

MESSAGE TO FELLOW STAKEHOLDERS AND FORM 10-K

2020



FOR THE FISCAL YEAR ENDED DECEMBER 26, 2020

Conserving Resources. Improving Life.®

valmont 

A MESSAGE TO OUR
STAKEHOLDERS



Stephen G. Kaniewski

President & Chief Executive Officer

At the beginning of 2020, we could not have imagined the events that we would face this year: the far-reaching economic and social impacts of a global pandemic, the resulting changes to the way our employees work, and the resilience of our team to continue delivering the products and solutions that are essential to infrastructure and agriculture markets around the world. This year, we were reminded of how strong we are when we focus and come together. Through living our core values, our team of over 10,000 employees delivered on our commitments to all our stakeholders, producing strong financial results and creating value for our customers, business partners, and our shareholders. At one of the most challenging times in global history, we have emerged stronger, and entered 2021 with a more durable foundation and new opportunities for growth. At the start of the COVID-19 pandemic, we established principles that guided our approach for supporting our employees, customers, business partners, and shareholders. We were quickly able to get the majority of our administrative employees productively working from home, utilizing lean and agile tools to implement standard work and scalable processes. We activated our business continuity plan encompassing all our segments and the regions where we operate, and implemented protocols across our global factory footprint to help ensure the safety of our workforce and business partners. I want to extend a special thank you to our frontline production teams, who worked tirelessly to continue producing the products and services that are so essential to our customers, while ensuring the safety of our employees and their families.



Delivering on Our Commitments

2020 FINANCIAL PERFORMANCE

\$2.9B¹

Revenues of \$2.9 billion—An increase of 4.6% from fiscal 2019

GAAP

\$225.9M

Adjusted²

\$268.5M

Operating Income

GAAP

7.8%

Adjusted²

9.3%

Operating Margin

¹Segment results are detailed in the 2020 fourth quarter earnings results and the attached 2020 10-K

²Excludes expenses for goodwill impairment, restructuring activities and other non-recurring expenses; see reconciliation provided on the financial highlights page.

GAAP	Adjusted ²
\$6.57	\$8.18
Earnings per Diluted Share	

GAAP	Adjusted ³
8.7%	10.3%
After-Tax Return on Invested Capital	

16.9%

**One Year Total Shareholder Return for Fiscal Year Ending December 26, 2020
Compounded Annual Total Return to Shareholders of 11.5% Over the Past 5 Years**

³ Calculation of average invested capital is on page 22 of the attached Form 10-K. The adjusted after-tax return on invested capital presented is further calculated by using adjusted operating income of \$268.5 million, an adjusted tax rate of 24.4% (adjusted to exclude the non-deductible goodwill impairment and restructuring expenses) for an adjusted after-tax return on invested capital of 10.3%.

2020 FINANCIAL PERFORMANCE

Despite the pandemic, we delivered strong financial results this year. When I wrote to you in last year's letter, I was not expecting to focus on some of the issues that occurred. However, we remained committed to leading with innovation and executed growth strategies – strong operational performance driving margin expansion, and working capital management that led to strong free cash flow. Where we saw strong end market growth in our Utility Support Structures and Engineered Support Structures segments, we focused on building out high growth, high return areas, exiting underperforming product lines and adding new markets and products. In areas that were unfavorably impacted by the pandemic, especially earlier in the year like our Coatings and Irrigation segments, we quickly took action to reduce our cost structure and preserve cash. In all our businesses, we worked on improving our cost positions through productivity actions and pricing for value for our customers. At the same time, we reinvested in our businesses both for growth and ongoing operations.

Our strong financial results allowed us to continue our solid history of returning capital to shareholders in an efficient manner. This past year we returned approximately \$93.0 million to shareholders including \$37.0 million in dividends and \$56.0 million in share repurchases. Our commitment to a balanced capital allocation philosophy remains unchanged. Our focus on employee health and safety, building a diverse world-class team, and our commitment to Environmental, Social and Governance (ESG) principles and living our company tagline; *Conserving Resources. Improving Life.*[®]

remains steadfast. At the start of COVID-19, we established principles that guided our approach for maintaining a safe environment for our employees, customers, business partners, and shareholders. Since our company was founded nearly 75 years ago, we have been focused on important ESG principles; providing products and solutions that support sustainable infrastructure development, the efficient use of water for agriculture, enhancing quality of life globally, and supporting the communities where we work and live. This year we elevated ESG to be a strategic imperative in the decisions we make.

Further, I want to discuss diversity and inclusion in our company. We believe that voices from different experiences and backgrounds make our company stronger. This year we appointed a Corporate Inclusion and Diversity Leader and created three dedicated Employee Resource Groups, Women's Leadership Council, Indian American Leadership Council and Hispanic Organization for Leadership and Advancement (HOLA), to provide focus for further improvements.

In addition, we added two new board members, Ritu Favre and Joan Robinson-Berry, who bring strong technical and operations capabilities and further diversity to our board. The solid performance of Valmont in delivering 2020 financial and social achievements were driven by the strong execution and focus by our employees to our core values and commitment to our customers. I could not be prouder of the way our team pulled together, committed to overcoming obstacles, and created value for all stakeholders.

ABB_HVC_Luxembourg_eBus
Electric Bus Charging Station



Focusing on

OUR BUSINESSES

Infrastructure

We recognized significant growth in our Utility Support Structures segment, as shifts toward renewable energy sources and the critical need for a more robust grid infrastructure continues to drive higher demand across all our product lines. We see this trend continuing. As a result of this growth, we strategically added capacity to existing facilities and entered 2021 with confidence in another year of strong performance for the segment. As part of our strategy for developing new products and expanding our markets, we negotiated an exclusive partnership with Locweld to supply lattice structures to the Canadian market. Further, sales of solar tracker solutions grew more than 80 percent year-over-year, as increasing investments in renewable energy is driving global demand.

Strong demand in the Engineered Support Structures segment was driven by funding of infrastructure projects in North American lighting and transportation markets, while international markets were impacted by the economic effects of the pandemic. Globally, demand for wireless communication structures and components increased during the year, as COVID-19 impacts led carriers to accelerate development to support work and school-at-home environments. We also recognized a solid year of growth in small cell products aiding 5G build-outs. In 2020, Valmont proudly joined the American Connection Project Broadband Coalition, which supports rural communities' need for high-speed internet infrastructure. Our strategic decision to exit certain underperforming product lines in the Access Systems business early in the year helped improve segment profitability in the second half of 2020. Our Coatings segment closely follows industrial production trends and the macro-economic effects of COVID-19 negatively impacted our sales during 2020. We quickly adjusted our cost structure in anticipation of lower volumes, which helped to preserve the quality of earnings. As production levels stabilize and the pace of economic recovery improves, we

are well-positioned to fulfill the growing demand and help our customers fight corrosion and preserve critical infrastructure around the world.

Agriculture

Continued low commodity prices and short-term food supply disruptions, exacerbated by the pandemic, impacted our North American irrigation business for most of the year. However, as we exited 2020, market fundamentals were improving, lifting grower sentiment. Our International markets performed well in 2020, with a record year of 32 percent sales growth in Brazil in local currency, and improved conditions in Australia and Europe. We were awarded a multi-year, \$240 million agreement to supply irrigation equipment and services for the Egypt market in 2020, which is providing good momentum leading into 2021. Through these types of projects and partnerships, we are providing solutions that meet the increasing global demand for more efficient and reliable food production, and investments that feed growing populations and address food security issues. Valley Insights™, our market-leading autonomous crop management solution, more than doubled the number of monitored acres to 5 million in 2020. We completed four strategic acquisitions in the segment: Solbras®, a first-to-market, solar energy solution for agriculture, and PrecisionKing®, a subscription-based ag tech solution, growing our total connections to more than 110,000, an increase of 22 percent year-over-year. We also purchased the remaining stakes of AgSense® and Torrent® Engineering and Equipment, furthering our strategy to be the leader in providing advanced technology and turnkey solutions to our customers. Throughout the year, we maintained an intense focus on pricing across all businesses, while continuing to deliver exceptional value to our customers. Additionally, our productivity, even under difficult circumstances, continued to improve as the benefit of our earlier capital expenditures was realized.



Resilient PyraMax Transmission Line
After Hurricane Laura
Lake Charles, LA, USA

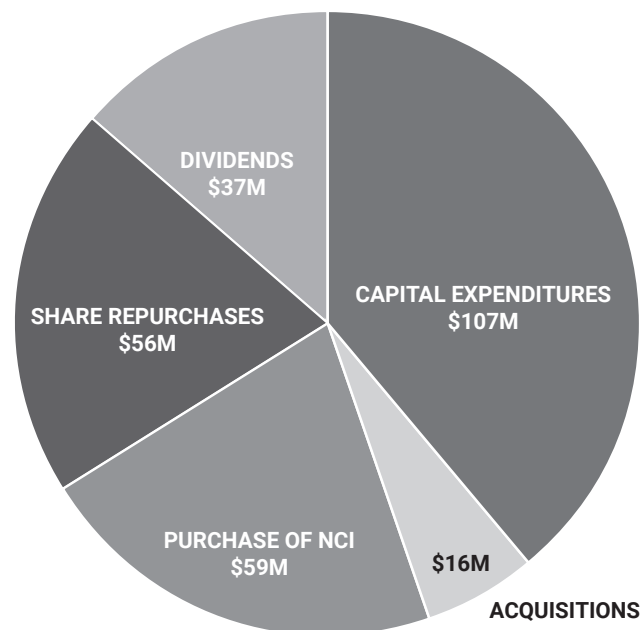
A BALANCED APPROACH

Valmont has a long history of efficiently returning capital to our shareholders, and our commitment to a balanced capital allocation approach remained unchanged in 2020. In total, this past year we deployed approximately \$107.0 million of capital for share repurchases, capital expenditures, strategic acquisitions and cash dividends. In February, we increased our dividend by 20 percent in recognition of our strong balance sheet, demonstrating our commitment to deliver sustained long-term profitable growth for our shareholders.

To preserve liquidity at the onset of the pandemic, in March we temporarily halted our share repurchase program.

It was reinstated in September as cash flow continued to be strong from solid execution on cost actions, productivity improvements, and better end markets. Our strategic investments in organic growth by way of capital expenditures included approximately \$60.0 million for maintenance CapEx and \$42.0 million for strategic growth initiatives including capacity expansions in existing North American facilities to support higher demand in Utility Support Structures markets, a greenfield expansion in our Coatings segment, and technology investments to support global market growth.

\$275M of Capital Deployed in 2020



Growing Our Business	Capital Expenditures	<ul style="list-style-type: none"> Working capital investment to support investments in people, technology and systems 2020 CapEx of \$107M, including ~\$42M for strategic growth initiatives
	Acquisitions	<ul style="list-style-type: none"> Strategic fit + market expansion Returns exceeding cost of capital within three years
	Purchase of NCI	<ul style="list-style-type: none"> Amount includes purchase of non-controlling interest of AgSense, Convert Italia and Torrent
Returning Cash to Shareholders	Share Repurchases	<ul style="list-style-type: none"> Opportunistic approach, supported by FCF Resumed share repurchases on September 10, 2020 \$148M remains on current authorization¹
	Dividends	<ul style="list-style-type: none"> 20% dividend increase announced February 2020 Payout ratio target: 15% of earnings Current payout: ~24%

¹ As of 12/26/2020



Valley Solar Field Installation
Valley, Nebraska U.S.A.

