
Non-current:	(240)	(456)	(229)
Deferred:			
Federal	2,108	213	(9,626)
State	553	9	(385)
Foreign	1,279	(1,881)	49,766
	3,940	(1,659)	39,755
	\$ 50,207	\$ 43,135	\$ 106,145

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**(10) INCOME TAXES (Continued)**

The reconciliations of the statutory federal income tax rate and the effective tax rate follows:

	2019	2018	2017
Statutory federal income tax rate	21.0 %	21.0 %	35.0 %
State income taxes, net of federal benefit	2.5	3.5	1.4
Carryforwards, credits and changes in valuation allowances	(1.0)	3.2	(1.4)
Foreign tax rate differences	0.3	(1.0)	(4.1)
Changes in unrecognized tax benefits	(0.1)	(0.3)	(0.1)
Domestic production activities deduction	—	—	(2.1)
Goodwill impairment	—	2.2	—
Effects of 2017 Tax Act	—	(0.5)	18.4
Other	1.3	2.0	(0.6)
	<u>24.0 %</u>	<u>30.1 %</u>	<u>46.5 %</u>

Fiscal 2018 includes \$3,171 of tax expense related to non-tax deductible goodwill and \$6,756 of tax expense primarily related to restructuring charges for which no tax benefits have been recorded due to the increase in valuation allowance. Fiscal 2017 includes \$41,935 of tax expense related to the 2017 Tax Act.

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards. The tax effects of significant items comprising the Company's net deferred income tax liabilities are as follows:

	2019	2018
Deferred income tax assets:		
Accrued expenses and allowances	\$ 16,148	\$ 8,268
Tax credits and loss carryforwards	64,116	56,867
Defined benefit pension liability	35,539	36,328
Inventory allowances	5,599	3,320
Accrued compensation and benefits	14,122	13,122
Lease liabilities	21,763	—
Deferred compensation	15,174	16,228
Gross deferred income tax assets	<u>172,461</u>	<u>134,133</u>
Valuation allowance	(35,215)	(33,228)
Net deferred income tax assets	<u>137,246</u>	<u>100,905</u>
Deferred income tax liabilities:		
Property, plant and equipment	31,628	25,477
Intangible assets	49,686	44,850
Lease assets	22,066	—
Other deferred tax liabilities	6,067	7,291
Total deferred income tax liabilities	<u>109,447</u>	<u>77,618</u>
Net deferred income tax asset	<u>\$ 27,799</u>	<u>\$ 23,287</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(10) INCOME TAXES (Continued)**

ASC 740 requires an entity to disclose the approximate tax effect of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax liabilities and deferred tax assets. As a result, the 2018 component of Deferred compensation in the amount of \$28,706 has been disaggregated into Deferred compensation and Accrued compensation and benefits in the amounts of \$16,228 and \$12,478, respectively. In addition, several components previously considered to be significant but no longer rise to a significant level have been aggregated. The 2018 components that have been aggregated are \$3,914 of Accrued warranty aggregated with Accrued expenses and allowances, \$644 of Accrued insurance aggregated with Accrued compensation and benefits, \$1,064 of Work in progress aggregated with Inventory allowances, and \$2,746 of Future repatriation of foreign earnings aggregated with Other deferred tax liabilities.

Deferred income tax assets (liabilities) are presented as follows on the Consolidated Balance Sheets:

<u>Balance Sheet Caption</u>	<u>2019</u>	<u>2018</u>
Other assets	\$ 75,754	\$ 66,776
Deferred income taxes	(47,955)	(43,489)
Net deferred income tax asset	<u>\$ 27,799</u>	<u>\$ 23,287</u>

Management of the Company has reviewed recent operating results and projected future operating results. The Company's belief that realization of its net deferred tax assets is more likely than not is based on, among other factors, changes in operations that have occurred in recent years and available tax planning strategies. At December 28, 2019 and December 29, 2018 respectively, there were \$64,116 and \$56,867 relating to tax credits and loss carryforwards.

Valuation allowances have been established for certain losses that reduce deferred tax assets to an amount that will, more likely than not, be realized. The deferred tax assets at December 28, 2019 that are associated with tax loss and tax credit carryforwards not reduced by valuation allowances expire in periods starting 2023.

Uncertain tax positions included in other non-current liabilities are evaluated in a two-step process, whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, the Company would recognize the largest amount of tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement with the related tax authority.

The following summarizes the activity related to our unrecognized tax benefits in 2019 and 2018, in thousands:

	<u>2019</u>	<u>2018</u>
Gross unrecognized tax benefits—beginning of year	\$ 2,599	\$ 3,196
Gross increases—tax positions in prior period	29	103
Gross decreases—tax positions in prior period	—	(199)
Gross increases—current-period tax positions	593	280
Settlements with taxing authorities	(150)	(50)
Lapse of statute of limitations	(771)	(731)
Gross unrecognized tax benefits—end of year	<u>\$ 2,300</u>	<u>\$ 2,599</u>

There are approximately \$685 of uncertain tax positions for which reversal is reasonably possible during the next 12 months due to the closing of the statute of limitations. The nature of these uncertain tax positions is generally the computation of a tax deduction or tax credit. During 2019, the Company recorded a reduction of its gross unrecognized tax benefit of \$771 with \$609 recorded as a reduction of income tax expense, due to the expiration of statutes of limitation in the United States. During 2018, the Company recorded a reduction of its gross unrecognized tax benefit of \$731, with \$577 recorded as a reduction of its income tax expense, due to the expiration of statutes of limitation in the United States. In



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(10) INCOME TAXES (Continued)**

In addition to these amounts, there was an aggregate of \$178 and \$196 of interest and penalties at December 28, 2019 and December 29, 2018, respectively. The Company's policy is to record interest and penalties directly related to income taxes as income tax expense in the Consolidated Statements of Earnings.

The Company files income tax returns in the U.S. and various states as well as foreign jurisdictions. Tax years 2016 and forward remain open under U.S. statutes of limitation. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$2,224 and \$2,536 at December 28, 2019 and December 29, 2018, respectively.

**(11) LONG-TERM DEBT**

Long-term debt is as follows:

	December 28, 2019	December 29, 2018
5.00% senior unsecured notes due 2044(a)	\$ 450,000	\$ 450,000
5.25% senior unsecured notes due 2054(b)	305,000	305,000
Unamortized discount on 5.00% and 5.25% senior unsecured notes (a)(b)	(21,143)	(21,468)
Revolving credit agreement (c)	29,044	5,719
IDR Bonds(d)	8,500	8,500
Other notes	2,089	2,918
Debt issuance costs	(7,786)	(8,068)
Long-term debt	765,704	742,601
Less current installments of long-term debt	760	779
Long-term debt, excluding current installments	\$ 764,944	\$ 741,822

- (a) The 5.00% senior unsecured notes due 2044 include an aggregate principal amount of \$450,000 on which interest is paid and an unamortized discount balance of \$13,675 at December 28, 2019. The notes bear interest at 5.000% per annum and are due on October 1, 2044. The discount will be amortized and recognized as interest expense as interest payments are made over the term of the notes. The notes may be repurchased prior to maturity in whole, or in part, at any time at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest. These notes are guaranteed by certain subsidiaries of the Company.
- (b) The 5.25% senior unsecured notes due 2054 include an aggregate principal amount of \$305,000 on which interest is paid and an unamortized discount balance of \$7,468 at December 28, 2019. The notes bear interest at 5.250% per annum and are due on October 1, 2054. The discount will be amortized and recognized as interest expense as interest payments are made over the term of the notes. The notes may be repurchased prior to maturity in whole, or in part, at any time at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest. These notes are guaranteed by certain subsidiaries of the Company.
- (c) The amended and restated revolving credit facility with JP Morgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto has a maturity date of October 18, 2022. The credit facility provides for \$600,000 of committed unsecured revolving credit loans with available borrowings thereunder to \$400,000 in foreign currencies. We may increase the credit facility by up to an additional \$200,000 at any time, subject to lenders increasing the amount of their commitments. The interest rate on the borrowings will be, at the Company's option, either:
- (i) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by the Company) plus 100 to 162.5 basis points, depending on the credit rating of the Company's senior debt published by Standard & Poor's Rating Services and Moody's Investors Service, Inc., or;

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**(11) LONG-TERM DEBT (Continued)**

(ii) the higher of

- the prime lending rate,
- the Federal Funds rate plus 50 basis points, and
- LIBOR (based on a 1 month interest period) plus 100 basis points,

plus, in each case, 0 to 62.5 basis points, depending on the credit rating of the Company's senior debt published by Standard & Poor's Rating Services and Mood's Investors Service, Inc.

At December 28, 2019, the Company had \$29,044 outstanding borrowings under the revolving credit facility. The revolving credit facility has a maturity date of October 18, 2022 and contains certain financial covenants that may limit additional borrowing capability under the agreement. At December 28, 2019, the Company had the ability to borrow \$556,569 under this facility, after consideration of standby letters of credit of \$14,608 associated with certain insurance obligations. We also maintain certain short-term bank lines of credit totaling \$132,849, \$111,075 of which was unused at December 28, 2019.

(d) The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity on June 1, 2025. The effective interest rates at December 28, 2019 and December 29, 2018 were 2.73% and 3.27% respectively.

The lending agreements include certain maintenance covenants, including financial leverage and interest coverage. The Company was in compliance with all financial debt covenants at December 28, 2019. The minimum aggregate maturities of long-term debt for each of the five years following 2019 are: \$760, \$761, \$568, \$0 and \$0.

The obligations arising under the 5.00% senior unsecured notes due 2044, the 5.25% senior unsecured notes due 2054, and the revolving credit facility are guaranteed by the Company and its wholly-owned subsidiaries PiRod, Inc., Valmont Coatings, Inc., Valmont Newmark, Inc., and Valmont Queensland Pty. Ltd.

**(12) STOCK-BASED COMPENSATION**

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, and bonuses of common stock. At December 28, 2019, 1,208,223 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization. The Company's policy is to issue shares upon exercise of stock options or vesting of restricted stock units or issuance of restricted stock from treasury shares held by the Company.

Under the stock option plans, the exercise price of each option equals the market price at the time of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three years or on the fifth anniversary of the grant. Expiration of grants is seven years from the date of grant. Restricted stock units and awards generally vest in equal installments over three years beginning on the first anniversary of the grant. The Company recorded \$11,587, \$10,392 and \$10,706 of compensation expense (included in selling, general and administrative expenses) in the 2019, 2018 and 2017 fiscal years for all share-based compensation programs, respectively. The associated tax benefits recorded in the 2019, 2018 and 2017 fiscal years was \$2,897, \$2,598 and \$4,068, respectively.

At December 28, 2019, the amount of unrecognized stock option compensation expense, to be recognized over a weighted average period of 2.31 years, was approximately \$4,979.

