FGI

Investor Presentation

August 2023

Disclaimer

Certain matters discussed in this presentation contains forward-looking statements concerning our business, operations and financial performance and conditions, as well as our plans, objectives and expectations for our business operations and financial performance and condition. These statements may be preceded by, followed by or include the words “may,” “expect,” “will,” “will likely result,” “should,” “estimate,” “plan” and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. Risks and uncertainties that could cause our actual results to differ from those expressed in, or implied by, our forward-looking statements include, but are not limited to, the levels of residential repair and remodel activity, and to a lesser extent, new home construction; the effects of inflationary pressures and interest rates on demand for our products, our costs and our ability to access capital; our ability to maintain our strong brands and reputation and to develop innovative products; our ability to maintain our competitive position in our industries; our reliance on key suppliers and customers; the length and severity of the ongoing COVID-19 pandemic, including its impact on domestic and international economic activity, consumer confidence, our production capabilities, our employees and our supply chain; the cost and availability of materials and the imposition of tariffs; risks associated with our international operations and global strategies; our ability to achieve the anticipated benefits of our strategic initiatives; our ability to successfully execute our acquisition strategy and integrate businesses that we may acquire; risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology; our ability to attract, develop and retain talented and diverse personnel; our ability to obtain additional capital to finance our planned operations; regulatory developments in the United States and Internationally; our ability to establish and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others; and other risks and uncertainties, including those listed under the caption “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, as well as subsequent reports we file from time to time with the U.S. Securities and Exchange Commission (available at www.sec.gov).

These forward-looking statements are based on management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Any forward-looking statements and projections made by third parties included in this presentation are not adopted by our company, and we are not responsible for these third-party statements and projections. Although we believe the expectations reflected in the forward-looking statements are reasonable, the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements may not be achieved or occur at all. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise..

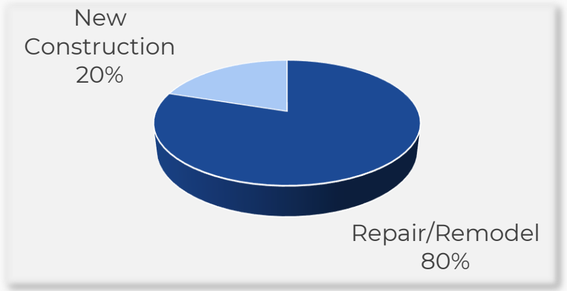
FGI Industries at a Glance

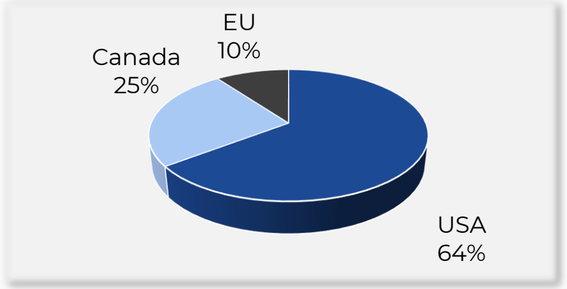
Leading global supplier of Kitchen and Bath Products

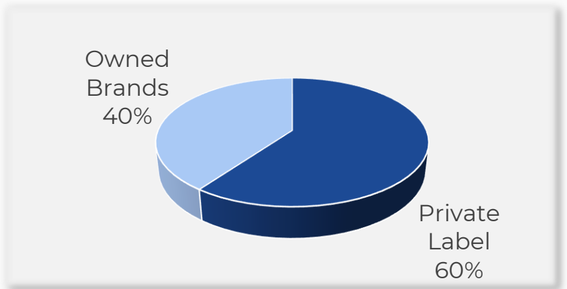
FGI is a leading global supplier of Kitchen and Bath products with a reputation of Innovation, Quality and Service developed over 30 years in conjunction with our parent company, Foremost Groups Ltd.