A quick look at our business:

VALMONT AT A GLANCE

Valmont is a global leader in providing products that support critical infrastructure that is essential for economic and agricultural growth.

Global Secular Growth Drivers:

Engineered Support Structures

- Ongoing investment in sustainable transportation infrastructure, including lighting systems, long-lasting bridge systems and vibration mitigation technology
- Unprecedented demand for improved wireless network structures and components including rural broadband and urban densification
- Rapid acceleration of 5G network deployment
- Increasing demand for integrated smart technology solutions

Utility Support Structures

- Need to replace aging infrastructure resulting from long-term underinvestment in electric grids
- Increasing load growth in developing markets requires enhanced grid resiliency for uninterrupted power
- Heightened demand for renewable energy sources with distributed generation
- Replacement of wood distribution and transmission poles with stronger materials that reduce landfill waste
- Expanded offerings of prefabricated and packaged turnkey substations
- Demand for quicker, safer and more accurate inspection services with unmanned aerial services and drone technology

Irrigation

- Increasing customer demand around the globe for sustainable solutions to conserve resources at every level of the value chain
- Growing populations, combined with constrained available farmland, require greater efficiency and crop yields
- Continuing labor shortages in the midst of a global pandemic, as well as rising farm labor costs
- Innovation toward predictive, autonomous crop management through technologies including artificial intelligence and machine learning
- Transforming traditional irrigation into fully connected crop management that optimizes water application, conserves energy and saves time

Coatings

- Protection of critical infrastructure from corrosion and premature obsolescence
- Efficient deployment of tax dollars for low-carbon infrastructure investment
- Developing economies' need for new infrastructure, as well as mature economies' responsible replacement of aging infrastructure
- Demand for sustainable, limited-maintenance materials with a low lifecycle cost with 100% recyclability
- Innovative digital transformation for lean processes, focused customer communication and product tracking
- Sophisticated data analytics, enhanced by machine learning and artificial intelligence, help us identify future customer and operational innovations



\$2.9

Billion Dollars
in Net Sales

100+

Countries
of Operation



22

Countries with
Valmont Facilities

85

Manufacturing
Facilities Worldwide



4

Segments in which
we do Business

10,800

Global
Employees

Conserving Resources. Improving Life.®

OUR ESG COMMITMENT

For 75 years, since our company's founding in 1946, we have been living our tagline, *Conserving Resources. Improving Life.®* It's at the very core of the products and services that we provide, supporting sustainable infrastructure development and the efficient use of water for agriculture. We continuously work to reduce our use of energy, water, and raw materials in manufacturing our products, and we reduced our Scope 2 carbon footprint by approximately 10,000 metric tons in 2020, a notable accomplishment by our Green Teams. We are committed to providing products, services, and solutions that enhance the lives of our employees, customers, business partners and shareholders. We also believe principled and transparent governance helps ensure responsible growth and diversity in our industries and among our peers. During 2020, the global Valmont team prioritized ESG principles, elevating our leadership in this critical area. In August, I created a cross-functional ESG Taskforce led by

me, focusing on the needs of our employees, leading sustainable practices in our facilities and through our products and services. ESG has also been elevated to become a top strategic imperative for Valmont. Our long-standing tagline of *Conserving Resources. Improving Life.®* fully encompasses our purpose as a company, and demonstrates our commitment to helping advance a more resilient and sustainable world. The COVID-19 pandemic presented unprecedented challenges to our world. But it also presented us with an opportunity to demonstrate our resiliency, compassion, and strength. Throughout the year, we continued building upon ESG globally across the company, achieving several significant milestones related to the Sustainability Initiative we launched in 2015. Valmont is committed to creating value for all our stakeholders and have communicated much more on ESG in our recently updated Sustainability Report.



Our 2020 ESG Accomplishments



- In one year, we achieved a 14.0% reduction in global electricity usage, exceeding our original two-year goal of an 8.0% reduction



- Completed 2018 assurance of disclosures for Scope 1 and 2 Greenhouse Gas Emissions, achieving a combined reduction of 4.0% year over year



- Awarded the Nebraska Recycling Council Member of the Year for outstanding efforts to promote recycling in the state of Nebraska, home to our largest facility footprint



- Recognized our manufacturing facility in Brenham, TX with our annual Sustainability Award for their dramatic improvements, in key sustainability and employee engagement metrics



- Launched an electric vehicle program at our largest manufacturing facility in Valley, Nebraska, to replace 100+ gas-powered vehicles by 2021



- Completed installation of a one-megawatt solar field utilizing our own TRJ solar tracker solution, providing carbon free power that will offset approximately 6% of energy on campus



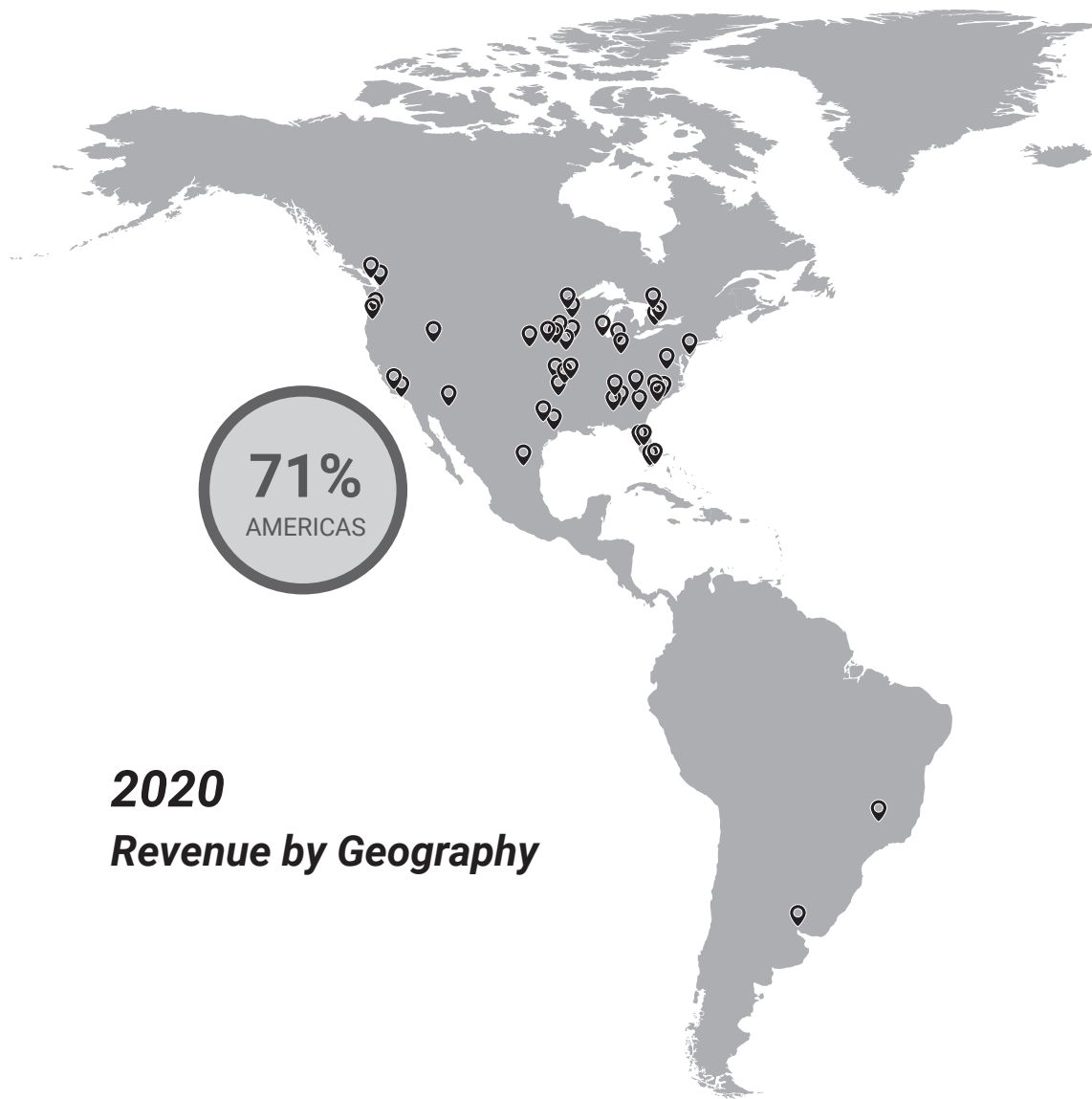
- Joined the U.S. Department of Energy's Better Plants Program, increasing our commitment to energy efficiency and savings across our facilities



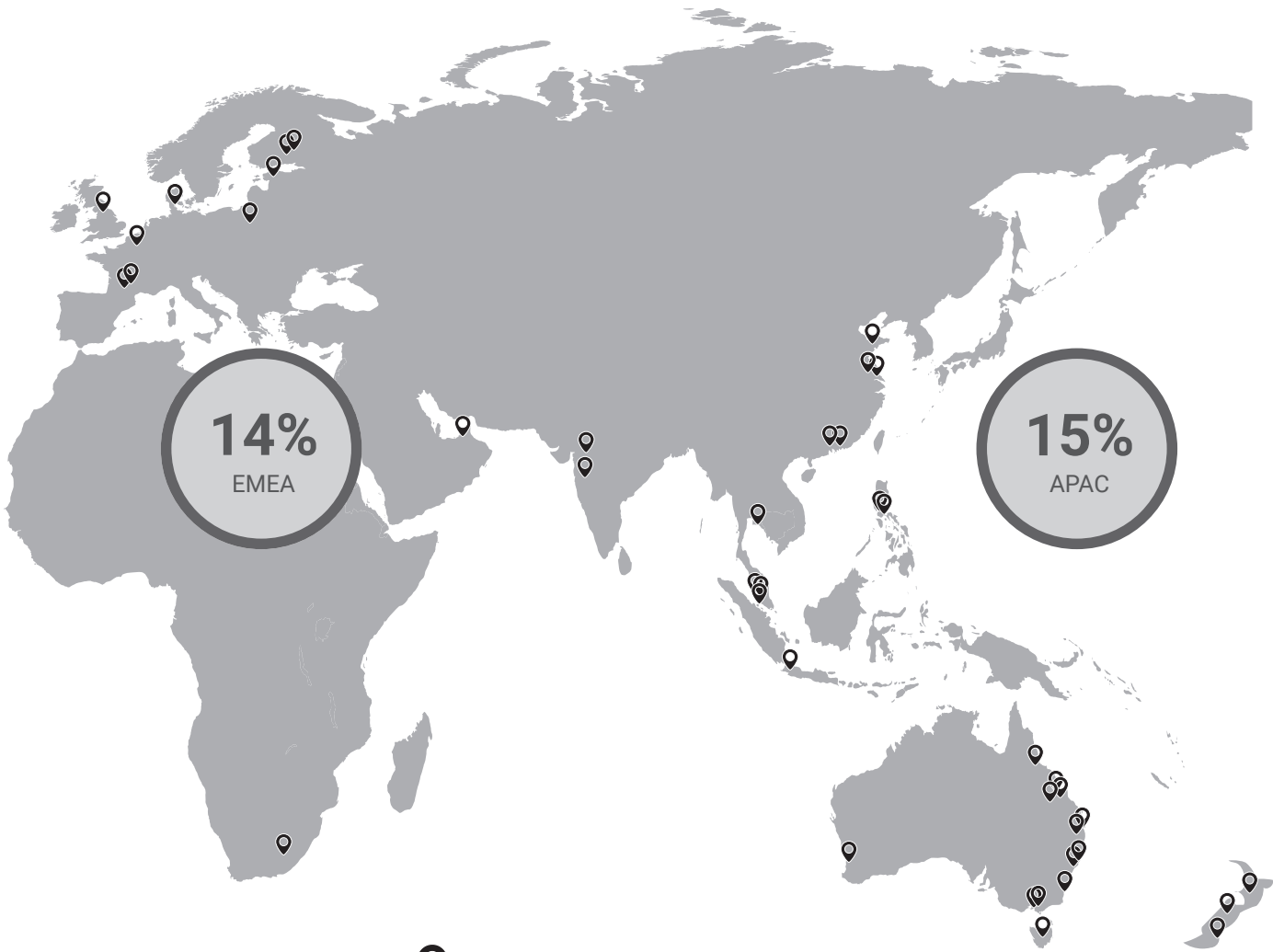
- Appointed a Corporate Inclusion and Diversity leader and launched three dedicated ERG's – Women's Leadership Council, Indian American Leadership Council and Hispanic Organization for Leadership and Advancement (HOLA)