**(12) STOCK-BASED COMPENSATION (Continued)**

The Company uses a binomial option pricing model to value its stock options. The fair value of each option grant made in 2019, 2018 and 2017 was estimated using the following assumptions:

	2019	2018	2017
Expected volatility	33.13%	33.39%	33.76%
Risk-free interest rate	1.69%	2.67%	2.12%
Expected life from vesting date	3.0 yrs	3.0 yrs	3.0 yrs
Dividend yield	1.07%	1.07%	1.17%

Following is a summary of the stock option activity during 2017, 2018 and 2019:

Weighted Average	Weighted Average Remaining	Aggregate
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	Number of Shares	Exercise Price	Contractual Term	Intrinsic Value
Outstanding at December 31, 2016	793,173	\$ 122.77		
Granted	67,965	164.35		
Exercised	(284,574)	121.92		
Forfeited	(5,942)	104.26		
Outstanding at December 30, 2017	570,622	\$ 128.34	4.66	\$ 21,806
Options vested or expected to vest at December 30, 2017	558,114	\$ 128.00	4.63	21,517
Options exercisable at December 30, 2017	351,794	\$ 123.90	3.94	15,005

The weighted average per share fair value of options granted during 2017 was \$43.68.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 30, 2017	570,622	\$ 128.34		
Granted	105,135	112.08		
Exercised	(63,717)	106.26		
Forfeited	(33,627)	129.52		
Outstanding at December 29, 2018	578,413	\$ 127.74	4.35	\$ 909
Options vested or expected to vest at December 29, 2018	565,952	\$ 127.84	4.30	909
Options exercisable at December 29, 2018	405,128	\$ 126.61	3.47	909

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**(12) STOCK-BASED COMPENSATION (Continued)**

The weighted average per share fair value of options granted during 2018 was \$30.48.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 29, 2018	578,413	\$ 127.74		
Granted	57,648	147.31		
Exercised	(119,789)	113.02		
Forfeited	(27,712)	137.07		
Outstanding at December 28, 2019	488,560	\$ 133.13	4.04	\$ 9,291
Options vested or expected to vest at December 28, 2019	478,575	\$ 133.21	3.99	9,078
Options exercisable at December 28, 2019	341,828	\$ 133.32	3.19	6,470

The weighted average per share fair value of options granted during 2019 was \$37.85.

Following is a summary of the status of stock options outstanding at December 28, 2019:

Outstanding and Exercisable By Price Range					
Options Outstanding			Options Exercisable		
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$104.47 - 112.08	183,658	4.59 years	\$ 108.58	113,866	\$ 106.43
\$123.87 - 132.84	70,396	1.95 years	132.70	70,396	132.70
\$142.67 - 164.35	234,506	4.24 years	152.75	157,566	152.97
	488,560			341,828	

In accordance with shareholder-approved plans, the Human Resource Committee of the Board of Directors may grant stock under various stock-based compensation arrangements, including restricted stock awards, restricted stock units, and stock issued in lieu of cash bonuses. Under such arrangements, stock is issued without direct cost to the employee. The restricted stock units are settled in Company stock when the restriction period ends. Restricted stock units and awards generally vest in equal installments over three years beginning on the first anniversary of the grant. During fiscal 2019, 2018 and 2017, the Company granted restricted stock units to directors and certain management employees as follows (which are not included in the above stock plan activity tables):

	2019	2018	2017
Shares granted	78,318	88,127	62,160
Weighted-average per share price on grant date	\$ 145.89	\$ 114.89	\$ 163.18
Recognized compensation expense	\$ 8,815	\$ 6,328	\$ 5,569

At December 28, 2019 the amount of deferred stock-based compensation granted, to be recognized over a weighted-average period of 1.70 years, was approximately \$19,501.

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**(13) EARNINGS PER SHARE**

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS):

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
<b>2019:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 153,769	\$ —	\$ 153,769
Weighted average shares outstanding (000's)	21,659	110	21,769
Per share amount	\$ 7.10	\$ 0.04	\$ 7.06
<b>2018:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 94,351	\$ —	\$ 94,351
Weighted average shares outstanding (000's)	22,306	140	22,446
Per share amount	\$ 4.23	\$ 0.03	\$ 4.20
<b>2017:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 116,240	\$ —	\$ 116,240
Weighted average shares outstanding (000's)	22,520	218	22,738
Per share amount	\$ 5.16	\$ 0.05	\$ 5.11

Basic and diluted net earnings and earnings per share in fiscal 2018 was impacted by impairments of goodwill and intangible assets of \$14,736 after-tax (\$0.66 per share), restructuring expenses and non-recurring asset impairments arising from exiting certain local markets of \$37,779 after-tax (\$1.68 per share), refinancing of long-term debt expenses of \$11,115 after-tax (\$0.50 per share), and a loss from the divestiture of the grinding media business of \$5,350 after-tax (\$0.24 per share).

Basic and diluted net earnings and earnings per share in fiscal 2017 were impacted by the 2017 Tax Act enacted on December 22, 2017 by the U.S. government. We remeasured our U.S. deferred income tax assets using a blended rate of 25.0% recognizing deferred income tax expense of approximately \$20,372 (\$0.90 per share). We also recorded a provision charge of approximately \$9,890 (\$0.44 per share) of income tax expense for the deemed repatriation transition tax and \$11,673 (\$0.51 per share) of deferred expenses related to foreign withholding taxes and U.S. state income taxes.

Earnings per share are computed independently for each of the quarters. Therefore, the sum of the quarterly earnings per share may not equal the total for the year.

At the end of fiscal years 2019, 2018, and 2017 there were 130,704, 406,806, and 0 outstanding stock options, respectively, with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share, respectively.

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**(14) EMPLOYEE RETIREMENT SAVINGS PLAN**

Established under Internal Revenue Code Section 401(k), the Valmont Employee Retirement Savings Plan ("VERSP") is a defined contribution plan available to all eligible employees. Participants can elect to contribute up to 50% of annual pay, on a pretax and/or after-tax basis. The Company also makes contributions to the Plan and a non-qualified deferred compensation plan for certain Company executives. The 2019, 2018 and 2017 Company contributions to these plans amounted to approximately \$12,600, \$12,300 and \$11,800 respectively.

The Company sponsors a fully-funded, non-qualified deferred compensation plan for certain Company executives who otherwise would be limited in receiving company contributions into VERSP under Internal Revenue Service regulations. The invested assets and related liabilities of these participants were approximately \$36,290 and \$37,516 at December 28, 2019 and December 29, 2018, respectively. Such amounts are included in "Other assets" and "Deferred compensation" on the Consolidated Balance Sheets. Amounts distributed from the Company's non-qualified deferred compensation plan to participants under the transition rules of section 409A of the Internal Revenue Code were approximately \$8,335 and \$2,352 at December 28, 2019 and December 29, 2018, respectively. All distributions were made in cash.

**(15) DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amount of cash and cash equivalents, receivables, accounts payable, notes payable to banks and accrued expenses approximate fair value because of the short maturity of these instruments. The fair values of each of the Company's long-term debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity (Level 2). The fair value estimates are made at a specific point in time and the underlying assumptions are subject to change based on market conditions. At December 28, 2019, the carrying amount of the Company's long-term debt was \$765,704 with an estimated fair value of approximately \$826,413. At December 29, 2018, the carrying amount of the Company's long-term debt was \$742,601 with an estimated fair value of approximately \$683,602.

For financial reporting purposes, a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date is used. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

**Trading Securities:** The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan of \$36,290 (\$37,516 in 2018) represent mutual funds, invested in debt and equity securities, classified as trading securities, considering the employee's ability to change investment allocation of their deferred compensation at any time. The Company's remaining ownership in Delta EMD Pty. Ltd. (JSE:DTA) of \$210 (\$2,508 in 2018) is recorded at fair value at December 28, 2019. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input. These securities are included in Other Assets on the Consolidated Balance Sheets.

**Derivative Financial Instruments:** The fair value of foreign currency and commodity forward and cross currency contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

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**(15) DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	Carrying Value December 28, 2019	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading securities	\$ 36,500	\$ 36,500	\$ —	\$ —
Derivative financial instruments, net	3,247	—	3,247	—

	Carrying Value December 29, 2018	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading securities	\$ 40,024	\$ 40,024	\$ —	\$ —
Derivative financial instruments, net	\$ 9,147	\$ —	9,147	\$ —

**(16) DERIVATIVE FINANCIAL INSTRUMENTS**

The Company manages interest rate risk, commodity price risk, and foreign currency risk related to foreign currency denominated transactions and investments in foreign subsidiaries. Depending on the circumstances, the Company may manage these risks by utilizing derivative financial instruments. Some derivative financial instruments are marked to market and recorded in the Company's consolidated statements of earnings, while others may be accounted for as fair value, cash flow, or net investment hedges. The Company had open foreign currency forward contracts that are marked to market at December 28, 2019, which are insignificant and thus excluded from the tables below. Derivative financial instruments have credit and market risk. The Company manages these risks of derivative instruments by monitoring limits as to the types and degree of risk that can be taken, and by entering into transactions with counterparties who are recognized, stable multinational banks.

Fair value of derivative instruments at December 28, 2019 and December 29, 2018 are as follows:

Derivatives designated as hedging instruments:	Balance sheet location	December 28, 2019	December 29, 2018
Commodity forward contracts	Prepaid expenses and other assets	\$ —	\$ (285)
Foreign currency forward contracts	Prepaid expenses and other assets	2,119	8,357
Cross currency swap contracts	Prepaid expenses and other assets	1,128	1,075
		\$ 3,247	\$ 9,147

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**(16) DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

Gains (losses) on derivatives recognized in the consolidated statements of earnings for the years ended December 28, 2019, December 29, 2018, and December 30, 2017 are as follows:

Derivatives designated as hedging instruments:	Statements of earnings location	2019	2018	2017
Commodity forward contracts	Product cost of sales	\$ (2,130)	\$ 1,021	\$ —
Foreign currency forward contracts	Loss from divestiture of grinding media business	—	(1,215)	—
Foreign currency forward contracts	Other income (expense)	950	782	—
Interest rate contracts	Interest expense	(64)	(423)	(74)
Cross currency swap contracts	Interest expense	2,823	828	—
		<u>\$ 1,579</u>	<u>\$ 993</u>	<u>\$ (74)</u>

*Cash Flow Hedges*

In 2019 and 2018, the Company entered into steel hot rolled coil (HRC) forward contracts which qualified as a cash flow hedge of the variability in the cash flows attributable to future steel purchases. In 2019, the forward contracts had a notional amount of \$12,128 for the purchase of 3,500 short tons for each month from May 2019 to September 2019. In 2018, the forward contracts entered into had a notional amount of \$8,469 for the purchase of 3,500 short tons for each month from July 2018 to September 2018 and a notional amount of \$15,563 for the purchase of 6,500 short tons for each month from October 2018 to December 2018. The gain (loss) realized upon settlement is recorded in product cost of sales in the consolidated statements of earnings over average inventory turns.

On June 19, 2018, the Company issued and sold \$200,000 aggregate principal amount of the Company's 5.00% senior notes due 2044 and \$55,000 aggregate principal amount of the Company's 5.25% senior notes due 2054. During the second quarter of 2018, the Company executed contracts to hedge the risk of potential fluctuations in the treasury rates on the 2044 Notes and 2054 Notes which would change the amount of net proceeds received from the debt offering. These contracts had a combined notional amount of \$175,000. On June 8, 2018, these contracts were settled with the Company paying \$2,467 to the counterparties which was recorded in OCI and will be amortized as an increase to interest expense over the term of the debt. Due to the retirement of the 2020 bonds in July 2018, the Company wrote off the remaining \$411 unamortized loss on the related cash flow hedge.

*Net Investment Hedges*

In the second quarter of 2019, all net investment hedges inceptioned in 2018 were early settled and the Company received proceeds of \$11,184, which will remain in OCI until either the sale or substantially complete liquidation of the related subsidiaries.

In the second quarter of 2019, the Company entered into a foreign currency forward contract to mitigate foreign currency risk of the Company's investment in its Australian dollar denominated businesses. The forward contract qualifies as a net investment hedge and has a maturity date of April 2021 and a notional amount to sell Australian dollars to receive \$100,000. The Australian dollar forward contract effectiveness was assessed under the spot method with forward points excluded totaling \$881, which the Company has elected to amortize in other income (expense) in the consolidated statements of earnings using the straight-line method over the remaining term of the contract.