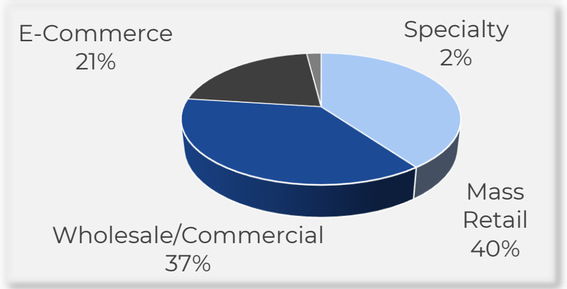
Founded in 1988	IPO in January 2022

- **Strong Growth Opportunity**
  - BPC strategy offers meaningful growth potential
- **Favorable Market Trends**
  - Repair and Remodel market generates stable, predictable growth; limited exposure to new construction
- **Attractive Operating Model**
  - Outsourced manufacturing model and strong partner relationships provide flexibility and downside protection
- **Capital Efficient Model**
  - Capital-lite model drives strong free cash flow conversion
- **Strong Balance Sheet**
  - Low net debt[1] relative to earnings, attractive liquidity









Recent Performance

$160MM+ Revenue Business

+ 980 bps 2Q23 gross margin expansion

$22.6MM of cash and liquidity at 6/30/23

$1MM Net Debt Position at 6/30/23[1]

(1) See attached appendix for reconciliation of GAAP and non-GAAP financial measures

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Company Overview

Diverse Business Mix Provides Stability

Sanitaryware

- **$105MM in 2022 Sales (65% of sales)**
- **$12.5Bn market opportunity**

Sanitaryware segment markets and sells toilets, sinks, pedestals, and toilet seats.

contrac avenue

CRAFT + MAIN

Bath Furniture

- **$30MM in 2022 Sales (18% of sales)**
- **$22Bn market opportunity**

Bath Furniture segment markets and sells vanities, mirrors, and cabinets

CRAFT + MAIN

Shower Systems

- **$22MM in 2022 Sales (14% of sales)**
- **$12Bn market opportunity**

Shower systems segment markets and sells shower walls, shower doors, and shower basins

JETCOAT® SHOWER WALL SYSTEM

Other

(Kitchen Cabinetry, etc.)

- **$6MM in 2022 Sales (4% of sales)**
- **$18Bn market opportunity**

Other segment consists primarily of our custom kitchen cabinetry business

COVERED BRIDGE® CABINETRY

CRAFT + MAIN CABINETRY

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Key Investment Highlights

Opportunity to drive significant shareholder value

Diversified Portfolio and History of Innovation
- Diversified mix of products, market segments and sales channels
- Tradition of strong innovation with leading ‘on-trend’ designs: Innovation, Quality, Services

Attractive Growth Opportunity
- Brands, Products, Channels (BPC) growth strategy

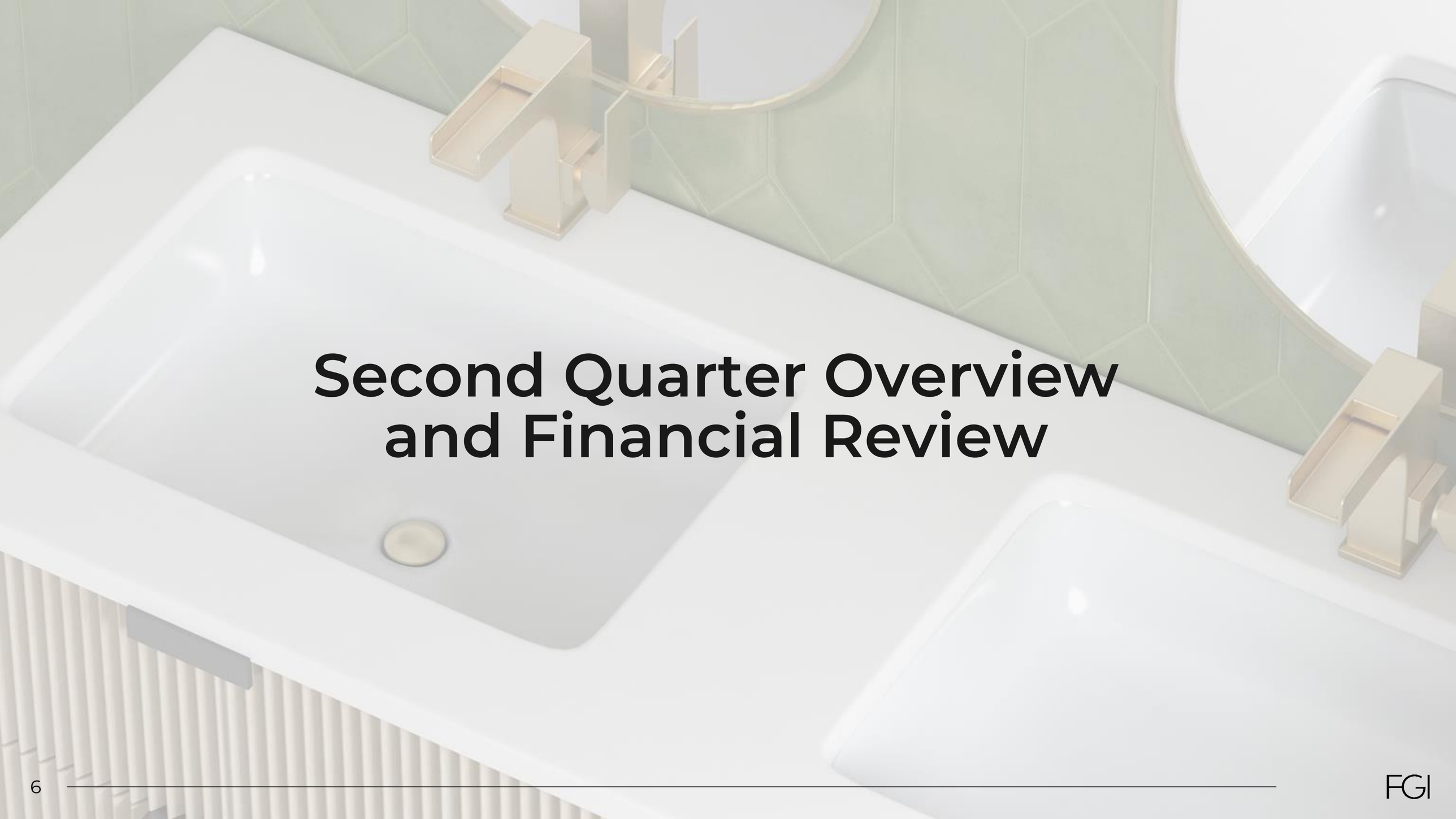
Margin Improvement Initiatives
- More favorable mix and efficiency measures to drive margin improvement