- Increased the diversity of our Board of Directors, with the appointment of two new members, Ritu Favre and Joan Berry-Robinson, each bringing a diverse set of professional experiences and extensive backgrounds in operations, engineering, Internet of Things (IoT) and technology



2020
Revenue by Geography



 Valmont Manufacturing Facilities (85)

OUR FOUNDATIONAL

STRATEGIC PILLARS

Our strategy sets the tone and direction of our long-term growth as a company. It also helps us make informed decisions on how we invest in our talent and technology, our facilities, and the markets we serve. As such, our teams are focused on a few critical themes that will drive the growth and transformation of our business over the next few years. These key themes will also provide opportunities for job and career enhancement and enable us to serve our customers better than anyone else.



Talent Development and Training

First and foremost, our strategic plan will only be successful with the help of everyone at Valmont. We are committed to investing in our people, through skilled development training and implementing new technologies. Creating opportunities for career growth and aligning teams, roles, and responsibilities to support growth strategies and initiatives is one of our top priorities as a company.



Digital Transformation

We are investing in technology across our businesses, in our facilities, and in our products and solutions. This is especially evident in strong growth markets such as renewable energy, 5G, smart cities, and Precision Ag technology. We're introducing Business Intelligence (BI) and advanced analytics across shared services for faster decision-making and scalability. With a sharp focus on lean, and implementing Advanced Manufacturing Engineering and Technology (AMET) and Industry 4.0 in our manufacturing operations, technology is our pathway to become world class and how we build a more resilient future for our business and our world.



Return on Invested Capital

ROIC is the metric we use to help inform strategic investments and benchmark performance and it facilitates a way for stakeholders to analyze operational performance over time. Our relentless focus on ROIC has expanded deeper into our businesses, enabling us to more quickly assess and take action on certain product lines, geographies, and markets, ensuring performance is aligned with expectations.



Strategic Capital Deployment

Our focus on cash generation and commitment to maintaining a strong balance sheet allows us to allocate capital in a flexible, but disciplined manner, which we believe helps us maintain our leadership position in the markets we serve. Capital for organic investment is prioritized to support market growth opportunities. Recent examples include strategic capacity additions in North American steel infrastructure facilities, a greenfield Coatings operation near Pittsburgh, a new spun concrete pole facility in Fort Meade, Florida, and expansion of existing irrigation facilities in Dubai and Brazil to meet growing customer needs in international markets.



OUR COMMITMENT TO

LONG-TERM SHAREHOLDER VALUE CREATION

As demonstrated over the past three years, we are building a foundation to achieve our long-term financial targets. We remain relentlessly focused on pricing discipline across all segments and markets, we have strategically invested in capacity additions in key markets to efficiently and effectively serve our customers, and are introducing technology across our businesses to disrupt markets and differentiate ourselves, while achieving profitable growth.

Looking Ahead

We enter 2021 with focus and enthusiasm. We are in great businesses that help bring solutions to the world's most critical problems and improve the quality of life for individuals around the world. Thanks to our hard work over the past few years, we are delivering on our financial commitments, bringing innovation to our customers and fostering a culture of collaboration that encompasses our core values.

As we look to the future, we will continue to deliver solid operating results with margin expansion, good free cash flow, and a higher return on invested capital across the business. Recognizing that our employees are the cornerstone of our accomplishments, we pride ourselves on our integrity and ability to deliver results, serving our customers with an unwavering passion for our business. This past year has shown us the strength and resiliency of our team, demonstrating our commitment to deliver sustained, long-term profitable growth for our stakeholders. Thank you for your continued support.



Stephen G. Kaniewski
President & Chief Executive Officer

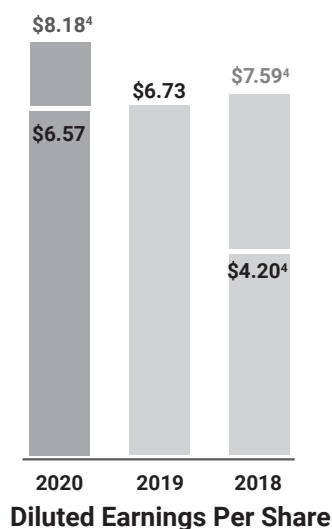
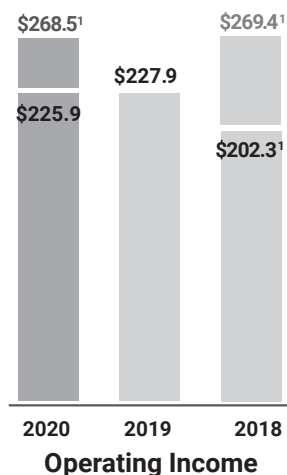
Long-Term Financial Goals:

Revenue Growth ¹	5 to 10%
Earnings Per Share Growth	>10%
Return on Invested Capital	>10%
Free Cash Flow Conversion ²	>1.0X NET EARNINGS
Operating Margin	>12%

¹ Revenue growth is 5% organic. Acquisitions over time are necessary to achieve top end range

² Long-term, multi-year goal

\$ GAAP \$ ADJUSTED



Dollars in thousands, except per share
OPERATING RESULTS

	2020	2019	2018 ⁵
Net sales	\$ 2,895.4	\$ 2,767.0	\$ 2,757.1
Operating income ¹	225.9	227.9	212.2
Net earnings ^{2,4}	140.7	146.4	101.8
Diluted earnings per share ⁴	6.57	6.73	4.53
Dividends per share	1.80	1.50	1.50

FINANCIAL POSITION

Total shareholders' equity	\$ 1,207.8	\$ 1,189.7	\$ 1,175.7
Invested capital ³	1,974.2	1,977.2	1,929.0

OPERATING PROFITS

Gross profit as a % of net sales	26.4%	24.7%	24.2%
Operating income as a % of net sales	7.8%	8.2%	7.7%
Net earnings as a % of net sales ²	4.9%	5.3%	3.7%
Return on beginning equity	12.3%	13.3%	8.9%
Return on invested capital ³	8.7%	8.9%	8.0%

YEAR-END DATA

Shares outstanding (000's)	21,225	21,544	21,942
Approximate number of shareholders	17,768	21,631	21,569
Number of employees	10,844	10,398	10,328

¹Fiscal 2020 GAAP operating income included restructuring and asset impairment costs of \$25.9 million (pre-tax), goodwill and intangible asset impairments of \$16.6 million (pre-tax). On an adjusted basis, operating income was \$268.5 million. Fiscal 2018 GAAP operating income included restructuring expense of \$34.0 million (pre-tax), goodwill and intangible asset impairments of \$15.8 million (pre-tax), and other non-recurring expenses of \$17.3 million (pre-tax). On an adjusted basis, operating income was \$269.4 million.

²Net earnings attributable to Valmont Industries, Inc.

³See Item 6, Selected Financial Data, in the company's Form 10-K for calculation of invested capital and return on invested capital.

⁴Fiscal 2020 included impairments of goodwill and intangible assets of \$16.2 million after-tax (\$0.76 per share), restructuring and asset impairment costs of \$18.2 million (\$0.85 per share). Fiscal 2018 included impairments of goodwill and intangible assets of \$14.7 million after-tax (\$0.66 per share), restructuring expenses of \$30.1 million after-tax (\$1.34 per share), refinancing of long-term debt expenses of \$11.1 million after-tax (\$0.50 per share), \$14.6 million after-tax (\$0.65 per share) of other non-recurring expenses, and a loss from the divestiture of the grinding media business of \$5.5 million after-tax (\$0.24 per share).

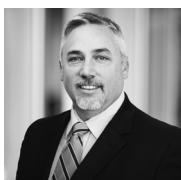
⁵The Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue From Contracts with Customers, on a modified retrospective basis as of the first day of fiscal 2018. Revenue recognition for the prior three years presented in this table were under a different basis which was ASC Topic 605. Please see footnote 1 to the financial statements for further information.

For more information on the footnotes above and the reasons why we believe the non-GAAP measures are useful, please see Item 6, Item 7 and Item 8 of the attached 2020 form 10-K

OUR LEADERSHIP

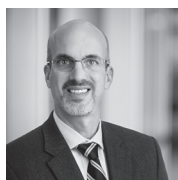
Corporate Management

Executive Officers



Stephen G. Kaniewski

President
& Chief Executive Officer



Avner M. Applbaum

Executive Vice President
& Chief Financial Officer



Diane Larkin

Executive Vice President
Global Operations



Aaron M. Schapper

Executive Vice President
Infrastructure



Timothy P. Francis

Senior Vice President
& Corporate Controller



Claudio O. Laterreur

Senior Vice President
Information Technology &
Chief Information Officer



T. Mitchell Parnell

Senior Vice President
Human Resources



Ellen S. Dasher

Vice President
Global Taxation

Corporate Officers



Renee L. Campbell

Vice President
Investor Relations &
Corporate Communications



Teresa M. Hecker

Vice President
Internal Audit



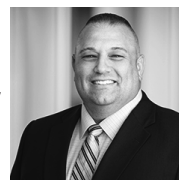
Dan A. Koch, Jr.

Vice President
North American Pole
Operations



R. Andrew Massey

Vice President
Chief Legal Officer & Corporate Secretary



Matthew T. Ondrejko

Vice President
Global Marketing

Board of Directors



Mogen C. Bay
Chairman
Valmont Industries, Inc.



Catherine J. Paglia
Lead Director,
Enterprise Asset
Management
Audit Committee
Human Resources
Committee



Joan Robinson-Berry
Retired SVP & Chief
Engineer
The Boeing Company
Human Resources
Committee



K.R. Den Daas
Retired Executive VP
Phillips Lighting B.V. of
the Netherlands
Audit Committee
Governance &
Nominating Committee



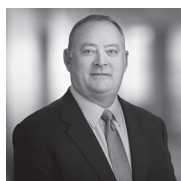
Ritu Favre
EVP & GM,
NI
(National Instruments)
Semiconductor
Electronics, Aerospace,
Defense & Government
& Transportation
Business Unit
Governance &
Nominating Committee



Dr. Theodor W. Freye
Retired CEO
of CLAAS KgaA
Governance &
Nominating Committee



Stephen G. Kaniewski
President & CEO
Valmont Industries, Inc.