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(16) DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

In the second quarter of 2019, the Company entered into two fixed-for-fixed cross currency swaps ("CCS"), swapping U.S. dollar principal and interest payments on a portion of its 5.00% senior unsecured notes due 2044 for Danish krone (DKK) and euro denominated payments. The CCS were entered into in order to mitigate foreign currency risk on the Company's euro and DKK investments and to reduce interest expense. Interest is exchanged twice per year on April 1 and October 1.

Key terms of the two CCS are as follows:

<u>Currency</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Swapped Interest Rate</u>	<u>Net Settlement Amount</u>
Danish Krone (DKK)	\$ 50,000	April 1, 2024	2.68%	DKK 333,625
Euro	\$ 80,000	April 1, 2024	2.825%	€71,550

The Company designated the full notional amount of the three CCS (\$130,000) as a hedge of the net investment in certain Danish and European subsidiaries under the spot method, with all changes in the fair value of the CCS that are included in the assessment of effectiveness (changes due to spot foreign exchange rates) are recorded as cumulative foreign currency translation within OCI, and will remain in OCI until either the sale or substantially complete liquidation of the related subsidiaries. Net interest receipts will be recorded as a reduction of interest expense over the life of the CCS.

**(17) GUARANTEES**

The Company's product warranty accrual reflects management's best estimate of probable liability under its product warranties. Historical product claims data is used to estimate the cost of product warranties at the time revenue is recognized.

Changes in the product warranty accrual, which is recorded in "Accrued expenses", for the years ended December 28, 2019 and December 29, 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 17,008	\$ 20,109
Payments made	(17,484)	(18,920)
Change in liability for warranties issued during the period	16,080	13,566
Change in liability for pre-existing warranties	(2,072)	2,253
Balance, end of period	<u>\$ 13,532</u>	<u>\$ 17,008</u>

**(18) COMMITMENTS & CONTINGENCIES**

Various claims and lawsuits are pending against Company and certain of its subsidiaries. The Company cannot fully determine the effect of all asserted and unasserted claims on its consolidated results of operations, financial condition, or liquidity. Where asserted and unasserted claims are considered probable and reasonably estimable, a liability has been recorded. We do not expect that any known lawsuits, claims, environmental costs, commitments, or contingent liabilities will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(19) DEFINED BENEFIT RETIREMENT PLAN**

Delta Ltd., a wholly-owned subsidiary of the Company, is the sponsor of the Delta Pension Plan ("Plan"). The Plan provides defined benefit retirement income to eligible employees in the United Kingdom. Pension retirement benefits to qualified employees are 1.67% of final salary per year of service upon reaching the age of 65 years. This Plan has no active employees as members at December 28, 2019.

**Funded Status**

The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the plan assets. The PBO is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases (if applicable) and inflation. Plan assets are measured at fair value. Because the pension plan is denominated in British pounds sterling, the Company used exchange rates of \$1.269/£ and \$1.308/£ to translate the net pension liability into U.S. dollars at December 29, 2018 and December 28, 2019, respectively. The net funded status of \$140,007 at December 28, 2019 is recorded as a noncurrent liability.

*Projected Benefit Obligation and Fair Value of Plan Assets*—The accumulated benefit obligation (ABO) is the present value of benefits earned to date, assuming no future compensation growth.

As there are no active employees in the plan, the ABO is equal to the PBO for all years presented. The underfunded ABO represents the difference between the PBO and the fair value of plan assets. On October 26, 2018, the High Court of Justice in the United Kingdom ruled that pension plans which offered guaranteed minimum pension ("GMP") benefits between 1990 and 1997 must ensure the benefit accrued between men and women were equal. The Company estimated the cost of GMP equalization at £9,500, which is being treated as a prior service cost at December 29, 2018.

Changes in the PBO and fair value of plan assets for the pension plan for the period from December 30, 2017 to December 29, 2018 were as follows:

	Projected Benefit Obligation	Plan Assets	Funded status
Fair Value at December 30, 2017	\$ 783,301	\$ 593,749	\$ (189,552)
Employer contributions	—	1,537	
Interest cost	17,878	—	
Prior service costs - GMP equalization	12,056	—	
Actual return on plan assets	—	(32,120)	
Benefits paid	(28,207)	(28,207)	
Actuarial (gain) loss	(95,480)	—	
Currency translation	(42,108)	(31,423)	
Fair Value at December 29, 2018	<u>\$ 647,440</u>	<u>\$ 503,536</u>	<u>\$ (143,904)</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(19) DEFINED BENEFIT RETIREMENT PLAN (Continued)**

Changes in the PBO and fair value of plan assets for the pension plan for the period from December 29, 2018 to December 28, 2019 were as follows:

	Projected Benefit Obligation	Plan Assets	Funded status
Fair Value at December 29, 2018	\$ 647,440	\$ 503,536	\$ (143,904)
Employer contributions	—	18,461	
Interest cost	16,923	—	
Actual return on plan assets	—	86,081	
Benefits paid	(20,769)	(20,769)	
Actuarial (gain) loss	79,485	—	
Currency translation	21,324	17,087	
Fair Value at December 28, 2019	<u>\$ 744,403</u>	<u>\$ 604,396</u>	<u>\$ (140,007)</u>

Pre-tax amounts recognized in accumulated other comprehensive income (loss) as of December 28, 2019 and December 29, 2018 consisted of actuarial gains (losses):

Balance December 30, 2017	\$ (168,250)
Actuarial gain	44,760
Prior service costs - GMP equalization	(12,056)
Currency translation gain (loss)	5,358
Balance December 29, 2018	(130,188)
Actuarial gain (loss)	(10,839)
Currency translation gain (loss)	(2,699)
Balance December 28, 2019	<u>\$ (143,726)</u>

The estimated amount to be amortized from accumulated other comprehensive income into net periodic benefit cost in 2020 is approximately \$3,008.

*Assumptions*—The weighted-average actuarial assumptions used to determine the benefit obligation at December 28, 2019 and December 29, 2018 were as follows:

Percentages	2019	2018
Discount rate	2.05%	2.90%
Salary increase	N/A	N/A
CPI inflation	2.15%	2.20%
RPI inflation	3.05%	3.30%

**Expense**

Pension expense is determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to the fair value of plan assets. Differences in actual experience in relation to assumptions are not recognized in net earnings immediately, but are deferred and, if necessary, amortized as pension expense.

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**(19) DEFINED BENEFIT RETIREMENT PLAN (Continued)**

The components of the net periodic pension expense for the fiscal years ended December 28, 2019 and December 29, 2018 were as follows:

	2019	2018
Net Periodic Benefit Cost:		
Interest cost	\$ 16,923	\$ 17,878
Expected return on plan assets	(20,000)	(23,175)
Amortization of prior service cost	513	—
Amortization of actuarial loss	2,051	3,046
Net periodic benefit expense (benefit)	<u>\$ (513)</u>	<u>\$ (2,251)</u>

*Assumptions*—The weighted-average actuarial assumptions used to determine expense are as follows for fiscal 2019 and 2018:

Percentages	2019	2018
Discount rate	2.90%	2.55%
Expected return on plan assets	4.25%	4.29%
CPI Inflation	2.20%	2.20%
RPI Inflation	3.30%	3.30%

The discount rate is based on the yields of AA-rated corporate bonds with durational periods similar to that of the pension liabilities. The expected return on plan assets is based on our asset allocation mix and our historical return, taking into account current and expected market conditions. Inflation is based on expected changes in the consumer price index or the retail price index in the U.K. depending on the relevant plan provisions.

**Cash Contributions**

The Company completed negotiations with Plan trustees in 2019 regarding annual funding for the Plan. The annual contributions into the Plan are \$17,132 (£13,100) per annum as part of the Plan's recovery plan, along with a contribution to cover the administrative costs of the Plan of approximately \$1,700 (£1,300) per annum.

**Benefit Payments**

The following table details expected pension benefit payments for the years 2020 through 2029:

2020	\$ 21,840
2021	22,494
2022	23,148
2023	23,802
2024	24,587
Years 2024 - 2029	134,442

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(19) DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Asset Allocation Strategy**

The investment strategy for pension plan assets is to maintain a diversified portfolio consisting of

- Long-term fixed-income securities that are investment grade or government-backed in nature;
- Common stock mutual funds in U.K. and non-U.K. companies, and;
- Diversified growth funds, which are invested in a number of investments, including common stock, fixed income funds, properties and commodities.

The Plan, as required by U.K. law, has an independent trustee that sets investment policy. The general strategy is to invest approximately 50% of the assets of the plan in common stock mutual funds and diversified growth funds, with the remainder of the investments in long-term fixed income securities, including corporate bonds and index-linked U.K. gilts. The trustees regularly consult with representatives of the plan sponsor and independent advisors on such matters.

The pension plan investments are held in a trust. The weighted-average maturity of the corporate bond portfolio was 13 years at December 28, 2019.

**Fair Value Measurements**

The pension plan assets are valued at fair value. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Leveraged inflation-linked gilts (LDIs)**—LDIs are a combination of U.K. government-backed securities (such as bonds or other fixed income securities issued directly by the U.K. Treasury) money market instruments, and derivatives combined to give leveraged exposure to changes in the U.K. long-term interest and inflation rates. These funds are expected to offset a proportion of the impact changes in the long-term interest and inflation rates in the U.K. have on the pension plan's benefit plan obligation liability. The fair value recorded by the Plan is calculated using net asset value (NAV) for each investment.

**Temporary Cash Investments**—These investments consist of British pound sterling, reported in terms of U.S. dollars based on currency exchange rates readily available in active markets. These temporary cash investments are classified as Level 1 investments.

**Corporate Bonds**—Corporate bonds and debentures consist of fixed income securities issued by U.K. corporations. The fair value recorded by the Plan is calculated using NAV for each investment.

**Corporate Stock**—This investment category consists of common and preferred stock, including mutual funds, issued by U.K. and non-U.K. corporations. The fair value recorded by the Plan is calculated using NAV for each investment, except for one small holding that is actively traded (which is the level 1 investment).

**Diversified growth funds** - This investment category consists of diversified investment funds, whose holdings include common stock, fixed income funds, properties and commodities of U.K. and non-U.K. securities. The fair value recorded by the Plan is calculated using NAV for each investment.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(19) DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Secured income asset (SIA) funds** - This investment category consists of holdings which will have a high level of expected inflation linkage. Examples of underlying assets classes are rental streams and infrastructure debt. Due to the private nature of these investments, pricing inputs are not readily observable. Asset valuations are developed by the fund manager. These valuations are based on the application of public market multiples to private company cash flows, market transactions that provide valuation information for comparable companies, and other methods. The fair value recorded by the Plan is calculated using NAV.

At December 31, 2019 and December 31, 2018, the pension plan assets measured at fair value on a recurring basis were as follows:

December 31, 2019	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Plan assets at fair value:				
Temporary cash investments	\$ 38,388	\$ —	\$ —	\$ 38,388
Corporate stock	—	—	—	—
Total plan net assets at fair value	<u>\$ 38,388</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 38,388</u>
Plan assets at NAV:				
Leveraged inflation-linked gilt funds				123,637
Corporate bonds				97,638
Corporate stock				234,612
Secured income asset funds				110,121
Total plan assets at NAV				<u>566,008</u>
Total plan assets				<u>\$ 604,396</u>

December 31, 2018	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Plan assets at fair value:				
Temporary cash investments	\$ 61,040	\$ —	\$ —	\$ 61,040
Corporate stock	506	—	—	506
Total plan net assets at fair value	<u>\$ 61,546</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 61,546</u>
Plan assets at NAV:				
Leveraged inflation-linked gilt funds				122,711
Corporate bonds				80,454
Corporate stock				183,750
Secured income asset funds				55,075
Total plan assets at NAV				<u>441,990</u>
Total plan assets				<u>\$ 503,536</u>

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(20) LEASES**

The Company has operating leases for plant locations, corporate offices, sales offices, and certain equipment. Outstanding leases at December 28, 2019 have remaining lease terms of one year to fifteen years, some of which include options to extend leases for up to five years. The Company does not have any financing leases. The Company elected practical expedients not to reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, to use hindsight in determining the lease term and in assessing impairment of the right-of-use asset, and to not separate lease and non-lease components for all classes of underlying assets.