Attractive Operating Model
- Capital-lite model manufacturing model and strong partner relationships

Favorable industry trends
- K&B are most significant areas of home improvement, Stability of R&R

Capital Deployment Strategy
- Re-invest, Bolt-on acquisitions, Return of Capital

We are dedicated to driving shareholder value through a strict focus on our strategic priorities which include our BPC strategy to drive organic growth, enhanced financial performance, and a disciplined capital deployment philosophy.



Second Quarter Overview and Financial Review

Business Highlights – 2Q23

2Q23 results were highlighted by continued gross margin improvement, further progress on our BPC strategy, and disciplined working capital management

- Revenue pressured by de-stocking
- Progress on BPC strategy positioning company for growth
- Meaningful gross margin improvement
- Strong financial position

Revenue

Second quarter revenue declined 39% driven by continued inventory de-stocking

Operating Income

Operating income was impacted by ongoing investments in our BPC organic growth initiatives

Organic Growth Initiatives

We made progress on recently announced new awards and continued to add new dealers for our custom kitchen cabinetry business. During 2Q, we signed sales agreements to expand into India and Eastern Europe.

Strong Financial Position

We ended the quarter with only $1 million of net debt(1) and total liquidity of $22.6 million

Gross Margin

Second quarter gross margin was 27.4%, up 980 basis points from the prior year

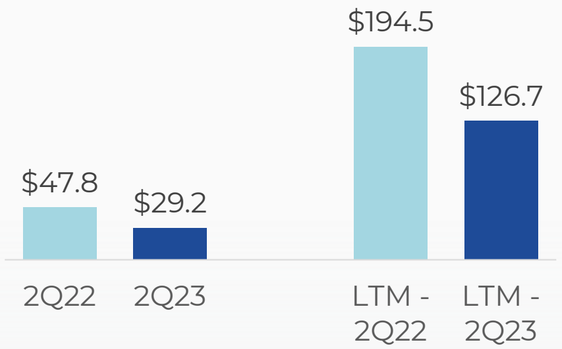
Favorable Market Trends

Demand trends across most of our key product categories remained relatively stable despite the macro headwinds

(1) See attached appendix for reconciliation of GAAP and non-GAAP financial measures