Richard Lanoha
President & CEO
Kiewit Corporation
Human Resources
Committee



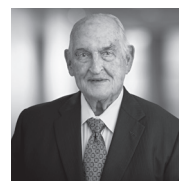
James B. Milliken
Chancellor
University of Texas
System
Audit Committee
Chairman, Governance
& Nominating
Committee



Daniel P. Neary
Retired Former
Chairman & Retired
CEO
Mutual of Omaha
Audit Committee
Chairman, Human
Resources Committee



Clark T. Randt, Jr.
Former U.S.
Ambassador to
the People's Republic
of China
Governance &
Nominating Committee



Walter Scott, Jr.
President & CEO
Retired Chairman
Peter Kiewit Sons', Inc.
Chairman,
Audit Committee

Business Unit Management

Irrigation

Leonard M. Adams

Telecommunications

Joseph Catapano

Coatings

Richard S. Cornish

Utility

J. Christopher Colwell

Lighting and Traffic

J. Timothy Donahue

OUR **CONTACT INFORMATION**

Shareholder and Investor Relations

Valmont's common stock trades on the New York Stock Exchange (NYSE) under the symbol VMI.

We make available, free of charge through our website at 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.

We have also posted on our website our (1) Corporate Governance Principles, (2) Charters for the Audit Committee, Human Resources Committee and Governance and Nominating Committee of the Board, (3) Code of Business Conduct and (4) Code of Ethics for Senior Officers applicable to the Chief Executive Officer, Chief Financial Officer and Corporate Controller. Valmont shareholders may also obtain copies of these items at no charge by contacting:

Renee L. Campbell

Investor Relations

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Omaha, Nebraska 68154 USA

+1 402.963.1000

investorrelations@valmont.com

Corporate Headquarters

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Omaha, Nebraska 68154 USA

+1 402.963.1000

valmont.com

Independent Registered Public Accounting Firm

Deloitte & Touche LLP

Omaha, Nebraska USA

Stock Transfer Agent and Registrar Address Inquiries To:

Broadridge Corporate Issuer Solutions, Inc.

PO Box 1342

Brentwood, New York 11717-0718 USA

+1 844.202.5345 or +1 720.414.6878

Annual Meeting

The annual meeting of Valmont® shareholders will be held at 1:00 p.m. on Tuesday, April 27, 2021, at One Valmont Plaza, Omaha, Nebraska USA.



SAFETY FIRST



P/N: 9360682
QTY: 3 PCS

P/N: 1 PC
QTY: 1 PC

P/N: 9360685
QTY: 7 PC

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**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 26, 2020

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:

<u>Title of each class</u>	<u>Symbol</u>	<u>Name of exchange on which registered</u>
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 has file a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

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 19, 2021 there were 21,215,198 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 27, 2020 was \$2,212,151,860.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's proxy statement for its annual meeting of shareholders to be held on April 27, 2021 (the "Proxy Statement"), to be filed within 120 days of the fiscal year ended December 26, 2020, 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 26, 2020

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PART I

ITEM 1. BUSINESS.

(a) General Description of Business

General

We are a diversified producer of products and services for infrastructure and agriculture markets. We were founded in 1946, went public in 1968 and our shares trade on the New York Stock Exchange (ticker: VMI). The Company operates and reports its results in the following four reporting segments:

- Engineered Support Structures (ESS);
- Utility Support Structures (Utility);
- Coatings; and
- Irrigation

Our ESS segment offers solutions to help make roadways safer, infrastructure smarter, and increases connectivity through the following products: outdoor lighting, traffic control, and roadway safety structures, wireless communication structures and components, and engineered access systems. Our Utility segment helps deliver power with products to better harden grids to make infrastructure more resilient by selling structures to support electrical transmission, distribution lines, and substation conversion and storage. Our Irrigation segment produces mechanized irrigation equipment and related services to help deliver water, fertilizers, herbicides, and pesticides to agricultural crop that save time, conserve water, energy, and other input costs while also assisting in increasing yields. This segment also develops technology for better precision application including predictive, autonomous crop management. Our Coatings segment provides coatings services for Valmont and other industrial customers, to assist in extending the lifespan of infrastructure.

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 2020, approximately 32% of our net sales were either sold in markets or produced by our manufacturing plants outside of North America.

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. Our Utility segment experienced sales volume growth in 2020 which we believe was due to the continuing shift toward renewable energy sources and increasing need for stronger, more sustainable grid infrastructure.

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 2020, we secured a \$240 million multi-year order in Egypt.

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. 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. Our Utility segment increased its 2020 sales by offering spun concrete distribution poles and increased its 2018 sales by offering substations that are prepackaged in a manner intended to simplify our customer's installation.

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. In 2020, we acquired Solbras[®], a provider of solar energy solution for agriculture and during 2018, we acquired Convert Italia SpA, a provider of engineered single axis solar tracking solutions. These furthered our commitment to renewable energy which we believe will provide us future growth opportunities through the ability to bring power to underserved regions and transform unproductive land into efficient cropland.

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):

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)

2020

- Acquisition of the remaining 49% not previously owned of AgSense LLC (Irrigation)
- Acquisition of 55% of a provider of solar solutions for Agriculture (Solbras) located in Brazil (Irrigation)

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 poles, towers, and components for lighting, transportation, and wireless communication markets, including integrated structure solutions for smart cities, and engineered access systems;

Utility Support Structures: This segment consists of the manufacture of engineered steel and concrete structures for utility markets, including transmission, distribution, and substation products, 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, and advanced technology solutions for water management and 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 design, engineer, and manufacture steel, aluminum, wood, and composite poles and structures for a wide range of lighting and highway transportation applications. 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. Valmont structures help keep these areas safer, provide technologically advanced solutions for smart cities, and support 24-hour convenience. Beyond design, technical, and engineering needs, customers also want products that are visually appealing and meet local aesthetic requirements. In Europe, Valmont is a leader in decorative lighting poles, which provide an attractive yet functional solution for our customers. 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.

Valmont traffic and overhead sign structures aid in the orderly flow of automobile traffic. These poles, which support traffic signals and overhead signs, are engineered 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. Valmont has expanded its capabilities in the traffic market with the development of patented vibration mitigation technology which continuously improves the safety of traffic and roadway structures by reducing the effects of wind and fatigue. Our transportation segment also includes highway safety system products that are designed and engineered to enhance roadway safety. These systems include guard rail barriers, wire rope safety barriers, crash attenuation barriers and other products. Additionally, Valmont has expanded into the bridge market with the development of our Con-Struct Bridge system. These steel systems are effective, long lasting, and can be installed quickly to reduce costs and expand the life of the structure.

We also engineer, manufacture, and distribute a broad range of structures (poles and towers), camouflage concealment solutions, and components serving the wireless communication market supporting expanded 5G customer needs. 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 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 and decorative applications. Examples of these products are perforated metal sun screens and facades that can be used on building structures to improve shading and aesthetics. We do not provide any significant installation services on the structures we sell or manufacture.

Markets—The key markets for our products and solutions are the transportation, construction, and industrial markets. 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 FAST Act. 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. FAST Act was extended by one year in late 2020 to allow Congress more time for developing a long term funding bill. The current federal executive administration has recommended increases to spending on roadway infrastructure. Additionally, public and private partnerships have recently emerged as an additional funding source. 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 construction market is mostly funded privately and includes lighting for applications such as parking lots, shopping centers, sports stadiums and business parks. This 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 (who also manufacture light fixtures and equipment) who also serve this market. Industrial 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 the appropriate 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 and traffic signal lines 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 steel, pre-stressed concrete, composite, and hybrid structures (concrete base section and steel upper sections). These products are used to support the lines and equipment 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. These innovative structures are offered to address the growing need for grid hardening across the globe, where fires, storms, and floods have recently occurred with increasing regularity.

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.

Our solar single-axis “tracker” product is an integrated system of steel structures, electric motors, and electronic controllers. Trackers move solar panels throughout the day to maintain an optimal orientation to the sun, which materially increases their energy production. Solar energy projects utilizing trackers generate approximately 20% more energy compared to traditional fixed tilt ground-mounted systems, according to Wood Mackenzie. Our trackers utilize a simple, modular design allowing ease of installation and low operational maintenance. Further, the flexibility of our trackers’ design allows for improved site utilization, which is especially valuable to our customers considering that solar projects are being constructed on increasingly challenging sites today. We sell our products to engineering, procurement and construction firms (“EPCs”) that build solar energy projects as well as solar developers, independent power producers, and utilities.

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. Approximately 35% of all ground-mounted solar energy projects constructed globally during 2019 utilized trackers according to Wood Mackenzie. Our solar tracker products are used in some of the largest solar projects in the world with over a decade of track record, which is unique in the single-axis solar tracker industry.

Competition—Our competitive strategy in this segment is to provide high value solutions to the customer at the appropriate price. We compete on the basis of product quality, engineering expertise, high levels of customer service, and reliable and 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 require a high degree of engineering and complex manufacturing customization.

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 the aesthetics 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 and prolongs the life of 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. The irrigation machine used in international markets is substantially the same as the one produced for the North American market.

Our remote management capabilities allow control of pivots and a variety of other farm equipment on any web-connected device and our suite of advanced technology solutions offers capabilities to assist in reducing water and energy use. Irrigation anomaly detection can alert growers of pivot-related water issues with artificial intelligence and machine learning (in select markets) is the next step toward predictive, autonomous crop management. Irrigation net sales in 2020, 2019, and 2018 included technology sales of \$67.1 million, \$56.7 million, and \$45.3 million, respectively. We also manufacture tubular products for industrial customers primarily in the agriculture industry as well as in the transportation and other industries.

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.

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 product innovation and features, product durability and reliability, price, 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 350 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 \$1,139.1 million at the end of the 2020 fiscal year and \$924.1 million at the end of the 2019 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 2020 backlog of orders will be filled during fiscal year 2021. At year-end, the segments with backlog were as follows (dollar amounts in millions):

	<u>12/26/2020</u>	<u>12/28/2019</u>
Engineered Support Structures	\$ 247.1	\$ 254.0
Utility Support Structures	563.3	615.0
Irrigation	328.3	55.0
Coatings	0.4	0.1
	<u>\$ 1,139.1</u>	<u>\$ 924.1</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 26, 2020, we had 10,844 employees.

Human Capital Resources.

Our policies and practices with respect to human capital resources are generally set forth in our Code of Business Conduct, our Human Rights Policy, and the principles described on the "About Us" page on our website www.valmont.com. Essential to our success is a company-wide commitment to customer service and innovation, and the ability to be the best cost producer for all products and services we provide. Our employees are the cornerstone of our accomplishments, we pride ourselves on being people of passion and integrity who excel and deliver results. Our Code of Business Conduct and our culture require each employee to act responsibly and to treat each other fairly and with the utmost respect.

Our businesses require skilled workers and management in order to meet our customer's needs, grow our sales and maintain competitive advantages. We require employees with skills in engineering, welding, equipment maintenance and the operation of complex manufacturing machinery. Management talent is critical as well, to help grow our businesses and effectively plan for succession of key employees upon retirement.

At December 26, 2020 we had approximately 5,920 employees in the United States and approximately 4,920 employees in foreign countries. The Company places a high value on diversity and inclusion, encouraging employees with diverse backgrounds and experiences who share a common interest in profitable development, improving corporate culture, and delivering sustainable business results.

We have adopted a Human Rights Policy which is published on our website. We expect our employees, suppliers, vendors, dealers and distributors to share our commitment to human rights. We prohibit discrimination on the basis of age, race, disability, ethnicity, marital or family status, national origin, religion, gender, sexual orientation, veteran status, gender identity, or any other characteristic protected by law.