The Company determines if an arrangement is a lease at inception. Operating leases are included in other assets, accrued expenses, and lease liabilities in our consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make future lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company used its collateralized incremental borrowing rate in determining the present value of future lease payments. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives and impairments. Some of the Company's facility leases include options to extend the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Lease cost and other information related to the Company's operating leases are as follows:

	<b>Fifty-Two weeks ended December 28, 2019</b>
Operating lease cost	\$ 24,073
Operating cash outflows from operating leases	\$ 24,835
ROU assets obtained in exchange for lease obligations	\$ 13,474
Weighted average remaining lease term	10 years
Weighted average discount rate	3.8%

Operating lease cost includes approximately \$2,500 for short-term lease costs and approximately \$2,000 for variable lease payments.

As part of the adoption of ASC 842, the Company evaluated at the historical and projected cash flow generation of the operations at each of its long-term leased facilities. One of those facilities, a galvanizing operation in Melbourne, Australia, will not generate sufficient cash flows on an undiscounted cash flow basis to recover the carrying value of the right of use asset. The Company then estimated a value for this operation using a discounted cash flow model. The result was an impairment of the right-of-use lease asset of approximately \$12,063. The after-tax balance of \$8,444 was recorded as a reduction to retained earnings for the transition adjustment of adoption.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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**(20) LEASES (Continued)**

Supplemental balance sheet information related to operating leases as of December 28, 2019 is as follows:

	Classification	December 28, 2019
Operating lease assets	Other assets	\$ 86,998
Operating lease short-term liabilities	Accrued expenses	15,226
Operating lease long-term liabilities	Operating lease liabilities	85,817
Total lease liabilities		<u>\$ 101,043</u>

Minimum lease payments under operating leases expiring subsequent to December 28, 2019 are as follows:

<b>Fiscal year ending:</b>	
2020	\$ 18,744
2021	15,504
2022	12,706
2023	9,731
2024	8,453
Subsequent	<u>58,015</u>
Total minimum lease payments	\$ 123,153
Less: Interest	<u>\$ 22,110</u>
Present value of minimum lease payments	<u>\$ 101,043</u>

The below table as of December 29, 2018 is carried forward, including certain amounts that were historically included in the table as a result of the historical lease term conclusions but were not included in the initial ROU asset and lease liability measurement as of December 30, 2018 due to the Company's election of the hindsight practical expedient. The Company also determined one of its leases with escalating rent payments should be expensed using the straight-line method over a longer term and the result was an additional reduction to retained earnings of \$442 for a transition adjustment. Minimum lease payments for operating leases under ASC 840 expiring subsequent to December 29, 2018 are as follows:

<b>Fiscal year ending:</b>	
2019	\$ 18,757
2020	16,830
2021	13,992
2022	11,932
2023	8,866
Subsequent	<u>76,438</u>
Total minimum lease payments	<u>\$ 146,815</u>



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(21) BUSINESS SEGMENTS**

The Company has four reportable segments based on its management structure. Each segment is global in nature with a manager responsible for segment operational performance and the allocation of capital within the segment. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

*ENGINEERED SUPPORT STRUCTURES:* This segment consists of the manufacture and distribution of engineered metal and composite poles, towers, and components for global lighting, traffic, and wireless communication markets, engineered access systems, integrated structure solutions for smart cities, and highway safety products;

*UTILITY SUPPORT STRUCTURES:* This segment consists of the manufacture of engineered steel and concrete structures for global utility transmission, distribution, substations, and renewable energy generation equipment;

*COATINGS:* This segment consists of galvanizing, painting, and anodizing services to preserve and protect metal products; and

*IRRIGATION:* This segment consists of the manufacture of agricultural irrigation equipment, parts, services, tubular products, water management solutions, and technology for precision agriculture.

In addition to these four reportable segments, the Company had other businesses and activities that individually are not more than 10% of consolidated sales, operating income or assets. This includes the manufacture of forged steel grinding media for the mining industry and is reported in the "Other" category until its divestiture in 2018.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate LIFO expense, interest expense, non-operating income and deductions, or income taxes to its business segments.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
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(Dollars in thousands, except per share amounts)

**(21) BUSINESS SEGMENTS (Continued)**

**Summary by Business**

	2019	2018	2017
<b>SALES:</b>			
Engineered Support Structures segment:			
Lighting, Traffic, and Highway Safety Products	\$ 708,853	\$ 706,582	\$ 633,178
Communication Products	188,912	149,817	171,718
Access Systems	114,525	130,481	133,206
Engineered Support Structures segment	1,012,290	986,880	938,102
Utility Support Structures segment:			
Steel	630,892	637,979	658,604
Concrete	122,032	111,875	99,738
Engineered Solar Tracker Solutions	47,450	16,760	—
Offshore and Other Complex Steel Structures	90,206	92,559	100,773
Utility Support Structures segment	890,580	859,173	859,115
Coatings segment	367,835	353,351	318,891
Irrigation segment:			
North America	378,613	386,683	369,832
International	206,583	246,983	282,598
Irrigation segment	585,196	633,666	652,430
Other	—	23,080	76,300
Total	2,855,901	2,856,150	2,844,838
<b>INTERSEGMENT SALES:</b>			
Engineered Support Structures	10,214	19,522	25,862
Utility Support Structures	4,972	3,967	2,871
Coatings	67,195	66,612	62,080
Irrigation	6,544	8,905	8,058
Total	88,925	99,006	98,871
<b>NET SALES:</b>			
Engineered Support Structures segment	1,002,076	967,358	912,240
Utility Support Structures segment	885,608	855,206	856,244
Coatings segment	300,640	286,739	256,811
Irrigation segment	578,652	624,761	644,372
Other	—	23,080	76,300
Total	\$ 2,766,976	\$ 2,757,144	\$ 2,745,967

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(21) BUSINESS SEGMENTS (Continued)**

	2019	2018	2017
<b>OPERATING INCOME (LOSS):</b>			
Engineered Support Structures	\$ 65,627	\$ 34,776	\$ 62,960
Utility Support Structures	87,788	64,766	97,853
Coatings	51,008	55,325	50,179
Irrigation	71,687	97,722	101,498
Other	—	(913)	2,134
Adjustment to LIFO inventory valuation method	9,815	(9,892)	(5,680)
Corporate	(48,205)	(39,504)	(41,864)
Total	237,720	202,280	267,080
Interest expense, net	(36,211)	(39,569)	(39,908)
Costs associated with refinancing of debt	—	(14,820)	—
Loss from divestiture of grinding media business	—	(6,084)	—
Other	8,164	1,634	1,292
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	\$ 209,673	\$ 143,441	\$ 228,464
<b>TOTAL ASSETS:</b>			
Engineered Support Structures	\$ 943,841	\$ 867,735	\$ 846,881
Utility Support Structures	742,194	700,915	597,231
Coatings	363,070	294,951	288,890
Irrigation	347,887	347,894	369,798
Other	—	—	68,934
Corporate	366,419	318,779	430,516
Total	\$ 2,763,411	\$ 2,530,274	\$ 2,602,250
<b>CAPITAL EXPENDITURES:</b>			
Engineered Support Structures	\$ 25,344	\$ 26,783	\$ 16,433
Utility Support Structures	26,306	17,442	14,012
Coatings	23,610	10,320	11,080
Irrigation	15,644	7,249	7,055
Other	—	7	2,376
Corporate	6,521	10,184	4,310
Total	\$ 97,425	\$ 71,985	\$ 55,266

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(21) BUSINESS SEGMENTS (Continued)**

	2019	2018	2017
<b>DEPRECIATION AND AMORTIZATION:</b>			
Engineered Support Structures	\$ 26,280	\$ 27,274	\$ 27,637
Utility Support Structures	23,779	23,618	25,079
Coatings	15,907	15,956	15,115
Irrigation	10,943	11,335	11,173
Other	—	775	2,486
Corporate	5,355	3,869	3,467
Total	<u>\$ 82,264</u>	<u>\$ 82,827</u>	<u>\$ 84,957</u>

**Summary by Geographical Area by Location of Valmont Facilities:**

	2019	2018	2017
<b>NET SALES:</b>			
United States	\$ 1,872,840	\$ 1,771,390	\$ 1,702,826
Australia	255,271	325,553	356,959
Denmark	90,206	92,559	100,773
Other	548,659	567,642	585,409
Total	<u>\$ 2,766,976</u>	<u>\$ 2,757,144</u>	<u>\$ 2,745,967</u>

<b>LONG-LIVED ASSETS:</b>			
United States	\$ 753,515	\$ 624,143	\$ 544,724
Australia	193,029	168,438	227,483
Denmark	58,435	64,497	90,372
Other	369,983	332,556	267,106
Total	<u>\$ 1,374,992</u>	<u>\$ 1,189,634</u>	<u>\$ 1,129,685</u>

No single customer accounted for more than 10% of net sales in 2019, 2018, or 2017. Net sales by geographical area are based on the location of the facility producing the sales and do not include sales to other operating units of the company. Australia accounted for approximately 9% of the Company's net sales in 2019; no other foreign country accounted for more than 4% of the Company's net sales.

Operating income by business segment are based on net sales less identifiable operating expenses and allocations and includes profits recorded on sales to other operating units of the company. Long-lived assets consist of property, plant and equipment, net of depreciation, goodwill, other intangible assets and other assets. Long-lived assets by geographical area are based on location of facilities.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION**

The Company has two tranches of senior unsecured notes. All of the senior notes are guaranteed, jointly, severally, fully and unconditionally (subject to certain customary release provisions, including sale of the subsidiary guarantor, or sale of all or substantially all of its assets) by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company. The Company is the issuer.

Consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
**For the Year ended December 28, 2019**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 1,207,865	\$ 563,935	\$ 1,242,812	\$ (247,636)	\$ 2,766,976
Cost of sales	887,403	420,287	1,014,071	(247,281)	2,074,480
Gross profit	320,462	143,648	228,741	(355)	692,496
Selling, general and administrative expenses	236,574	38,732	179,470	—	454,776
Operating income	83,888	104,916	49,271	(355)	237,720
Other income (expense):					
Interest expense	(37,984)	(11,150)	(2,249)	11,230	(40,153)
Interest income	1,676	37	13,459	(11,230)	3,942
Other	7,805	44	315	—	8,164
	(28,503)	(11,069)	11,525	—	(28,047)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	55,385	93,847	60,796	(355)	209,673
Income tax expense (benefit):					
Current	8,918	26,166	11,181	2	46,267
Deferred	(3,120)	—	7,060	—	3,940
	5,798	26,166	18,241	2	50,207
Earnings before equity in earnings of nonconsolidated subsidiaries	49,587	67,681	42,555	(357)	159,466
Equity in earnings of nonconsolidated subsidiaries	104,182	7,900	—	(112,082)	—
Net earnings	153,769	75,581	42,555	(112,439)	159,466
Less: Earnings attributable to noncontrolling interests	—	—	(5,697)	—	(5,697)
Net earnings attributable to Valmont Industries, Inc	\$ 153,769	\$ 75,581	\$ 36,858	\$ (112,439)	\$ 153,769

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
For the Year ended December 29, 2018

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$1,192,134	\$ 522,366	\$1,303,323	\$ (260,679)	\$ 2,757,144
Cost of sales	906,646	399,451	1,055,215	(262,448)	2,098,864
Gross profit	285,488	122,915	248,108	1,769	658,280
Selling, general and administrative expenses	192,343	51,127	212,530	—	456,000
Operating income	93,145	71,788	35,578	1,769	202,280
Other income (expense):					
Interest expense	(42,524)	(14,815)	(1,713)	14,815	(44,237)
Interest income	791	82	18,610	(14,815)	4,668
Other	(17,602)	59	(1,727)	—	(19,270)
	(59,335)	(14,674)	15,170	—	(58,839)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	33,810	57,114	50,748	1,769	143,441
Income tax expense (benefit):					
Current	6,310	14,948	23,290	246	44,794
Deferred	1,532	1,791	(4,982)	—	(1,659)
	7,842	16,739	18,308	246	43,135
Earnings before equity in earnings of nonconsolidated subsidiaries	25,968	40,375	32,440	1,523	100,306
Equity in earnings of nonconsolidated subsidiaries	68,383	37,304	—	(105,687)	—
Net earnings	94,351	77,679	32,440	(104,164)	100,306
Less: Earnings attributable to noncontrolling interests	—	—	(5,955)	—	(5,955)
Net earnings attributable to Valmont Industries, Inc	\$ 94,351	\$ 77,679	\$ 26,485	\$ (104,164)	\$ 94,351

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
For the Year ended December 30, 2017

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 1,200,181	\$ 485,448	\$ 1,312,214	\$ (251,876)	\$ 2,745,967
Cost of sales	898,799	375,383	1,042,199	(252,182)	2,064,199
Gross profit	301,382	110,065	270,015	306	681,768
Selling, general and administrative expenses	192,182	47,955	174,551	—	414,688
Operating income	109,200	62,110	95,464	306	267,080
Other income (expense):					
Interest expense	(43,642)	(13,866)	(1,003)	13,866	(44,645)
Interest income	838	42	17,723	(13,866)	4,737
Other	5,681	58	(4,447)	—	1,292
	(37,123)	(13,766)	12,273	—	(38,616)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	72,077	48,344	107,737	306	228,464
Income tax expense (benefit):					
Current	29,407	17,928	18,920	135	66,390
Deferred	10,307	—	29,448	—	39,755
	39,714	17,928	48,368	135	106,145
Earnings before equity in earnings of nonconsolidated subsidiaries	32,363	30,416	59,369	171	122,319
Equity in earnings of nonconsolidated subsidiaries	83,877	22,146	—	(106,023)	—
Net earnings	116,240	52,562	59,369	(105,852)	122,319
Less: Earnings attributable to noncontrolling interests	—	—	(6,079)	—	(6,079)
Net earnings attributable to Valmont Industries, Inc	\$ 116,240	\$ 52,562	\$ 53,290	\$ (105,852)	\$ 116,240

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the Year ended December 28, 2019

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 153,769	\$ 75,581	\$ 42,555	\$ (112,439)	\$ 159,466
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized translation gains (losses)	—	(1,564)	(942)	—	(2,506)
Realized loss on divestiture of grinding media business recorded in earnings	—	—	—	—	—
Gain (loss) on hedging activities	2,905	—	—	—	2,905
Actuarial gain (loss) in defined benefit pension plan liability	—	—	(10,828)	—	(10,828)
Equity in other comprehensive income	(13,142)	—	—	13,142	—
Other comprehensive income (loss)	(10,237)	(1,564)	(11,770)	13,142	(10,429)
Comprehensive income (loss)	143,532	74,017	30,785	(99,297)	149,037
Comprehensive income attributable to noncontrolling interests	—	—	(5,505)	—	(5,505)
Comprehensive income (loss) attributable to Valmont Industries, Inc.	\$ 143,532	\$ 74,017	\$ 25,280	\$ (99,297)	\$ 143,532



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Year ended December 29, 2018**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 94,351	\$ 77,679	\$ 32,440	\$ (104,164)	\$ 100,306
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized translation gains (losses)	—	(6,509)	(58,927)	—	(65,436)
Realized loss on divestiture of grinding media business recorded in earnings	—	—	9,203	—	9,203
Gain (loss) on hedging activities	4,814	—	—	—	4,814
Actuarial gain (loss) in defined benefit pension plan liability	—	—	29,885	—	29,885
Equity in other comprehensive income	(28,977)	—	—	28,977	—
Other comprehensive income (loss)	(24,163)	(6,509)	(19,839)	28,977	(21,534)
Comprehensive income (loss)	70,188	71,170	12,601	(75,187)	78,772
Comprehensive income attributable to noncontrolling interests	—	—	(8,584)	—	(8,584)
Comprehensive income (loss) attributable to Valmont Industries, Inc.	\$ 70,188	\$ 71,170	\$ 4,017	\$ (75,187)	\$ 70,188

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Year ended December 30, 2017

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 116,240	\$ 52,562	\$ 59,369	\$ (105,852)	\$ 122,319
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized translation gains (losses)	—	138,795	(59,516)	—	79,279
Gain (loss) on hedging activities	(1,621)	—	—	—	(1,621)
Actuarial gain (loss) in defined benefit pension plan liability	—	—	(10,871)	—	(10,871)
Equity in other comprehensive income	68,958	—	—	(68,958)	—
Other comprehensive income (loss)	67,337	138,795	(70,387)	(68,958)	66,787
Comprehensive income	183,577	191,357	(11,018)	(174,810)	189,106
Comprehensive income attributable to noncontrolling interests	—	—	(5,529)	—	(5,529)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 183,577	\$ 191,357	\$ (16,547)	\$ (174,810)	\$ 183,577

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**December 28, 2019**

ASSETS	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 182,453	\$ 6,169	\$ 164,920	\$ —	\$ 353,542
Receivables, net	134,972	94,090	250,938	—	480,000
Inventories	130,686	45,673	200,963	(2,757)	374,565
Contra asset - costs and profits in excess of billings	65,528	47,402	28,392	—	141,322
Prepaid expenses, restricted cash, and other assets	13,820	717	17,506	—	32,043
Refundable income taxes	6,947	—	—	—	6,947
Total current assets	534,406	194,051	662,719	(2,757)	1,388,419
Property, plant and equipment, at cost	635,322	175,862	434,077	—	1,245,261
Less accumulated depreciation and amortization	413,054	90,384	183,694	—	687,132
Net property, plant and equipment	222,268	85,478	250,383	—	558,129
Goodwill	20,108	141,581	267,175	—	428,864
Other intangible assets	763	43,933	131,046	—	175,742
Investment in subsidiaries and intercompany accounts	1,339,206	1,150,458	908,212	(3,397,876)	—
Other assets	88,549	4,323	119,385	—	212,257
Total assets	\$ 2,205,300	\$ 1,619,824	\$ 2,338,920	\$ (3,400,633)	\$ 2,763,411
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Current installments of long-term debt	\$ —	\$ —	\$ 760	\$ —	\$ 760
Notes payable to banks	—	—	21,774	—	21,774
Accounts payable	68,677	21,464	107,816	—	197,957
Accrued employee compensation and benefits	45,294	6,344	31,890	—	83,528
Accrued expenses	147,498	11,353	42,830	—	201,681
Dividends payable	8,079	—	—	—	8,079
Total current liabilities	269,548	39,161	205,070	—	513,779
Deferred income taxes	16,925	—	31,030	—	47,955
Long-term debt, excluding current installments	734,571	123,560	30,373	(123,560)	764,944
Defined benefit pension liability	—	—	140,007	—	140,007
Other noncurrent liabilities	72,772	3,168	63,895	—	139,835
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	648,957	(1,106,907)	27,900
Additional paid-in capital	—	162,906	1,107,536	(1,270,442)	—
Retained earnings	2,140,948	753,652	400,933	(1,154,585)	2,140,948
Accumulated other comprehensive income (loss)	(313,422)	79,427	(334,288)	254,861	(313,422)
Treasury stock	(743,942)	—	—	—	(743,942)
Total Valmont Industries, Inc. shareholders' equity	1,111,484	1,453,935	1,823,138	(3,277,073)	1,111,484
Noncontrolling interest in consolidated subsidiaries	—	—	45,407	—	45,407
Total shareholders' equity	1,111,484	1,453,935	1,868,545	(3,277,073)	1,156,891
Total liabilities and shareholders' equity	\$ 2,205,300	\$ 1,619,824	\$ 2,338,920	\$ (3,400,633)	\$ 2,763,411

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
Three-year period ended December 28, 2019  
(Dollars in thousands, except per share amounts)

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
December 29, 2018

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 104,256	\$ 5,518	\$ 203,436	\$ —	\$ 313,210
Receivables, net	134,943	75,204	273,816	—	483,963
Inventories	138,138	37,019	210,791	(2,402)	383,566
Contra asset - costs and profits in excess of billings	50,271	35,200	27,054	—	112,525
Prepaid expenses, restricted cash, and other assets	21,858	746	20,196	—	42,800
Refundable income taxes	4,576	—	—	—	4,576
Total current assets	454,062	153,687	735,293	(2,402)	1,340,640
Property, plant and equipment, at cost	579,046	172,050	409,769	—	1,160,865
Less accumulated depreciation and amortization	390,438	93,374	163,061	—	646,873
Net property, plant and equipment	188,608	78,676	246,708	—	513,992
Goodwill	20,108	110,562	254,537	—	385,207
Other intangible assets	76	27,452	148,428	—	175,956
Investment in subsidiaries and intercompany accounts	1,286,545	1,161,612	932,982	(3,381,139)	—
Other assets	47,674	—	66,805	—	114,479
Total assets	\$ 1,997,073	\$ 1,531,989	\$ 2,384,753	\$ (3,383,541)	\$ 2,530,274
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Current installments of long-term debt	\$ —	\$ —	\$ 779	\$ —	\$ 779
Notes payable to banks	—	—	10,678	—	10,678
Accounts payable	68,304	21,081	128,730	—	218,115
Accrued employee compensation and benefits	41,418	7,186	30,687	—	79,291
Accrued expenses	25,936	10,132	55,874	—	91,942
Dividends payable	8,230	—	—	—	8,230
Total current liabilities	143,888	38,399	226,748	—	409,035
Deferred income taxes	14,376	—	29,113	—	43,489
Long-term debt, excluding current installments	733,964	166,729	7,858	(166,729)	741,822
Defined benefit pension liability	—	—	143,904	—	143,904
Other noncurrent liabilities	45,083	620	10,798	—	56,501
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	648,682	(1,106,632)	27,900
Additional paid-in capital	—	162,906	1,107,536	(1,270,442)	—
Retained earnings	2,027,596	624,394	467,699	(1,092,093)	2,027,596
Accumulated other comprehensive income (loss)	(303,105)	80,991	(333,346)	252,355	(303,185)
Treasury stock	(692,549)	—	—	—	(692,549)
Total Valmont Industries, Inc. shareholders' equity	1,059,762	1,326,241	1,890,571	(3,216,812)	1,059,762
Noncontrolling interest in consolidated subsidiaries	—	—	75,761	—	75,761
Total shareholders' equity	1,059,762	1,326,241	1,966,332	(3,216,812)	1,135,523
Total liabilities and shareholders' equity	\$ 1,997,073	\$ 1,531,989	\$ 2,384,753	\$ (3,383,541)	\$ 2,530,274