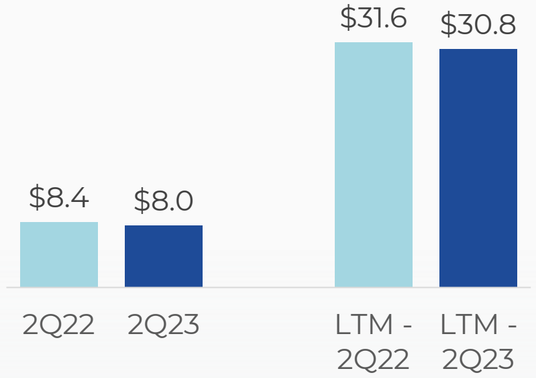
Quarterly Consolidated Financial Results

Total Revenue $MM



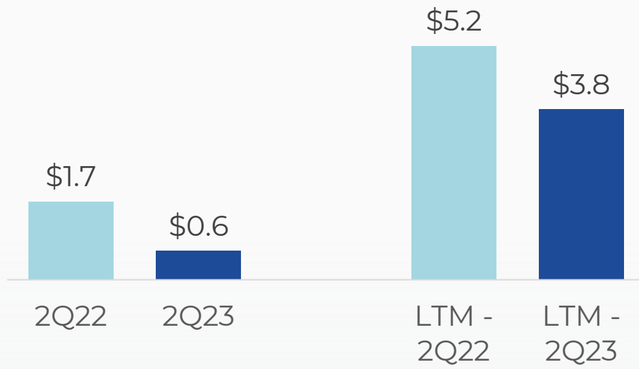
Total second quarter revenue decreased 38.9% driven by inventory de-stocking across each of our business lines.

Gross Profit $MM



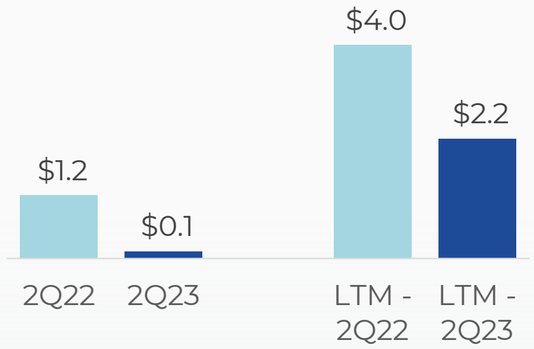
Gross profit was down only 4.9% compared to last year, as the volume headwinds were offset by a shift in the revenue mix towards the higher-margin shower systems and custom kitchen cabinetry businesses. As a result, gross margin was 27.4% during 2Q23, up from 17.6% in the prior-year period.

Adjusted Operating Income (1) $MM



Adjusted operating income was $0.6 million, down from $1.7 million, due to lower gross profit and an increase in operating expenses tied to growth initiatives. Adjusted operating margin was 2.2% during 2Q23, down from 3.7% last year.

Adjusted Net Income (1) $MM



Adjusted net income for the second quarter of 2023 was $0.1 million, versus adjusted net income of $1.2 million for the same period last year.

(1) See attached appendix for reconciliation of GAAP and non-GAAP financial measures

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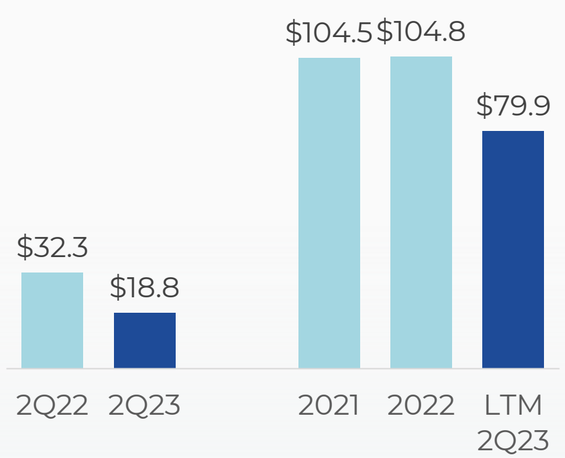
Quarterly Business Line Results

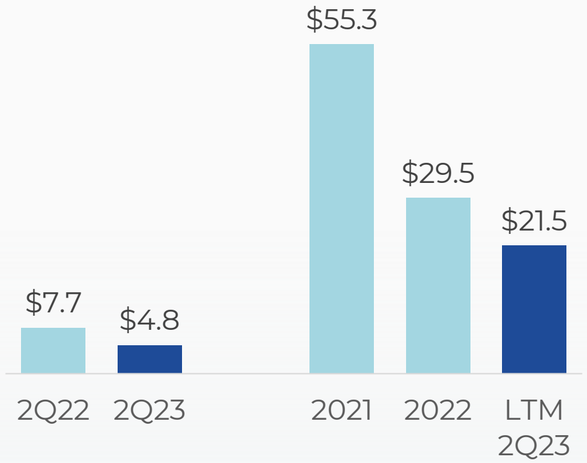
Revenue by product category

Sanitaryware ($MM)