We are committed to voluntary employment, and we strictly prohibit all forms of compulsory labor, including child labor, forced labor, slavery and human trafficking. We respect internally recognized human rights standards, and this policy is guided by the U.N. Guiding Principles for Business and Human Rights.

We require full compliance with applicable, wage, work hours, overtime and benefit laws. We are committed to creating a culture where a healthy and safe workplace is recognized by everyone as essential to our success. Any employee can always contact our compliance officer, and confidential reporting of a situation or to ask a question is available on a secure website maintained by a third party. Employees are eligible for health insurance, paid and unpaid leaves, retirement plan and life and disability / accident coverage.

When positions come open at Valmont, we try first to fill them from within. We like to reward the hard-working members of our Valmont family with new opportunities that are not only a chance to expand their worlds, but to also recognize and reward their dedication. We have found them to be our richest talent resource.

Our program for succession and management development has our highest level of attention with our CEO responsible for reporting on the program directly to our board of directors.

For additional information, please see the “About Us” page on our website and section titled “Governance, Human Capital and Sustainability Highlights” in the Company’s 2021 Proxy Statement.

(d) Available Information

We make available, free of charge on the Investors page of our website at 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.

Economic and Business Risks

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 2020 and 2019. 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 December 2020, the U.S. Department of Agriculture (the "USDA") estimated U.S. 2020 net farm income to be \$119.6 billion, up 41.3 percent from the USDA's final U.S. 2019 net farm income of \$84.6 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 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 \$64 million for the year ended December 26, 2020.

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.

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 33% of our fiscal 2020 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.

COVID-19 has impacted and is expected to continue to impact our business, including the supply chain, product demand, logistics, and facility operations and the duration, unknown at this time, of the challenges associated with the virus may result in significant adverse effects on our business, financial condition and results of operations.

On March 11, 2020 the World Health Organization declared COVID-19 outbreak a pandemic, and the virus continues to significantly impact all geographical areas in which we operate. A myriad of international, national and local measures have been implemented by governments and businesses to address the virus and slow its outbreak, including shelter in place orders and similar restrictions, restrictions on business operations, closure of borders and other measures having negative economic effects.

Our businesses support critical infrastructure sectors as defined by the Department of Homeland Security (CISA.gov) and similar global agencies. These sectors are deemed vital, such that their incapacitation would have a debilitating effect on security, national economic security, national public health or safety or any combination thereof.

COVID-19 impacted and may continue to impact our business, including the normal operations of our facilities, overall demand for our products, changes to supply chain availability and costs, logistics delays, including temporary closures as may be mandated or otherwise made necessary by governmental authorities, and any additional carryover of economic effects. All of our operations may be affected by COVID-19 isolation measures. We have implemented domestic and international travel restrictions for our employees, and thousands of our employees are expected to continue to work remotely through the height of this pandemic.

The duration of the virus outbreak continues to be evaluated by governments and experts and as a consequence we cannot at this time determine the overall ultimate impact on the Company. The extent of the impact will depend on future developments, which are highly uncertain and cannot be predicted. The duration, unknown at this time, of the challenges associated with the virus may result in significant adverse effects on our business, financial condition, and results of operations.

Legal and Regulatory Risks

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 26, 2020, we operated over 80 manufacturing plants, located on six continents, and sold our products in more than 100 countries. In 2020, approximately 32% 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 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.

Liquidity and Capital Recourses Risk

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 26, 2020, we had \$766.3 million of total indebtedness outstanding. We had \$585.4 million of capacity to borrow under our revolving credit facility at December 26, 2020. 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 \$400.7 million of cash at December 26, 2020, which mitigates a portion of the risk associated with our debt. Approximately 52% 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 26, 2020, covered approximately 6,500 inactive or retired former Delta employees. The plan has no active employees as members. At December 26, 2020, this plan was, for accounting purposes, underfunded by approximately £87.4 million (\$118.5 million). The current agreement with the trustees of the pension plan for annual funding is approximately £13.1 million (\$17.8 million) in respect of the funding shortfall and approximately £1.3 million (\$1.8 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 £87.4 million (\$118.5 million) assumed for accounting purposes as of December 26, 2020. 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.

General Risks

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 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 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 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.

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.

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)

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 2020, their ages, positions held, and the business experience of each during the past five years are, as follows:

Stephen G. Kaniewski, age 49, 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.

Avner M. Applbaum, age 49, Executive Vice President and Chief Financial Officer since March 2020. Chief Financial Officer and Chief Operating Officer of Double E Company, an equipment manufacturer from 2017 to March 2020. Chief Financial Officer of Aerostar Aerospace, a manufacturer of high-complexity parts from 2016 to 2017. Chief Financial Officer of Premier Store Fixtures, a retail manufacturer and logistics provider from 2015 to 2016.

Diane Larkin, age 56, Executive Vice President Global Operations since June 2020. Senior Vice President of Operations and Global Supply for Pentair from 2017 to 2020. She held other operational leadership roles at Pentair from 2009 to 2017.

Aaron Schapper, age 47, Executive Vice President, Infrastructure since February 2020. Utility Support Structures Group President October 2016 to February 2020. General Manager, International Irrigation, October 2011 to October 2016.

Timothy P. Francis, age 44, Senior Vice President and Controller since June 2014.

T. Mitchell Parnell, age 55, 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 54, 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 to 2019.

R. Andrew Massey, age 51, Vice President and Chief Legal & Compliance Officer since 2006.

Teresa M. Hecker, age 52, 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 51, 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 17,768 shareholders of common stock at December 26, 2020.

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 27, 2020 to October 24, 2020.....	55,027	\$ 127.15	55,027	\$ 169,448,000
October 25, 2020 to November 28, 2020.....	88,031	153.82	88,031	155,907,000
November 29, 2020 to December 26, 2020..	46,925	169.34	46,925	147,960,000
Total.....	<u>189,983</u>	<u>\$ 149.93</u>	<u>189,983</u>	<u>\$ 147,960,000</u>

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 bringing total authorization to \$1.0 billion. As of December 26, 2020, we have acquired 6,363,573 shares for approximately \$852.0 million under this share repurchase program.

ITEM 6. SELECTED FINANCIAL DATA.

SELECTED FIVE-YEAR FINANCIAL DATA

(Dollars in thousands, except per share amounts)	2020	2019	2018	2017	2016
Operating Data			(3)		(4)
Net sales.....	\$ 2,895,355	\$ 2,766,976	\$ 2,757,144	\$ 2,745,967	\$ 2,521,676
Operating income (1).....	225,953	227,905	212,172	272,760	248,346
Net earnings attributable to Valmont Industries, Inc. (2)....	140,693	146,408	101,770	120,500	175,461
Depreciation and amortization.....	82,892	82,264	82,827	84,957	82,417
Capital expenditures.....	106,700	97,425	71,985	55,266	57,920
Per Share Data					
Earnings:					
Basic (2).....	\$ 6.60	\$ 6.76	\$ 4.56	\$ 5.35	\$ 7.78
Diluted (2).....	6.57	6.73	4.53	5.30	7.73
Cash dividends declared.....	1.800	1.500	1.500	1.500	1.500
Financial Position					
Working capital.....	\$ 881,322	\$ 918,445	\$ 985,224	\$ 1,113,294	\$ 941,415
Property, plant and equipment, net.....	597,727	558,129	513,992	518,928	518,335
Total assets.....	2,953,160	2,807,216	2,583,893	2,645,977	2,429,778
Long-term debt, including current installments.....	731,179	765,704	742,601	754,854	755,646
Total Valmont Industries, Inc. shareholders' equity.....	1,182,062	1,144,338	1,099,976	1,145,631	972,017
Cash flow data:					
Net cash flows from operating activities.....	\$ 316,294	\$ 307,614	\$ 153,008	\$ 133,148	\$ 232,820
Net cash flows from investing activities.....	(104,029)	(168,150)	(155,445)	(49,615)	(53,049)
Net cash flows from financing activities.....	(173,756)	(98,950)	(162,110)	(32,010)	(95,158)
Financial Measures					
Invested capital(a).....	\$ 1,974,162	\$ 1,977,223	\$ 1,929,016	\$ 1,939,605	\$ 1,767,513
Return on invested capital(a).....	8.7%	8.9%	8.0%	10.6%	9.8%
Adjusted EBITDA(b).....	\$ 353,619	\$ 316,578	\$ 346,128	\$ 357,667	\$ 329,601
Return on beginning shareholders' equity(c).....	12.3%	13.3%	8.9%	12.4%	18.6%
Leverage ratio (d).....	2.17	2.49	2.18	2.11	2.29
Year End Data					
Shares outstanding (000).....	21,225	21,544	21,942	22,694	22,521
Approximate number of shareholders.....	17,768	21,631	21,569	24,801	26,057
Number of employees.....	10,844	10,398	10,328	10,690	10,552

(1) Fiscal 2020 and fiscal 2018 operating income included impairments of goodwill and intangible assets of \$16,638 and \$15,780 and restructuring expenses of \$23,149 and \$34,031.

(2) Fiscal 2020 net earnings included impairments of goodwill and intangible assets of \$16,220 after-tax (\$0.76 per share) and restructuring expenses of \$17,324 after-tax (\$0.81 per share). 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 was not taxable.

(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 two years presented in this table was under a different basis which was ASC Topic 605.

(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.

	2020	2019	2018	2017	2016
Operating income	\$ 225,953	\$ 227,905	\$ 212,172	\$ 272,760	\$ 248,346
Adjusted effective tax rate (1)	24.2%	23.9%	27.1%	28.1%	30.8%
Tax effect on operating income	(54,681)	(54,469)	(57,499)	(76,646)	(76,491)
After-tax operating income	171,272	173,436	154,673	196,114	171,855
Average invested capital	1,975,693	1,953,120	1,934,311	1,853,559	1,759,001
Return on invested capital	8.7%	8.9%	8.0%	10.6%	9.8%
Total assets	2,953,160	2,807,216	2,583,893	2,645,977	2,429,778
Less: Accounts payable	(268,099)	(197,957)	(218,115)	(227,906)	(177,488)
Less: Accrued expenses	(227,735)	(167,264)	(171,233)	(165,455)	(162,318)
Less: Defined benefit pension liability	(118,523)	(140,007)	(143,904)	(189,552)	(209,470)
Less: Deferred compensation	(44,519)	(45,114)	(46,107)	(48,526)	(44,319)
Less: Other noncurrent liabilities	(58,657)	(8,904)	(10,394)	(20,585)	(14,910)
Less: Dividends payable	(9,556)	(8,079)	(8,230)	(8,510)	(8,445)
Less: Lease liability	(80,202)	(85,817)	—	—	—
Less: Contract liability	(130,018)	(117,945)	—	—	—
Less: Deferred tax liability	(41,689)	(58,906)	(56,894)	(45,838)	(45,315)
Total Invested capital	\$1,974,162	\$1,977,223	\$1,929,016	\$1,939,605	\$1,767,513
Beginning of year invested capital	\$1,977,223	\$1,929,016	\$1,939,605	\$1,767,513	\$1,750,488
Average invested capital	\$1,975,693	\$1,953,120	\$1,934,311	\$1,853,559	\$1,759,001

(1) The adjusted effective tax rate for 2020 and 2018 excludes the effects of the \$12,575 and \$14,355 goodwill impairments which is not deductible for income tax purposes. The effective tax rate in 2020 and 2018 including the impairments are 25.7% and 29.7%. 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%.