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Year ended December 28, 2019**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>Cash flows from operating activities:</b>					
Net earnings	\$ 153,769	\$ 75,581	\$ 42,555	\$ (112,439)	\$ 159,466
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	26,734	13,518	42,012	—	82,264
Noncash loss on trading securities	—	—	(172)	—	(172)
Contribution to defined benefit pension plan	—	—	(18,461)	—	(18,461)
Stock-based compensation	11,587	—	—	—	11,587
Defined benefit pension plan (benefit)	—	—	(513)	—	(513)
(Gain) loss on sale of property, plant and equipment	133	240	(2,886)	—	(2,513)
Equity in earnings in nonconsolidated subsidiaries	(104,182)	(7,900)	—	112,082	—
Deferred income taxes	(3,120)	—	7,060	—	3,940
Changes in assets and liabilities (net of acquisitions):					
Net working capital	103,019	(36,781)	13,641	355	80,234
Other noncurrent liabilities	(505)	(5)	(764)	—	(1,274)
Income taxes payable (refundable)	1,714	(2,012)	(6,646)	—	(6,944)
Net cash flows from operating activities	189,149	42,641	75,826	(2)	307,614
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	(59,394)	(1,592)	(36,439)	—	(97,425)
Proceeds from sale of assets	87	48	5,421	—	5,556
Acquisitions, net of cash acquired	—	(63,141)	(18,700)	—	(81,841)
Proceeds from settlement of net investment hedge	11,184	—	—	—	11,184
Investments in nonconsolidated subsidiaries	(3,500)	—	(2,669)	—	(6,169)
Other, net	(14,964)	14,210	1,297	2	545
Net cash flows from investing activities	(66,587)	(50,475)	(51,090)	2	(168,150)
<b>Cash flows from financing activities:</b>					
Borrowings under short-term agreements	—	—	11,327	—	11,327
Proceeds from long-term borrowings	31,000	—	—	—	31,000
Principal payments on long-term borrowings	(10,000)	—	(768)	—	(10,768)
Dividends paid	(32,642)	—	—	—	(32,642)
Dividends to noncontrolling interest	—	—	(7,737)	—	(7,737)
Intercompany dividends	65,651	53,676	(119,327)	—	—
Purchase of noncontrolling interest	(22,805)	—	(5,040)	—	(27,845)
Intercompany capital contribution	(13,284)	—	13,284	—	—
Intercompany interest on long-term note	—	(45,155)	45,155	—	—
Proceeds from exercises under stock plans	13,619	—	—	—	13,619
Purchase of treasury shares	(62,915)	—	—	—	(62,915)
Purchase of common treasury shares - stock plan exercises	(12,989)	—	—	—	(12,989)
Net cash flows from financing activities	(44,365)	8,521	(63,106)	—	(98,950)
Effect of exchange rate changes on cash and cash equivalents	—	(36)	(146)	—	(182)
Net change in cash and cash equivalents	78,197	651	(38,516)	—	40,332
Cash, cash equivalents, and restricted cash—beginning of year	104,256	5,518	203,436	—	313,210
Cash, cash equivalents, and restricted cash—end of period	\$ 182,453	\$ 6,169	\$ 164,920	\$ —	\$ 353,542



**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Year ended December 29, 2018**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 94,351	\$ 77,679	\$ 32,440	\$ (104,164)	\$ 100,306
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	26,155	13,959	42,713	—	82,827
Noncash loss on trading securities	—	—	(62)	—	(62)
Contribution to defined benefit pension plan	—	—	(1,537)	—	(1,537)
Impairment of property, plant and equipment	—	—	5,000	—	5,000
Impairment of goodwill & intangible assets	—	—	15,780	—	15,780
Loss on divestiture of grinding media business	2,518	—	3,566	—	6,084
Stock-based compensation	10,392	—	—	—	10,392
Defined benefit pension plan expense (benefit)	—	—	(2,251)	—	(2,251)
(Gain) loss on sale of property, plant and equipment	57	(37)	(245)	—	(225)
Equity in earnings in nonconsolidated subsidiaries	(68,383)	(37,304)	—	105,687	—
Deferred income taxes	1,532	1,791	(4,982)	—	(1,659)
Changes in assets and liabilities (net of acquisitions):					
Net working capital	(17,681)	(13,962)	(13,208)	(1,769)	(46,620)
Other noncurrent liabilities	(7,345)	615	(4,158)	—	(10,888)
Income taxes payable (refundable)	(6,176)	(1,303)	3,340	—	(4,139)
Net cash flows from operating activities	35,420	41,438	76,396	(246)	153,008
Cash flows from investing activities:					
Purchase of property, plant and equipment	(25,255)	(13,115)	(33,615)	—	(71,985)
Proceeds from sale of assets	44	268	62,791	—	63,103
Acquisitions, net of cash acquired	(57,805)	—	(85,215)	—	(143,020)
Proceeds from settlement of net investment hedge	(1,621)	—	—	—	(1,621)
Other, net	69,714	(42,667)	(29,215)	246	(1,922)
Net cash flows from investing activities	(14,923)	(55,514)	(85,254)	246	(155,445)
Cash flows from financing activities:					
Payments under short-term agreements	—	—	10,543	—	10,543
Proceeds from long-term borrowings	245,936	—	5,719	—	251,655
Principal payments on long-term borrowings	(261,219)	—	(972)	—	(262,191)
Settlement of financial derivative	(2,467)	—	—	—	(2,467)
Debt issuance costs	(2,322)	—	—	—	(2,322)
Dividends paid	(33,726)	—	—	—	(33,726)
Dividends to noncontrolling interest	—	—	(7,055)	—	(7,055)
Intercompany dividends	168,757	11,296	(180,053)	—	—
Intercompany capital contribution	(3,492)	3,492	—	—	—
Purchase of noncontrolling interest	—	—	(5,510)	—	(5,510)
Proceeds from exercises under stock plans	7,357	—	—	—	7,357
Purchase of treasury shares	(114,805)	—	—	—	(114,805)
Purchase of common treasury shares - stock plan exercises	(3,589)	—	—	—	(3,589)
Net cash flows from financing activities	430	14,788	(177,328)	—	(162,110)
Effect of exchange rate changes on cash and cash equivalents	—	(498)	(14,550)	—	(15,048)
Net change in cash and cash equivalents	20,927	214	(200,736)	—	(179,595)
Cash, cash equivalents, and restricted cash—beginning of year	83,329	5,304	404,172	—	492,805
Cash, cash equivalents, and restricted cash—end of period	\$ 104,256	\$ 5,518	\$ 203,436	\$ —	\$ 313,210





**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(22) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Year ended December 30, 2017**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 116,240	\$ 52,562	\$ 59,369	\$ (105,852)	\$ 122,319
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	26,237	15,003	43,717	—	84,957
Noncash loss on trading securities	—	—	237	—	237
Stock-based compensation	10,706	—	—	—	10,706
Defined benefit pension plan expense (benefit)	—	—	648	—	648
Contribution to defined benefit pension plan	—	—	(40,245)	—	(40,245)
(Gain) loss on sale of property, plant and equipment	(664)	8	(3,268)	—	(3,924)
Equity in earnings in nonconsolidated subsidiaries	(83,877)	(22,146)	—	106,023	—
Deferred income taxes	10,307	—	29,448	—	39,755
Changes in assets and liabilities (net of acquisitions):					
Net working capital	(23,943)	(25,717)	(25,219)	(306)	(75,185)
Other noncurrent liabilities	(140)	—	(7,088)	—	(7,228)
Income taxes payable (refundable)	(11,837)	728	12,217	—	1,108
Net cash flows from operating activities	43,029	20,438	69,816	(135)	133,148
Cash flows from investing activities:					
Purchase of property, plant and equipment	(20,460)	(9,454)	(25,352)	—	(55,266)
Proceeds from sale of assets	748	3	7,434	—	8,185
Acquisitions, net of cash acquired	—	—	(5,362)	—	(5,362)
Proceeds from settlement of net investment hedge	5,123	—	—	—	5,123
Other, net	684	(22,777)	19,663	135	(2,295)
Net cash flows from investing activities	(13,905)	(32,228)	(3,617)	135	(49,615)
Cash flows from financing activities:					
Payments under short-term agreements	—	—	(585)	—	(585)
Principal payments on long-term borrowings	—	—	(887)	—	(887)
Dividends paid	(33,862)	—	—	—	(33,862)
Dividends to noncontrolling interest	—	—	(5,674)	—	(5,674)
Intercompany dividends	22,662	—	(22,662)	—	—
Intercompany capital contribution	(10,818)	10,818	—	—	—
Proceeds from exercises under stock plans	35,159	—	—	—	35,159
Purchase of common treasury shares - stock plan exercises	(26,161)	—	—	—	(26,161)
Net cash flows from financing activities	(13,020)	10,818	(29,808)	—	(32,010)
Effect of exchange rate changes on cash and cash equivalents	—	205	27,477	—	27,682
Net change in cash and cash equivalents	16,104	(767)	63,868	—	79,205
Cash, cash equivalents, and restricted cash—beginning of year	67,225	6,071	340,304	—	413,600
Cash, cash equivalents, and restricted cash—end of period	\$ 83,329	\$ 5,304	\$ 404,172	\$ —	\$ 492,805

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Three-year period ended December 28, 2019**  
**(Dollars in thousands, except per share amounts)**

**(23) QUARTERLY FINANCIAL DATA (Unaudited)**

			Net Earnings													
			Gross	Per Share		Stock Price		Dividends								
			Profit	Amount	Basic	Diluted	High	Low	Declared							
2019			Net Sales													
First	\$	692,139	\$	165,129	\$	36,481	\$	1.67	\$	1.66	\$	139.50	\$	107.43	\$	0.375
Second		700,871		180,414		41,397		1.90		1.90		136.75		112.94		0.375
Third		690,340		176,086		40,144		1.86		1.85		146.46		123.74		0.375
Fourth		683,626		170,867		35,747		1.67		1.66		151.46		123.80		0.375
Year	\$	2,766,976	\$	692,496	\$	153,769	\$	7.10	\$	7.06	\$	151.46	\$	107.43	\$	1.50
2018																
First	\$	698,684	\$	169,240	\$	39,281	\$	1.74	\$	1.72	\$	171.55	\$	140.10	\$	0.375
Second		682,405		174,999		32,960		1.47		1.46		154.60		137.90		0.375
Third (1)		678,692		164,340		4,448		0.20		0.20		157.15		135.00		0.375
Fourth (2)		697,363		149,701		17,662		0.80		0.80		141.38		103.01		0.375
Year	\$	2,757,144	\$	658,280	\$	94,351	\$	4.23	\$	4.20	\$	171.55	\$	103.01	\$	1.50

Earnings per share are computed independently for each of the quarters. Therefore, the sum of the quarterly earnings per share may not equal the total for the year.

(1) The third quarter of 2018 included an impairment of goodwill and intangible assets totaling \$14,736 after tax (\$0.66 per share) and refinancing of long-term debt expenses of \$11,115 after-tax (\$0.50 per share).

(2) In the fourth quarter of 2018, the Company recognized restructuring activities expenses and non-recurring asset impairment charges from exiting certain markets of \$20,625 after-tax (\$0.92 per share).