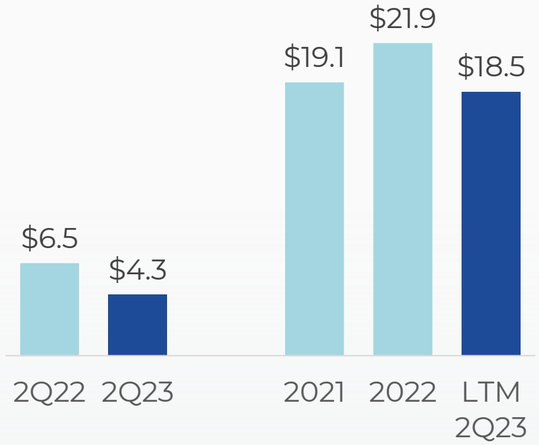
Sanitaryware revenue decreased to $18.8 million, down from $32.3 million last year, driven by inventory de-stocking primarily in the pro channel. However, Sanitaryware revenue increased 23% sequentially, as some customers are beginning to return to more normal order patterns.

Bath Furniture ($MM)



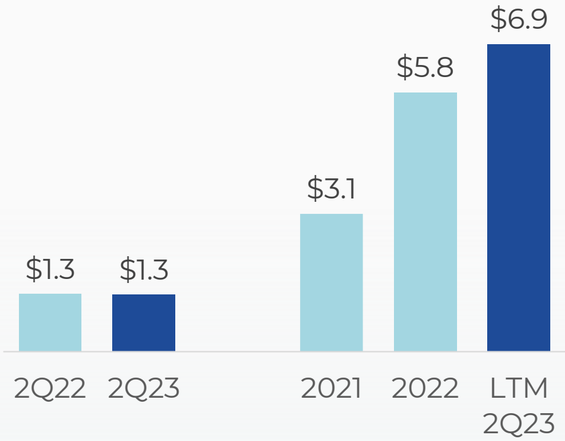
Bath Furniture revenue was $4.8 million, down from $7.7 million last year, as the broader bath furniture market, in particular bath cabinetry, has continued to experience sluggish demand trends, causing inventory levels to remain stubbornly high.

Shower Systems ($MM)



Shower Systems revenue was $4.3 million during 2Q23, down from $6.5 million last year due to modest inventory de-stocking and order timing. Overall momentum in the business remains strong, with recent new program awards expected to drive improved trends in the second half of 2023.

Other ($MM)



Other revenue was $1.3 million during 2Q23, essentially flat from the prior year. While there was a modest lull in orders following the strong pace of new business coming out of the Kitchen and Bath show at the start of the year, momentum in the business remains strong.

Balance Sheet & Liquidity Update

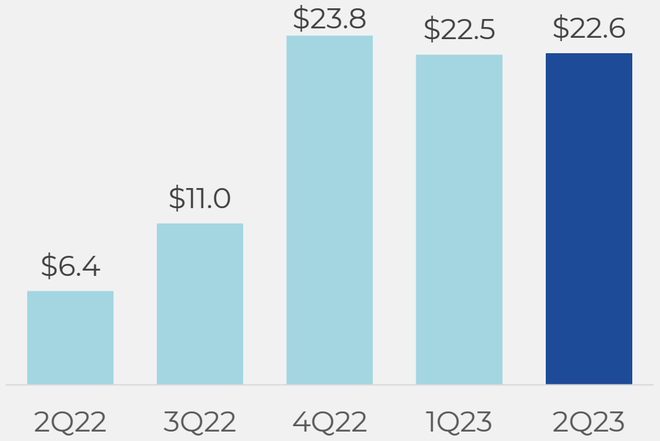
Significant working capital improvements have strengthened the balance sheet and liquidity

- Cash and availability was $22.6 million at 2Q23 owing to strong free cash flow conversion and increased availability under our facilities