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:

	2020	2019	2018	2017	2016
Net cash flows from operations	\$ 316,294	\$ 307,614	\$ 153,008	\$ 133,148	\$ 232,820
Interest expense	41,075	40,153	44,237	44,645	44,409
Income tax expense	49,615	47,753	45,608	107,565	42,806
Loss on investment	(39)	172	62	(237)	(586)
Change in fair value of contingent consideration	—	—	—	—	3,242
Loss on divestiture of grinding media business	—	—	(6,084)	—	—
Impairment of goodwill and intangible assets	(16,638)	—	(15,780)	—	—
Impairment of property, plant and equipment	(3,751)	—	(5,000)	—	(1,099)
Deferred income tax (expense) benefit	1,397	(1,486)	(814)	(41,175)	22,942
Noncontrolling interest	(1,456)	(5,697)	(5,955)	(6,079)	(5,159)
Equity in earnings of nonconsolidated subsidiaries	(1,004)	—	—	—	—
Stock-based compensation	(14,874)	(11,587)	(10,392)	(10,706)	(9,931)
Pension plan expense	7,311	513	2,251	(648)	(1,870)
Contribution to pension plan	35,399	18,461	1,537	40,245	1,488
Changes in assets and liabilities, net of acquisitions	(98,994)	(81,831)	71,539	86,985	16,662
Other	(60)	2,513	225	3,924	(631)
EBITDA	314,275	316,578	274,442	357,667	345,093
Reversal of contingent liability	—	—	—	—	(16,591)
Impairment of goodwill and intangible assets	16,638	—	15,780	—	—
Cash restructuring expenses	18,955	—	29,031	—	—
Impairment of assets - restructuring activities	3,751	—	12,944	—	1,099
Loss on divestiture of grinding media business	—	—	6,084	—	—
EBITDA from acquisitions (months not owned by Company)	—	—	7,847	—	—
Adjusted EBITDA	<u>\$ 353,619</u>	<u>\$ 316,578</u>	<u>\$ 346,128</u>	<u>\$ 357,667</u>	<u>\$ 329,601</u>

	2020	2019	2018	2017	2016
Net earnings attributable to Valmont Industries, Inc.	\$ 140,693	\$ 146,408	\$ 101,770	\$ 120,500	\$ 175,461
Interest expense	41,075	40,153	44,237	44,645	44,409
Income tax expense	49,615	47,753	45,608	107,565	42,806
Depreciation and amortization expense	82,892	82,264	82,827	84,957	82,417
EBITDA	314,275	316,578	274,442	357,667	345,093
Reversal of contingent liability	—	—	—	—	(16,591)
Impairment of goodwill and intangible assets	16,638	—	15,780	—	—
Cash restructuring expenses	18,955	—	29,031	—	—
Impairment of assets - restructuring activities	3,751	—	12,944	—	1,099
Loss on divestiture of grinding media business	—	—	6,084	—	—
EBITDA from acquisitions (months not owned by Company)	—	—	7,847	—	—
Adjusted EBITDA	<u>\$ 353,619</u>	<u>\$ 316,578</u>	<u>\$ 346,128</u>	<u>\$ 357,667</u>	<u>\$ 329,601</u>

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:

	2020	2019	2018	2017	2016
Current portion of long-term debt.....	\$ 2,748	\$ 760	\$ 779	\$ 966	\$ 851
Notes payable to bank.....	35,147	21,774	10,678	161	746
Long-term debt.....	728,431	764,944	741,822	753,888	754,795
Total interest bearing debt.....	766,326	787,478	753,279	755,015	756,392
Adjusted EBITDA.....	353,619	316,578	346,128	357,667	329,601
Leverage Ratio.....	2.17	2.49	2.18	2.11	2.29

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

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Dollars in millions, except per share amounts					
Consolidated					
Net sales	\$ 2,895.4	\$ 2,767.0	4.6 %	\$ 2,757.1	0.4 %
Gross profit	765.5	682.7	12.1 %	668.2	2.2 %
<i>as a percent of sales</i>	26.4%	24.7%		24.2%	
SG&A expense	539.6	454.8	18.6 %	456.0	(0.3)%
<i>as a percent of sales</i>	18.6%	16.4%		16.5%	
Operating income	225.9	227.9	(0.9)%	212.2	7.4 %
<i>as a percent of sales</i>	7.8%	8.2%		7.7%	
Net interest expense	38.7	36.2	6.9 %	39.6	(8.6)%
Effective tax rate	25.7%	23.9%		29.7%	
Net earnings attributable to Valmont Industries, Inc.	140.7	146.4	(3.9)%	101.8	43.8 %
Diluted earnings per share	\$ 6.57	\$ 6.73	(2.4)%	\$ 4.53	48.6 %
Engineered Support Structures Segment					
Net sales	\$ 983.5	\$ 1,002.1	(1.9)%	\$ 967.3	3.6 %
Gross profit	271.4	229.0	18.5 %	213.1	7.5 %
SG&A expense	206.1	163.4	26.1 %	178.3	(8.4)%
Operating income	65.3	65.6	(0.5)%	34.8	88.5 %
Utility Support Structures Segment					
Net sales	\$ 1,002.2	\$ 885.6	13.2 %	\$ 855.2	3.6 %
Gross profit	210.4	187.6	12.2 %	170.5	10.0 %
SG&A expense	109.6	99.8	9.8 %	105.7	(5.6)%
Operating income	100.8	87.8	14.8 %	64.8	35.5 %
Coatings Segment					
Net sales	\$ 269.6	\$ 300.6	(10.3)%	\$ 286.7	4.8 %
Gross profit	86.4	94.2	(8.3)%	91.0	3.5 %
SG&A expense	43.4	43.2	0.5 %	35.7	21.0 %
Operating income	43.0	51.0	(15.7)%	55.3	(7.8)%
Irrigation Segment					
Net sales	\$ 640.1	\$ 578.7	10.6 %	\$ 624.8	(7.4)%
Gross profit	197.3	171.9	14.8 %	192.8	(10.8)%
SG&A expense	114.2	100.2	14.0 %	95.1	5.4 %
Operating income	83.1	71.7	15.9 %	97.7	(26.6)%
Other					
Net sales	\$ —	\$ —	NM	\$ 23.1	NM
Gross profit	—	—	NM	0.8	NM
SG&A expense	—	—	NM	1.7	NM
Operating income	—	—	NM	(0.9)	NM
Net corporate expense					
SG&A expense	66.3	48.2	37.6 %	39.5	22.0 %
Operating loss	(66.3)	(48.2)	37.6 %	(39.5)	22.0 %

NM - Not Meaningful

RESULTS OF OPERATIONS

FISCAL 2020 COMPARED WITH FISCAL 2019

Overview

The increase in net sales in 2020, as compared with 2019, was due to higher sales in the Utility and Irrigation segments that were offset by lower sales in the ESS and Coatings segments. The changes in net sales in 2020, as compared with 2019, were as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>
Sales - 2019	\$ 2,767.0	\$ 1,002.1	\$ 885.6	\$ 300.6	\$ 578.7
Volume	177.4	(29.6)	145.3	(26.7)	88.4
Pricing/mix	(37.5)	10.1	(36.4)	(3.2)	(8.0)
Acquisition/(divestiture)	10.7	2.6	6.2	—	1.9
Currency translation	(22.2)	(1.7)	1.5	(1.1)	(20.9)
Sales - 2020	<u>\$ 2,895.4</u>	<u>\$ 983.5</u>	<u>\$ 1,002.2</u>	<u>\$ 269.6</u>	<u>\$ 640.1</u>

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 result in operating income changes.

Increased project sales for offshore and other complex steel structures, solar tracking solutions, and international Irrigation is the primary contributor to the increase in sales volume for fiscal 2020, as compared to 2019. Average steel prices for both hot rolled coil and plate were lower in North America and China in fiscal 2020, as compared to 2019, contributing to lower average selling prices for the Utility segment.

The Company acquired the following businesses:

- In the first quarter of 2020, we acquired the remaining 49% of AgSense that the Company did not own (Irrigation).
- In the first quarter of 2020, we acquired 16% of the remaining 25% of Convert Italia that the Company did not own (Utility).
- Energia Solar Do Brasil ("Solbras") in the second quarter of 2020, a leading provider of solar energy solutions for agriculture (Irrigation).

COVID-19 Impact on Financial Results and Liquidity

We are considered an essential business because of the products and services that serve critical infrastructure sectors as defined by many governments around the world. All our manufacturing facilities were open and fully operational as of December 26, 2020. Our manufacturing facilities in Argentina, France, Malaysia, New Zealand, Philippines, and South Africa were temporarily closed for part of the first half of 2020 due to government mandates. We continue to monitor incidence of COVID-19 on a continuous basis, particularly in areas reporting recent increases in infection. To protect the safety, health and well-being of employees, customers, suppliers and communities, CDC and WHO guidelines are being followed in all facilities.

We generated strong cash flows from operating activities during 2020 resulting in cash flows from operating activities, net of capital expenditures, in excess of net earnings for fiscal 2020. Our main focus is to maintain liquidity to support the working capital needs of our operations and maintain our investment grade credit rating.

The ultimate magnitude of COVID-19, including the extent of its impact on the Company's financial and operational results, cash balances and available borrowings on our line of credit, will be determined by the length of time the pandemic continues, its effect on the demand for the Company's products and services and supply chain, as well as the effect of governmental regulations imposed in response to the pandemic.

Restructuring Plan

During 2020, the Company executed certain regional restructuring activities (the "2020 Plan") primarily in the ESS and Utility segments and a U.S. specific early retirement program covering all segments. The 2020 Plan included the closure of one U.S. Coatings facility. The decrease in 2020 gross profit and operating income due to restructuring expense by segment is as follows:

	<u>Total</u>	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Corporate</u>
Gross profit	\$ 6.8	\$ 1.0	\$ 4.2	\$ 1.6	\$ —	\$ —
Operating Income	\$ 23.1	\$ 7.6	\$ 6.7	\$ 3.9	\$ 3.0	\$ 1.9

Currency Translation

In 2020, we realized a reduction in operating profit, as compared with fiscal 2019, 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>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, gross profit as a percent of sales was higher in 2020, as compared with 2019, due to customer pricing discipline (the decline in cost of sales from lower raw material costs was slightly more than the decrease in lower average selling prices) and an increase in sales volumes for the Irrigation segment and associated operating leverage of fixed costs. Gross profit improved for the ESS, Utility, and Irrigation segments in 2020, but was lower for Coatings due to lower sales volumes.

The Company saw an increase in selling, general, and administrative (SG&A) expense in 2020, as compared to 2019. The increase was due to recording a partial impairment of goodwill and tradename for the Access Systems business, higher compensation related costs including sales commissions for the North American infrastructure businesses, higher incentives due to improved operations, and restructuring activities. These increases were partially offset by lower travel costs, foreign currency translation effects, and reduced SG&A deferred compensation expense (offset by an increase of the same amount in other expense).

Net Interest Expense and Debt

Net interest expense in 2020 was higher than 2019, due to a higher average borrowings during the year. Interest income was lower in 2020, as compared to 2019, due to lower interest rates.

Other Income/Expense

The change in other income/expenses in 2020, as compared to 2019, was due to the change in valuation of deferred compensation assets which resulted in lower other income of \$3.5 million. This amount is shown as "Gain on investments (unrealized)" on the consolidated statements of earnings. The change related to deferred compensation assets are offset by an opposite change of the same amount in SG&A expense. The remaining change was due to fluctuations in foreign currency transaction gains/losses and a higher pension benefit in 2020.