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Securities Exchange Act Rule 13a-15(f). The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's internal control over financial reporting. The Company's management used the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO) to perform this evaluation. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 28, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 28, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, a copy of which is included in this Annual Report on Form 10-K.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Valmont Industries, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Valmont Industries, Inc. and subsidiaries (the "Company") as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 28, 2019, of the Company and our report dated February 26, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of FASB Accounting Standards Update 2016-02, Leases, effective December 30, 2018.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

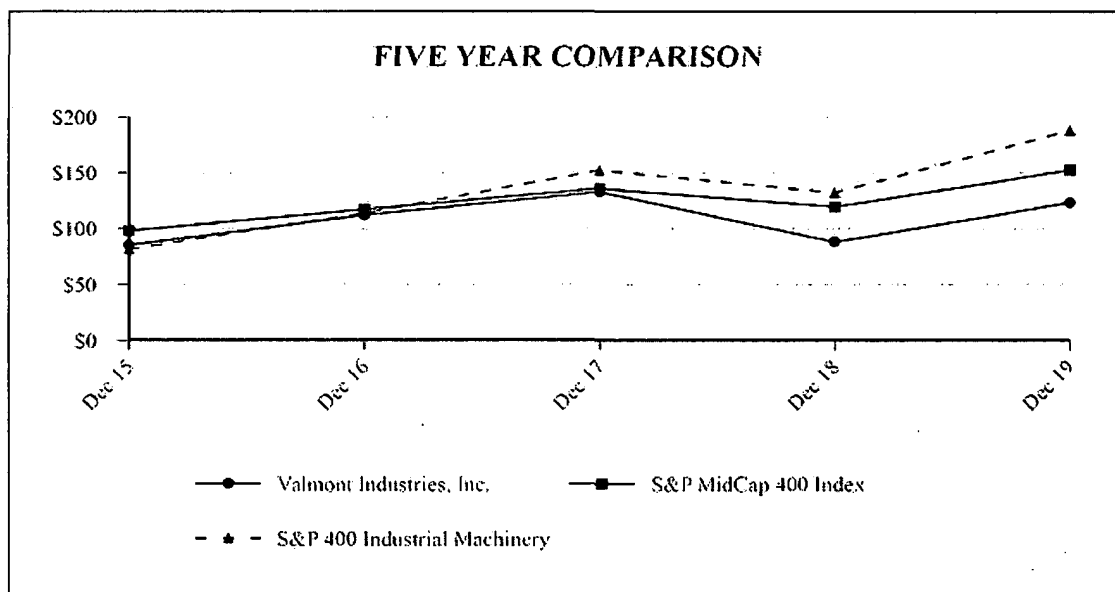
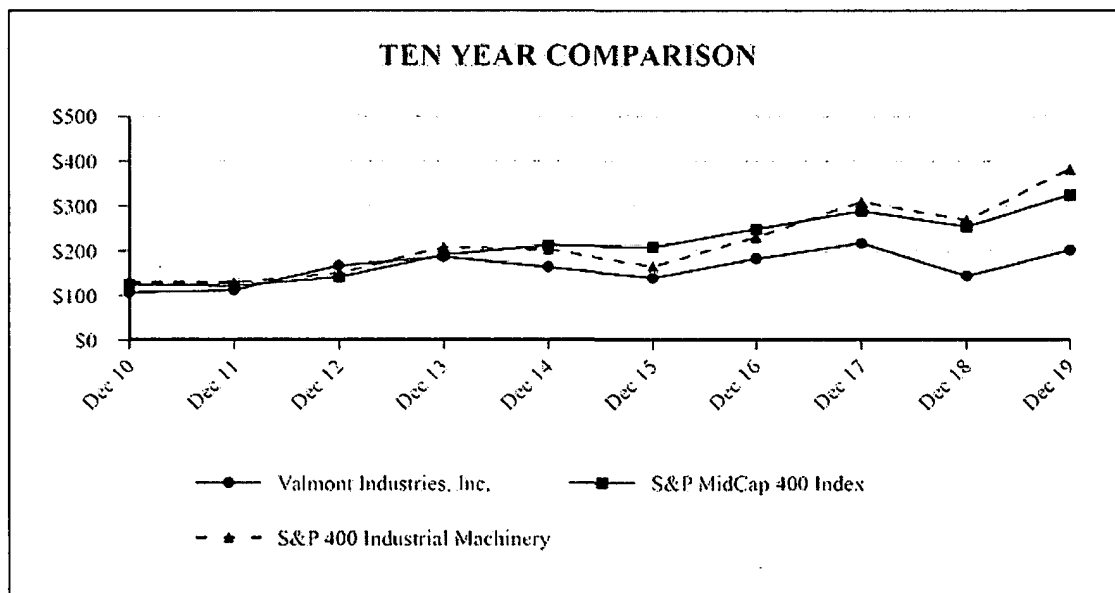
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP  
Omaha, Nebraska  
February 26, 2020

# ITEM 9B. OTHER INFORMATION.

## Shareholder Return Performance Graphs

The graphs below compare the yearly change in the cumulative total shareholder return on the Company's common stock with the cumulative total returns of the S&P Mid Cap 400 Index and the S&P Mid Cap 400 Industrial Machinery Index for the five and ten-year periods ended December 28, 2019. The Company was added to these indexes in 2009 by Standard & Poor's. The graphs assume that the beginning value of the investment in Valmont Common Stock and each index was \$100 and that all dividends were reinvested.



### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Except for the information relating to the executive officers of the Company set forth in Part I of this 10-K Report, the information called for by items 10, 11, and 13 is incorporated by reference to the sections entitled "Certain Shareholders", "Corporate Governance", "Board of Directors and Election of Directors", "Board Committees", "Compensation Discussion and Analysis", "Compensation Risk Assessment", "Human Resources Committee Report", "Pay Ratio Information", "Summary Compensation Table", "Grants of Plan-Based Awards for Fiscal Year 2019", "Outstanding Equity Awards at Fiscal Year-End", "Options Exercised in Fiscal 2019", "Nonqualified Deferred Compensation", "Director Compensation", and "Potential Payments Upon Termination or Change-in-Control" in the Proxy Statement.

The Company has adopted a Code of Ethics for Senior Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer and Controller and has posted the code on its website at [www.valmont.com](http://www.valmont.com) through the "Investors Relations" link. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Ethics for Senior Officers applicable to the Company's Chief Executive Officer, Chief Financial Officer or Controller by posting that information on the Company's Web site at [www.valmont.com](http://www.valmont.com) through the "Investors Relations" link.

#### **ITEM 11. EXECUTIVE COMPENSATION.**

See Item 10.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

Incorporated herein by reference to "Certain Shareholders" and "Equity Compensation Plan Information" in the Proxy Statement.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

See Item 10.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information called for by Item 14 is incorporated by reference to the sections titled "Ratification of Appointment of Independent Auditors" in the Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

#### (a)(1)(2) *Financial Statements and Schedules.*

The following consolidated financial statements of the Company and its subsidiaries are included herein as listed below:

##### Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm	42
Consolidated Statements of Earnings—Three-Year Period Ended December 28, 2019	44
Consolidated Statements of Comprehensive Income—Three-Year Period Ended December 28, 2019	45
Consolidated Balance Sheets—December 28, 2019 and December 29, 2018	46
Consolidated Statements of Cash Flows—Three-Year Period Ended December 28, 2019	47
Consolidated Statements of Shareholders' Equity—Three-Year Period Ended December 28, 2019	48
Notes to Consolidated Financial Statements—Three-Year Period Ended December 28, 2019	49

The following financial statement schedule of the Company is included herein:

##### SCHEDULE II—Valuation and Qualifying Accounts

All other schedules have been omitted as the required information is inapplicable or the information is included in the consolidated financial statements or related notes. Separate financial statements of the registrant have been omitted because the registrant meets the requirements which permit omission.

#### (3) *Index to Exhibits*

*See exhibits listed under Part B below.*

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**Valuation and Qualifying Accounts**  
(Dollars in thousands)

	Balance at beginning of period	Charged to profit and loss	Currency Translation Adjustment	Deductions from reserves*	Balance at close of period
Fifty-two weeks ended December 28, 2019					
Reserve deducted in balance sheet from the asset to which it applies—					
Allowance for doubtful receivables	\$ 8,277	2,543	(76)	(1,196)	\$ 9,548
Allowance for deferred income tax asset valuation	33,228	4,141	(296)	(1,858)	35,215
Fifty-two weeks ended December 29, 2018					
Reserve deducted in balance sheet from the asset to which it applies—					
Allowance for doubtful receivables	\$ 9,813	994	(365)	(2,183)	\$ 8,277
Allowance for deferred income tax asset valuation	27,864	10,769	(384)	(5,021)	33,228
Fifty-two weeks ended December 30, 2017					
Reserve deducted in balance sheet from the asset to which it applies—					
Allowance for doubtful receivables	\$ 18,991	2,060	510	(11,748)	\$ 9,813
Allowance for deferred income tax asset valuation	81,923	7,728	5,762	(67,549)	27,864

\* The deductions from reserves are net of recoveries.



(b) *Exhibits*

- Exhibit 3.1 — The Company's Restated Certificate of Incorporation, as amended. This document was filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-31429) for the quarter ended March 28, 2009 and is incorporated herein by this reference.
- Exhibit 3.2 — The Company's By-Laws, as amended. This document was filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 and is incorporated herein (Commission file number 001-31429) by reference.
- Exhibit 4.1 — Credit Agreement, dated as of August 15, 2012, among the Company, Valmont Industries Holland B.V. and Valmont Group Pty. Ltd., as Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated August 15, 2012 and is incorporated herein by reference.
- Exhibit 4.2 — First Amendment dated as of October 17, 2014 to Credit Agreement, dated as of August 15, 2012, among the Company, Valmont Industries Holland B.V. and Valmont Group Pty. Ltd., as Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto. This document was filed as exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated October 17, 2014 and is incorporated herein by this reference.
- Exhibit 4.3 — Second Amendment dated as of February 23, 2016 to Credit Agreement, dated as of August 15, 2012, among the Company, Valmont Industries Holland B.V. and Valmont Group Pty. Ltd., as Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated February 23, 2016 and is incorporated herein by reference.
- Exhibit 4.4 — First Amended and Restated Credit Agreement, dated as of October 18, 2017, among the Company, Valmont Industries Holland B.V. and Valmont Group Pty. Ltd., as Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lenders party thereto. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated October 18, 2017 and is incorporated herein by reference.
- Exhibit 4.5 — Indenture relating to senior debt, dated as of April 12, 2010, among Valmont Industries, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee. This document was filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated April 12, 2010 and is incorporated herein by this reference.
- Exhibit 4.6 — First Supplemental Indenture, dated as of April 12, 2010, to indenture relating to senior debt, dated as of April 12, 2010, among Valmont Industries, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee. This document was filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated April 12, 2010 and is incorporated herein by this reference.
- Exhibit 4.7 — Second Supplemental Indenture, dated as of September 22, 2014, to Indenture relating to senior debt, dated as of April 12, 2010, among Valmont Industries, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee. This document was filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated September 22, 2014 and is incorporated herein by this reference.

- Exhibit 4.8 — Third Supplemental Indenture, dated as of September 22, 2014, to Indenture relating to senior debt, dated as of April 12, 2010, among Valmont Industries, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee. This document was filed as Exhibit 4.3 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated September 22, 2014 and is incorporated herein by this reference.
- Exhibit 4.9\* — Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
- Exhibit 10.1 — The Company's 2008 Stock Plan. This document was filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the fiscal year ended December 28, 2013 and is incorporated herein by this reference.
- Exhibit 10.2 — The Company's 2013 Stock Plan. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated April 30, 2013 and is incorporated herein by reference.
- Exhibit 10.3 — 2013 Stock Plan Amendment, dated December 17, 2015. This document was filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the year ended December 26, 2015 and is incorporated herein by this reference.
- Exhibit 10.4 — The Company's 2018 Stock Plan. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated March 12, 2018 and is incorporated herein by reference.
- Exhibit 10.5 — Form of Stock Option Agreement. This document was filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-31429) for the quarter ended March 31, 2018 and is incorporated herein by this reference.
- Exhibit 10.6 — Form of Restricted Stock Unit Agreement (Domestic). This document was filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-31429) for the quarter ended March 31, 2018 and is incorporated herein by reference.
- Exhibit 10.7 — Form of Restricted Stock Unit Agreement (Director). This document was filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-31429) for the quarter ended March 31, 2018 and is incorporated herein by reference.
- Exhibit 10.8 — Form of Restricted Stock Unit Agreement (International). This document was filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the year ended December 26, 2015 and is incorporated herein by this reference.
- Exhibit 10.9 — Form of Restricted Stock Agreement. This document was filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated April 30, 2013 and is incorporated herein by this reference.
- Exhibit 10.10 — The 2013 Valmont Executive Incentive Plan. This document was filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-31429) dated April 30, 2013 and is incorporated herein by reference.