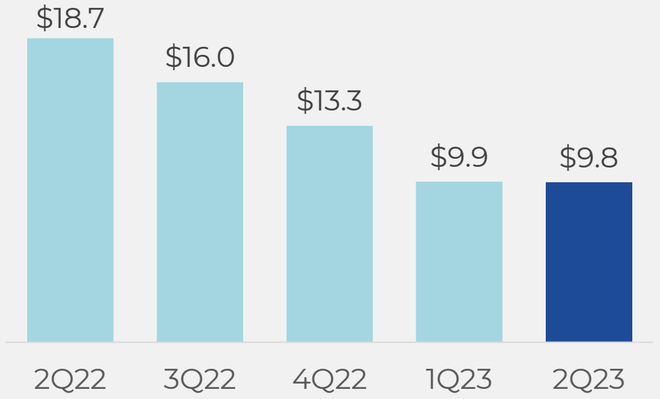
- Inventory has declined by nearly $10 million from 2Q22 as supply chain issues have normalized

- Net debt was $1.0 million at 2Q23 down from a peak level of $11.6 million during 2022

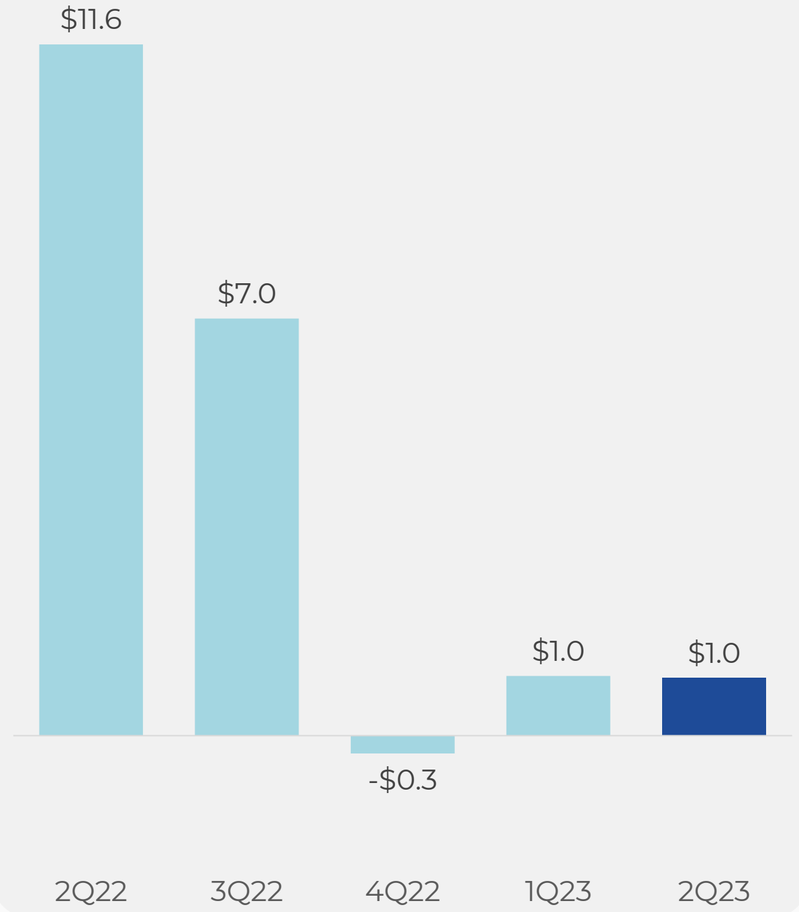
Cash & Availability ($MM)



Inventory ($MM)



Net Debt (1) ($MM)



(1) See attached appendix for reconciliation of GAAP and non-GAAP financial measures

Financial Outlook

2023 FINANCIAL OUTLOOK

Revenue	Adjusted Operating Income	Adjusted Net Income
$120 – 130 million	$3.5 – 5.0 million	$2.0 – 3.0 million

2023 guidance includes roughly $0.5 million of costs related to investments in a new kitchen program. Guidance for adjusted operating income and adjusted net income is presented on an adjusted basis and excludes non-recurring items. All guidance is current as of the time provided and is subject to change.

Investment Conclusion

Ample liquidity to support ongoing growth of business

TRUSTED GLOBAL SUPPLIER

We are global, diversified, and reputable supplier of quality kitchen & bath products (Innovation, Quality, Service). With decades of continuous innovation and strategic investment, we have become a trusted partner for many of the world's largest retailers and wholesalers.