Income Tax Expense

Our effective income tax rate in 2020 and 2019 was 25.7% and 23.9%, respectively. The increase in the effective tax rate is a result of the partial impairment of goodwill and tradename for the Access Systems business that is not fully tax deductible.

Earnings Attributable to Noncontrolling Interests

Earnings attributable to noncontrolling interests was lower in 2020 as compared to 2019, due to the acquisition of the remaining noncontrolling interests of AgSense and partial acquisition of the noncontrolling interest of Covert in the first quarter of 2020.

Cash Flows from Operations

Our cash flows provided by operations was \$316.3 million in fiscal 2020, as compared with \$307.6 million provided by operations in fiscal 2019. The increase in operating cash flow in 2020, as compared with 2019, was due to the \$40.9 million increase in non-current contract liability partially offset by the increase in accounts receivable and the early payment (December 2020) of the required 2021 annual contribution to the Delta pension plan.

Engineered Support Structures (ESS) segment

Net sales were lower in 2020 as compared to 2019, primarily driven by lower sales volumes for access systems. Sales were higher for the lighting, traffic, and highway safety and communication products businesses and lower for access systems.

Global lighting, traffic, and highway safety product sales in 2020 were higher by \$6.3 million, as compared to 2019. Sales volumes in North America increased due to a stronger transportation market and higher pricing. Europe sales volumes were lower due to the temporary plant shutdown in France and market demand disruptions due to COVID-19. Lighting, traffic, and highway safety product sales in the Asia-Pacific region decreased in 2020, as compared to 2019, due primarily to continued market weakness in India attributed to COVID-19.

Communication product line sales were higher by \$1.3 million in 2020 as compared with 2019. Communication product sales in Europe improved due to an increase in volume in the U.K. and Asia-Pacific sales volumes decreased marginally. In North America, communication product sales volumes decreased due to lower demand for communication towers and components.

Access Systems product line net sales decreased by \$26.1 million in 2020, as compared to 2019. In early 2020, we decided to exit the detention center systems product line, which contributed to the sales decline along with unfavorable foreign currency translation effects. Impacts from subdued construction spending in Australia and COVID-19 impacts in Asia-Pacific also contributed to a decrease in sales volume.

Gross profit was higher in 2020, as compared to 2019, due to lower cost of raw materials across the segment and an approximate \$7.0 million one-time loss recognized on certain access systems projects in 2019 that did not recur in 2020. SG&A was higher in 2020 versus 2019 due to recording a partial goodwill and tradename impairment for the Access Systems business of \$16.6 million, restructuring costs of \$6.6 million, and higher sales commissions in North America. Operating income decreased in 2020 due to the goodwill and tradename impairment of the Access Systems business and restructuring costs, partially offset by lower raw material costs for all businesses and a one-time \$7 million loss recorded on certain access systems projects in third quarter of 2019 that did not recur in 2020.

Utility Support Structures (Utility) segment

In the Utility segment, sales increased in 2020, as compared with 2019, due to large project work for the international solar tracking solutions and offshore and other complex structures product lines and improved sales volumes for steel and concrete structures in North America. 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. This resulted in a decrease to the average selling prices for our steel utility structures product line for 2020, as compared with 2019.

Offshore and other complex steel structures sales increased \$29.9 million and solar tracking solutions sales increased \$38.9 million in 2020, as compared to 2019, due to an increase in sales volumes attributed to large projects.

Gross profit increased in 2020, as compared to 2019, due to higher sales volumes and its associated operating leverage of fixed costs. In addition, the business incurred approximately \$3.0 million of inspection costs during 2019 to

finalize the requirements from a 2015 commercial settlement that did not recur in 2020. We recognized a \$2.8 million impairment of a facility in 2020 that was sold in the fourth quarter. SG&A expense was higher in 2020, as compared with 2019, due to higher sales commissions and incentives related to improved operating results in North America and a \$2.7 million allowance recognized in third quarter 2020 against an international accounts receivable. Certain other restructuring actions, including the early retirement program, also contributed to the increase in SG&A. Operating income increased primarily due to higher sales volumes in 2020 compared to 2019.

Coatings segment

Coatings segment sales decreased in 2020, as compared to 2019, due to lower volumes in North America and Asia, reduced sales pricing attributed to lower zinc costs, and unfavorable foreign currency translation. Sales volumes decreased in North America in 2020, as compared to 2019, due primarily to decreased industrial production attributed largely to the economic impacts from COVID-19. In Asia-Pacific region, sales volumes improved in Australia, which were more than offset by decreased volumes in Asia that were impacted by the economic disruptions from COVID-19. Sales pricing also declined in Asia-Pacific due to lower zinc costs and customer mix.

SG&A expense in 2020 was comparable to 2019. SG&A expense in 2020 included one-time costs related to closing down a coatings location in North America and the early retirement program that was offset by one-time expenses associated with a legal settlement in 2019 that did not recur in 2020. Operating income was lower in 2020, compared to 2019, due to sales volume decreases in North America and Asia and the associated operating deleverage of fixed costs.

Irrigation segment

The increase in Irrigation segment net sales in 2020, as compared to 2019, is primarily due to higher sales volumes for international irrigation. The sales improvement is offset by unfavorable foreign currency translation effects and slightly lower sales pricing due to the reduced cost of steel. The sales volume increase for international irrigation of approximately \$74 million was attributed to deliveries on the multi-year Egypt project and a strong market in Brazil. The increase was offset by unfavorable currency translation effects of approximately \$21 million from a weaker Brazilian real and South African rand. In North America, higher sales volumes for systems and parts was partially offset by sales pricing due to lower steel costs. In 2020, sales of technology-related products and services continued to increase, as growers continued adoption of technology to reduce costs and enhance profitability.

SG&A was higher in 2020, as compared to 2019, due to higher product development expenses, one-time costs associated with the early retirement program, and higher incentives due to improved business performance. Operating income increased in 2020 over 2019, due to higher sales volumes in international markets and lower raw material costs.

Net corporate expense

Corporate SG&A expense was higher in 2020 as compared to 2019. The increase can be attributed to higher incentive expenses due to improved business performance and one-time costs associated with the early retirement program. The increase was partially offset by the change in valuation of deferred compensation plan assets which resulted in lower expense. The change in deferred compensation plan assets is offset by the same amount in other income/expenses.

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	<u>\$ 2,767.0</u>	<u>\$ 1,002.1</u>	<u>\$ 885.6</u>	<u>\$ 300.6</u>	<u>\$ 578.7</u>	<u>\$ —</u>

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. ("Derit") 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 23.9% and 29.7%, 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 deleverage 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.

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.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Working Capital and Operating Cash Flows-Net working capital was \$881.3 million at December 26, 2020, as compared with \$918.4 million at December 28, 2019. The decrease in net working capital in 2020 is attributed to an increase in accrued compensation and benefits which is primarily driven by an approximately \$11 million liability for the early retirement program and higher accrual for incentives earned during 2020. Cash flow provided by operations was \$316.3 million in 2020, as compared with \$307.6 million in 2019 and \$153.0 million in 2018. The increase in operating cash flow in 2020, as compared to 2019, was the result of improved working capital management, offset by the required 2021 annual contribution to the Delta pension plan being made early in December 2020.

Investing Cash Flows-Capital spending in fiscal 2020 was \$106.7 million, as compared with \$97.4 million in fiscal 2019 and \$72.0 million in fiscal 2018. The increase in capital spending in 2020 resulted from a number of plant expansions in the North America utility business. The decrease in investing cash outflows in 2020, as compared to 2019, was due to a decrease in acquisition spending. We expect our capital spending for the 2021 fiscal year to be approximately \$110.0 million.

Financing Cash Flows-Our total interest-bearing debt decreased to \$766.3 million at December 26, 2020, from \$787.5 million at December 28, 2019. Financing cash outflows increased in 2020, as compared to 2019, due to the Company paying down debt balances and higher purchases of noncontrolling interests. In 2019, net proceeds were received for additional borrowings.

Guarantor Summarized Financial Information

We are providing the following information in compliance with Rule 3-10 and Rule 13-01 of Regulation S-X with respect to our 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"). The Parent is the Issuer of the notes and consolidates all Guarantors.

The financial information of Issuer and Guarantors is presented on a combined basis with intercompany balances and transactions between Issuer and Guarantors eliminated. The Issuer's or Guarantors' amounts due from, amounts due to, and transactions with non-guarantor subsidiaries are separately disclosed.

Combined financial information is as follows:

Supplemental Combined Parent and Guarantors Financial Information For the three year period ended December 26, 2020

<i>Dollars in thousands</i>	2020	2019	2018
Net sales	\$1,854,141	\$1,751,899	\$1,693,787
Gross Profit	512,880	454,295	418,295
Operating income	180,206	178,990	174,825
Net earnings	106,404	109,908	73,761
Net earnings attributable to Valmont Industries, Inc....	106,266	109,908	73,761

Supplemental Combined Parent and Guarantors Financial Information
December 26, 2020 and December 28, 2019

<i>Dollars in thousands</i>	<u>2020</u>	<u>2019</u>
Current assets.....	\$ 738,437	\$ 728,457
Noncurrent assets.....	701,571	661,919
Current liabilities.....	321,979	312,984
Noncurrent liabilities.....	1,100,657	1,076,491
Noncontrolling interest in consolidated subsidiaries....	1,738	—

Included in noncurrent assets is a due from non-guarantor subsidiaries receivable of \$88,309 and \$54,915 at December 26, 2020 and December 28, 2019. Included in noncurrent liabilities is a due to non-guarantor subsidiaries payable of \$262,935 and \$249,056 at December 26, 2020 and December 28, 2019.

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 26, 2020, we have acquired approximately 6.4 million shares for approximately \$852.0 million under these share repurchase programs.

Sources of Financing

Our debt financing at December 26, 2020 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 26, 2020, principally consists of:

- \$450 million face value (\$436.6 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 (\$297.6 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 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 26, 2020, we had no 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 26, 2020, we had the ability to borrow \$585.4 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 \$144.7 million; \$109.7 million of which was unused at December 26, 2020.

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 26, 2020, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at December 26, 2020 were as follows (amounts in thousands):

Interest-bearing debt	\$ 766,326
Adjusted EBITDA-last four quarters	353,619
Leverage ratio	2.17
Adjusted EBITDA-last four quarters	353,619
Interest expense-last four quarters	41,075
Interest earned ratio	8.61

The calculation of Adjusted EBITDA-last four quarters is presented under the column for fiscal 2020 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 2021 and beyond.

We have cash balances of \$400.7 million at December 26, 2020, approximately \$208.6 million is held in our non-U.S. subsidiaries. If we distributed our foreign cash balances certain taxes would be applicable. At December 26, 2020, we have a liability for foreign withholding taxes and U.S. state income taxes of \$3.2 million and \$0.7 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 26, 2020 were as follows (in millions of dollars):

Contractual Obligations	Total	2021	2022-2023	2024-2025	After 2025
Long-term debt	\$ 759.5	\$ 2.7	\$ 1.8	\$ —	\$ 755.0
Interest	1,074.9	38.6	77.1	77.0	882.2
Delta pension plan contributions	177.5	1.7	39.1	39.1	97.6
Operating leases	114.3	17.9	25.5	18.6	52.3
Unconditional purchase commitments	65.9	65.9	—	—	—
Total contractual cash obligations	\$ 2,192.1	\$ 126.8	\$ 143.5	\$ 134.7	\$ 1,787.1

Long-term debt mainly consisted of \$755.0 million principal amount of senior unsecured notes. 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 2021, and certain capital investments planned for 2021. 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 26, 2020, we had approximately \$23.7 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 \$64 million for the year ended December 26, 2020.