Exhibit 10.11 — The Amended Unfunded Deferred Compensation Plan for Nonemployee Directors. This document was filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the fiscal year ended December 28, 2013 and is incorporated herein by this reference.

Exhibit 10.12 — VERSP Deferred Compensation Plan. This document was filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the fiscal year ended December 28, 2013 and is incorporated herein by this reference.

Exhibit 21\* — Subsidiaries of the Company.

Exhibit 23\* — Consent of Deloitte & Touche LLP.

Exhibit 24\* — Power of Attorney.

Exhibit 31.1\* — Section 302 Certification of Chief Executive Officer.

Exhibit 31.2\* — Section 302 Certification of Chief Financial Officer.

Exhibit 32.1\* — Section 906 Certifications.

Exhibit 101 — The following financial information from the Company's Annual Report on Form 10-K for the year ended December 28, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders' Equity, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information.

Exhibit 104 — Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Filed herewith

Pursuant to Item 601(b)(4) of Regulation S-K, certain instruments with respect to the registrant's long-term debt are not filed with this Form 10-K. Valmont will furnish a copy of such long-term debt agreements to the Securities and Exchange Commission upon request.

Management contracts and compensatory plans are set forth as exhibits 10.1 through 10.12.

## ITEM 16. FORM 10-K SUMMARY

Not Applicable.

# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of February, 2020.

Valmont Industries, Inc.

By: /s/ STEPHEN G. KANIEWSKI  
 Stephen G. Kaniewski  
*President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ STEPHEN G. KANIEWSKI</u> Stephen G. Kaniewski	Director, President and Chief Executive Officer (Principal Executive Officer)	2/26/2020
<u>/s/ MARK C. JAKSICH</u> Mark C. Jaksich	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	2/26/2020
<u>/s/ TIMOTHY P. FRANCIS</u> Timothy P. Francis	Senior Vice President and Controller (Principal Accounting Officer)	2/26/2020
Mogens C. Bay*	Donna M. Milrod*	
K.R. den Daas*	Daniel P. Neary*	
Theo W. Freye*	Catherine J. Paglia*	
Richard A. Lanoha*	Clark T. Randt*	
James B. Milliken*	Walter Scott, Jr.*	

\* Stephen G. Kaniewski, by signing his name hereto, signs the Annual Report on behalf of each of the directors indicated on this 26th day of February, 2020. A Power of Attorney authorizing Stephen G. Kaniewski to sign the Annual Report on Form 10-K on behalf of each of the indicated directors of Valmont Industries, Inc. has been filed herein as Exhibit 24.

By: /s/ STEPHEN G. KANIEWSKI  
 Stephen G. Kaniewski  
*Attorney-in-Fact*

**Description of the Registrant's Securities Registered****Pursuant to Section 12 of the Securities Exchange Act of 1934**

The following is a description of the common stock of Valmont Industries, Inc. (the "Company" or "our"). This summary is subject to the complete text of our Restated Certificate of Incorporation and our Bylaws, each of which is an exhibit incorporated by reference into our Annual Report on Form 10-K of which this exhibit is a part. This summary is qualified in its entirety by reference to these documents.

**Authorized Capital Stock**

Our authorized capital stock consists of 75,000,000 shares of common stock, par value \$1.00 per share and 500,000 shares of preferred stock, par value \$1.00 per share.

**Description of Common Stock***Voting Rights*

The holders of our common stock are entitled to one vote for each share.

*Dividends Rights*

Subject to the rights of the holders of preferred stock, holders of common stock are entitled to receive dividends and other distributions in cash, stock or our property, when, as and if declared by our Board of Directors out of our assets or funds legally available therefor and shall share equally on a per share basis in all such dividends and distributions.

*Liquidation*

Upon liquidation, the holders of the common stock are entitled to share ratably in assets available for distribution to stockholders after satisfaction of any liquidation preferences of any outstanding preferred stock.

*Preferred Stock*

The shares of preferred stock are issuable in one or more series created by our board of directors. Our board of directors has the authority to fix the voting rights, dividend rate, redemption provisions, liquidation preferences and conversion provisions when creating any series of preferred common stock.

The issuance of any shares of any series of preferred stock in future financings, acquisitions or otherwise may result in dilution of voting power and relative equity interest of the holders of shares of the common stock and may subject the common stock to the prior dividend and liquidation rights of the outstanding shares of the series of preferred stock.

*Fully Paid and Non-assessable*

The outstanding shares of common stock are fully paid and non-assessable.

*No Conversion, Redemption and Sinking Fund*

The common stock has no conversion rights nor are there any redemption or sinking fund provisions with respect to the common stock.

*No Pre-emptive Rights*

Holders of the common stock have no pre-emptive right to subscribe for or purchase any of our additional stock or securities.

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## **Certain Provisions of Our Restated Certificate of Incorporation and Bylaws**

### *Classified Board of Directors*

Article X of our restated certificate of incorporation requires that the board of directors to be divided into three classes of as nearly equal size as possible. The terms of the directors are staggered so that the terms of approximately one-third of the directors expire at each annual election of directors.

### *Stockholder Action by Written Consent*

Article XI of our restated certificate of incorporation requires that any action required or permitted to be taken by the holders of the capital stock of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

### *Special Stockholder Meetings*

Our bylaws vest the power to call special meeting of stockholders, for any purpose or purposes, in the President of the Company, who shall call the same upon demand in writing being made by a majority of the directors of the Company.

### *Bylaw Advance Notice Provisions*

The Company's bylaws set forth certain procedures which shareholders must follow in order to nominate a director or present any other business, not submitted for inclusion in the proxy statement, at an annual shareholders' meeting. Generally, a shareholder must give timely notice to the Secretary of the Company. To be timely, such notice must be received by the Company at its principal executive offices not less than 90 nor more than 120 days prior to the first anniversary of the prior annual shareholders' meeting. If the date of the annual shareholders' meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date, then the notice must be received no earlier than the 120th day prior to such annual meeting and not later than the later of the close of business on the 90th day prior to such annual meeting or the tenth day following the date on which public announcement of the meeting date is first made. The bylaws specify the information which must accompany such shareholder notice.

## SUBSIDIARIES OF VALMONT INDUSTRIES, INC.

Name of Subsidiary	State or Country of Incorporation
AgSense, LLC	South Dakota
Aircon Guardrails Private Limited	India
American Galvanizing	New Jersey
Armorflex International Limited	New Zealand
Convert Italia S.p.A.	Italy
Delta Electrical & Engineering B.V.	The Netherlands
Delta Ltd.	United Kingdom
George Industries, Inc.	California
Industrial Galvanizers America Holdings Inc.	Delaware
Locker Group Holdings Pty. Ltd.	Australia
Matco Services, Inc.	Delaware
PiRod, Inc.	Delaware
Pure Metal Galvanizing, LLC	Canada
Stainton Metal Co. Ltd.	United Kingdom
Tehomet Oy	Finland
Tehomet Baltic Oü	Estonia
Valley Irrigation South Africa (PTY) Ltd.	South Africa
Valmont Australia Irrigation Pty. Ltd.	Australia
Valmont Coatings, Inc.	Delaware
Valmont France S.A.S.	France
Valmont Group Holdings Pty. Ltd.	Australia
Valmont Industria e Comercio, Ltda.	Brazil
Valmont Industries (China) Co., Ltd.	China
Valmont Industries (Guangdong), Ltd.	China
Valmont Industries (Shandong), Ltd.	China
Valmont Industries de Argentina S.A.	Argentina
Valmont Industries Holland B.V.	The Netherlands
Valmont International Corp.	Texas
Valmont Investimentos Ltda	Brazil
Valmont Middle East FZE	United Arab Emirates
Valmont Monterrey S. de R.L. de C.V.	Mexico
Valmont Newmark, Inc.	Delaware
Valmont Nederland B.V.	The Netherlands
Valmont Polska Sp.z o.o	Poland
Valmont Queensland Pty. Ltd.	Australia
Valmont S.A.U.	Spain
Valmont SM A/S	Denmark
Valmont Sarl	Morocco
Valmont Singapore Pte. Ltd.	Singapore
Valmont Structures Private Limited	India
Valmont U.K. Ltd.	United Kingdom
Valmont West Coast Engineering LTD	Canada
Walpar LLC	Alabama
Westcoast Engineering Group, Ltd.	Canada
West Coast Engineering, Inc	Washington

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-224935 on Form S-3 and Registration Statement Nos. 33-21680, 33-57117, 333-64170, 333-83251, 333-136071, 333-150781, 333-189086 333-224482 on Form S-8 of our report dated February 26, 2020, relating to the financial statements of Valmont Industries, Inc., (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of FASB Accounting Standards Update 2016-02, Leases, effective December 30, 2018), and our report dated February 26, 2020 relating to the effectiveness of Valmont Industries, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Valmont Industries, Inc. for the year ended December 28, 2019.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska  
February 26, 2020



**POWER OF ATTORNEY**

The undersigned Directors of Valmont Industries, Inc., a Delaware Corporation, hereby constitute and appoint Stephen G. Kaniewski as attorney-in-fact in their name, place and stead to execute Valmont's annual report on Form 10-K for the fiscal year ended December 28, 2019, together with any and all subsequent amendments thereof in their capacity as Director and hereby ratify all that said attorney-in-fact may do by virtue thereof.

DATED this 25<sup>th</sup> day of February, 2020.

/s/ MOGENS C. BAY

Mogens C. Bay, Director

/s/ DONNA M. MILROD

Donna M. Milrod, Director

/s/ KAJ DEN DAAS

Kaj den Daas, Director

/s/ DANIEL P. NEARY

Daniel P. Neary, Director

/s/ DR. THEO W. FREYE

Dr. Theo W. Freye, Director

/s/ CATHERINE J. PAGLIA

Catherine J. Paglia, Director

/s/ RICHARD A. LANOHA

Richard A. Lanoha, Director

/s/ CLARK T. RANDT, JR.

Clark T. Randt, Jr., Director

/s/ JAMES B. MILLIKEN

James B. Milliken, Director

/s/ WALTER SCOTT JR.

Walter Scott, Jr., Director

# CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Stephen G. Kaniewski, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 28, 2019 of Valmont Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEPHEN G. KANIEWSKI

Stephen G. Kaniewski  
President and Chief Executive Officer

Date: February 26, 2020

# **CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Mark C. Jaksich, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 28, 2019 of Valmont Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK C. JAKSICH

Mark C. Jaksich

*Executive Vice President and Chief Financial Officer*

Date: February 26, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. Section 1350, as adopted

pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, Stephen G. Kaniewski, Chairman and Chief Executive Officer of Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 28, 2019 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 26th day of February, 2020.

/s/ STEPHEN G. KANIEWSKI

Stephen G. Kaniewski  
*President and Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. Section 1350, as adopted

pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, Mark C. Jaksich, Executive Vice President and Chief Financial Officer of Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 28, 2019 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 26th day of February, 2020.

/s/ MARK C. JAKSICH

Mark C. Jaksich  
*Executive Vice President and Chief Financial Officer*