STRONG ORGANIC GROWH

We pursue a "BPC" strategy: focus on Brands, Products and sales Channel. Our BPC plan is the key driver of our growth strategy.

ATTRACTIVE MARGIN OPPORTUNITY

As a carve-out division from a parent company, we will leverage our independence and our prior investments to generate improved financial performance.

STRONG SHAREHOLDER ALIGNMENT

High insider holding by our original parent holding company, will ensure a strong alignment of interests with our public shareholders.

VALUE-ACCRETIVE BOLT-ONS

We may engage in selective "bolt-ons" and large, strategic M&A, should such opportunities clear our return-on-capital hurdles.

Appendix

(USD)	2020	2021	2022	2Q22	2Q23
REVENUES	134,827,701	181,943,027	161,718,543	47,809,014	29,189,913
GROSS PROFIT	28,404,640	32,202,408	31,509,005	8,420,953	8,010,402
GROSS MARGINS	*21.1%*	*17.7%*	*19.5%*	*17.6%*	*27.4%*
SELLING AND DISTRIBUTION	15,487,306	17,636,820	17,533,028	4,362,707	4,800,518
GENERAL AND ADMINISTRATIVE	5,820,967	6,194,789	7,830,023	2,093,162	2,252,503
RESEARCH & DEVELOPMENT	814,254	646,069	1,053,976	235,735	377,106
INCOME FROM OPERATIONS	6,282,113	7,724,730	5,091,977	1,729,349	580,275
OPERATING MARGINS	*4.7%*	*4.2%*	*3.1%*	*3.6%*	*2.0%*
ADJUSTED INCOME FROM OPERATIONS [1]	6,282,113	7,840,630	5,693,971	1,752,907	642,045
ADJUSTED OPERATING MARGINS [1]	*4.7%*	*4.3%*	*3.5%*	*3.7%*	*2.2%*
NET INCOME	4,730,748	7,905,916	3,679,920	1,170,530	88,481
ADJUSTED NET INCOME [1]	4,730,748	6,284,572	4,173,555	1,189,848	138,576
SHORT-TERM LOANS	11,074,383	14,657,280	9,795,052	14,690,048	7,863,680
CASH	4,018,558	3,883,896	10,067,428	3,126,305	6,894,762

(1) See "Use of Non-Gaap Measures" below for reconciliations of GAAP to adjusted financial measures shown here.

Appendix

	For the three months ended June 30,		For the twelve months ended Jun 30,	
	2023	2022	2023	2022
Income from operations	$ 580,275	$ 1,729,349	$ 3,249,229	$ 4,940,128
Adjustments:				
Non-recurring IPO-related compensation	—	23,559	—	255,871
IPO legal fee			50,000	—
Business expansion expense	61,770		123,542	—
Arbitration legal free			221,258	
Anti-dumping penalty			124,865	
Adjusted income from operations	642,045	1,752,908	3,768,894	5,195,999
Revenue	$ 29,189,913	$ 47,809,014	$ 126,686,468	$ 194,461,233
Adjusted operating margins	2.2 %	3.7 %	3.0 %	2.7 %

Appendix

	For the three months ended June 30,		For the twelve months ended June 30,	
	2023	2022	2023	2022
Net (Loss) Income	$ 88,481	$ 1,170,530	$ 1,718,212	$ 4,137,323
Adjustments:				
Non-recurring IPO-related compensation	—	23,559	—	255,871
IPO legal fee			50,000	—
Business expansion expense	61,770		123,542	—
Arbitration legal free			221,258	
Anti-dumping penalty			124,865	
Tax expense				(338,044)
Total	150,251	1,194,089	2,237,877	4,055,150
Tax impact of adjustment at 18% effective rate	(11,675)	(4,241)	(95,102)	(46,057)
Adjusted net (loss) income	$ 138,576	$ 1,189,848	$ 2,142,775	$ 4,009,093

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Cash	$ 8,793,338	$ 3,126,305	$ 5,981,019	$ 10,067,428	$ 7,380,212	$ 6,894,762
Total Debt	$ 16,321,410	$ 14,690,048	$ 13,007,649	$ 9,795,052	$ 8,426,548	$ 7,863,680
Net Debt	**$ 7,528,072**	**$ 11,563,743**	**$ 7,026,630**	**$ (272,376)**	**$ 1,046,336**	**$ 968,918**