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 26, 2020 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 2020 and 2019 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 2020 and 2019 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 26, 2020, the Company had outstanding foreign currency forward contracts which mitigate foreign currency risk of the Company's investment in its Brazilian real and euro denominated businesses. The forward contracts, which qualify as cash flow hedges, mature in the first quarter of 2021. The Company also has two outstanding 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 2019 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. In 2019, the Company had outstanding foreign currency forward contracts which mitigate foreign currency risk of the Company's investment in its Australian denominated businesses. The forward contracts, which qualified as net investment hedges, were settled in 2020 with the Company receiving \$12.0 million. 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 \$16.6 million in 2020 and \$14.1 million in 2019.

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.

	2020	2019
	(in millions)	
Australian dollar	\$ 15.0	\$14.7
Euro	11.3	9.9
Danish krone	5.5	5.7
Chinese renminbi	6.7	6.9
Canadian dollar	3.6	3.8
U.K. pound	8.4	6.3
Brazilian real	3.4	3.3

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, 26, 2020.

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 26, 2020, we have open natural gas swaps for 60,000 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, *Leases* 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 2020 and 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 our solar tracking structure reporting unit, we project meaningful annual revenue growth for the foreseeable future due to strong market conditions. Therefore, we valued the terminal value for this reporting unit using a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA), as that is the valuation technique we'd

expect a third party to use. We analyze EBITDA multiples for other industrial companies with similar product lines in determining what to use in the model. For both the 2020 and 2019 annual impairment test, we did not first perform the qualitative assessment of each of our reporting units using our judgment.

Our access systems reporting unit required an interim impairment test during fiscal 2020 due to various economic forecasts showing a depressed price of oil for the next few years. A revised view of the Australian market performed in conjunction with the executed restructuring activities required a re-assessment of the financial projections for this reporting unit resulting in lower projected net sales, operating income, and cash flows for this reporting unit. Accordingly, we recognized a \$12.6 million impairment of goodwill in the second quarter of 2020. The estimated fair value of all of our reporting units exceeded their respective carrying value, so no goodwill was impaired during our annual impairment test in 2020. 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 12.0% to 15.0%, which we estimate to be the after-tax cost of capital for such assets.

In conjunction with the interim goodwill impairment test of access systems, impairment indicators were noted in the Webforge and Locker trade names. We recognized a resulting impairment charge of \$3.9 million against these two trade names in second quarter of 2020. We performed our annual impairment test of all trade named in the third quarter of 2020 and determined none were impaired. In 2018, an impairment of \$1.4 million was recorded against the offshore and other complex steel structures trade name (Valmont SM).

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or net realizable value. 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 26, 2020, we had approximately \$81.9 million in deferred tax assets relating to tax credits and loss carryforwards, with a valuation allowance of \$44.5 million, including \$2.7 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 \$3.9 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 1.40% at December 26, 2020. The following tables present the key assumptions used to measure pension expense for 2021 and the estimated impact on 2021 pension expense relative to a change in those assumptions:

Assumptions	Pension
Discount rate	1.40%
Expected return on plan assets	3.96%
Inflation - CPI	2.00%
Inflation - RPI	2.90%

Assumptions In Millions of Dollars	Increase in Pension Expense
0.25% decrease in discount rate	\$ 0.2
0.25% decrease in expected return on plan assets	\$ 1.4
0.25% increase in inflation	\$ 0.4

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 2020 and 2019, 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 38 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:

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Consolidated Financial Statements	
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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 26, 2020 and December 28, 2019, the related consolidated statements of earnings, comprehensive income, cash flows, and shareholders' equity, for each of the three years in the period ended December 26, 2020, 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 26, 2020 and December 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2020, 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 26, 2020, 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 24, 2021, 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*.

As discussed in Note 1 to the financial statements, effective December 29, 2019, the Company elected to change its method of accounting for certain of its inventory to the first-in, first-out method.

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 \$430 million as of December 26, 2020, 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, or when events or changes in circumstances indicate the carrying value may not be recoverable. Reporting units are evaluated using after-tax cash flows from operations (less capital expenses) discounted to present value. The solar tracking structure reporting unit was also evaluated using a multiple of earnings before interest, taxes, depreciation and amortization valuation using other

industrial companies with similar product lines. These valuation methods require 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, except the access systems reporting unit for which a \$13 million impairment was recognized in the year ended December 26, 2020.

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 growth, and the difference between the fair values and the carrying values of certain reporting units as of December 26, 2020. 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 cash flows 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) 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 annual measurement date to December 26, 2020.

/s/ DELOITTE & TOUCHE LLP
Omaha, Nebraska
February 24, 2021

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

Valmont Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS
Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

	2020	2019	2018
Product sales	\$ 2,594,855	\$ 2,434,190	\$ 2,437,334
Services sales	300,500	332,786	319,810
Net sales	2,895,355	2,766,976	2,757,144
Product cost of sales	1,936,024	1,863,780	1,878,067
Services cost of sales	193,817	220,515	210,905
Total cost of sales	2,129,841	2,084,295	2,088,972
Gross profit	765,514	682,681	668,172
Selling, general and administrative expenses	522,923	454,776	440,220
Impairment of goodwill and intangible assets	16,638	—	15,780
Operating income	225,953	227,905	212,172
Other income (expenses):			
Interest expense	(41,075)	(40,153)	(44,237)
Interest income	2,374	3,942	4,668
Gain (loss) on investments - unrealized	2,443	5,960	(839)
Costs associated with refinancing of debt	—	—	(14,820)
Loss from divestiture of grinding media business	—	—	(6,084)
Other	3,073	2,204	2,473
	(33,185)	(28,047)	(58,839)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	192,768	199,858	153,333
Income tax expense (benefit):			
Current	51,012	46,267	44,794
Deferred	(1,397)	1,486	814
	49,615	47,753	45,608
Earnings before equity in earnings of nonconsolidated subsidiaries	143,153	152,105	107,725
Equity in earnings (loss) of nonconsolidated subsidiaries	(1,004)	—	—
Net earnings	142,149	152,105	107,725
Less: Earnings attributable to noncontrolling interests	(1,456)	(5,697)	(5,955)
Net earnings attributable to Valmont Industries, Inc.	\$ 140,693	\$ 146,408	\$ 101,770
Earnings per share:			
Basic	\$ 6.60	\$ 6.76	\$ 4.56
Diluted	\$ 6.57	\$ 6.73	\$ 4.53

See accompanying notes to consolidated financial statements.

Valmont Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three-year period ended December 26, 2020
(Dollars in thousands)

	2020	2019	2018
Net earnings	\$ 142,149	\$ 152,105	\$ 107,725
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments:			
Unrealized translation gains (losses)	21,483	(2,506)	(65,436)
Realized loss on divestiture of grinding media business recorded in other expense	—	—	9,203
	<u>\$ 21,483</u>	<u>\$ (2,506)</u>	<u>\$ (56,233)</u>
Gain/(loss) on hedging activities:			
Unrealized gain on net investment hedges, net of tax expense (benefit) of \$2,428 in 2020, \$384 in 2019, \$1,894 in 2018	7,289	1,154	5,291
Realized loss on grinding media net investment hedge	—	—	1,215
Amortization cost (benefit) included in interest expense	(64)	(64)	423
Deferred loss on interest rate hedges	—	—	(2,467)
Cash flow hedges	1,598	—	—
Realized (gain) loss on cash flow hedges recorded in earnings	(1,598)	—	—
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	(5,751)	1,815	352
	<u>1,474</u>	<u>2,905</u>	<u>4,814</u>
Actuarial gain (loss) on defined benefit pension plan, net of tax expense (benefit) of \$(4,183) in 2020, \$(2,710) in 2019, \$8,177 in 2018	(17,349)	(10,828)	29,885
Other comprehensive income (loss)	<u>5,608</u>	<u>(10,429)</u>	<u>(21,534)</u>
Comprehensive income	147,757	141,676	86,191
Comprehensive income attributable to noncontrolling interests	<u>(3,428)</u>	<u>(5,505)</u>	<u>(8,584)</u>
Comprehensive income attributable to Valmont Industries, Inc.	<u>\$ 144,329</u>	<u>\$ 136,171</u>	<u>\$ 77,607</u>

See accompanying notes to consolidated financial statements.

Valmont Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 26, 2020 and December 28, 2019
(Dollars in thousands, except shares and per share amounts)

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	\$ 400,726	\$ 353,542
Receivables, less allowance of \$15,952 in 2020 and \$9,548 in 2019	511,714	480,000
Inventories	448,941	418,370
Contract asset - costs and profits in excess of billings	123,495	141,322
Prepaid expenses and other assets	59,804	32,043
Refundable income taxes	9,945	6,947
Total current assets	1,554,625	1,432,224
Property, plant and equipment, at cost	1,341,380	1,245,261
Less accumulated depreciation and amortization	743,653	687,132
Net property, plant and equipment	597,727	558,129
Goodwill	430,322	428,864
Other intangible assets, net	167,193	175,742
Other assets	203,293	212,257
Total assets	\$ 2,953,160	\$ 2,807,216
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 2,748	\$ 760
Notes payable to banks	35,147	21,774
Accounts payable	268,099	197,957
Accrued employee compensation and benefits	137,939	83,528
Contract liabilities	130,018	117,945
Other accrued expenses	89,796	83,736
Dividends payable	9,556	8,079
Total current liabilities	673,303	513,779
Deferred income taxes	41,689	58,906
Long-term debt, excluding current installments	728,431	764,944
Defined benefit pension liability	118,523	140,007
Operating lease liabilities	80,202	85,817
Deferred compensation	44,519	45,114
Other noncurrent liabilities	58,657	8,904
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	335	—
Retained earnings	2,245,035	2,173,802
Accumulated other comprehensive income (loss)	(309,786)	(313,422)
Cost of treasury stock, common shares of 6,674,866 in 2020 and 6,356,103 in 2019	(781,422)	(743,942)
Total Valmont Industries, Inc. shareholders' equity	1,182,062	1,144,338
Noncontrolling interest in consolidated subsidiaries	25,774	45,407
Total shareholders' equity	1,207,836	1,189,745
Total liabilities and shareholders' equity	\$ 2,953,160	\$ 2,807,216

See accompanying notes to consolidated financial statements.

Valmont Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three-year period ended December 26, 2020 (Dollars in thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net earnings	\$ 142,149	\$ 152,105	\$ 107,725
Adjustments to reconcile net earnings to net cash flows from operations:			
Depreciation and amortization	82,892	82,264	82,827
Noncash loss on trading securities	39	(172)	(62)
Contribution to defined benefit pension plan	(35,399)	(18,461)	(1,537)
Impairment of property, plant and equipment	3,751	—	5,000
Impairment of goodwill & intangible assets	16,638	—	15,780
Loss on divestiture of grinding media business	—	—	6,084
Stock-based compensation	14,874	11,587	10,392
Defined benefit pension plan expense (benefit)	(7,311)	(513)	(2,251)
(Gain) loss on sale of property, plant and equipment	60	(2,513)	(225)
Equity in earnings in nonconsolidated subsidiaries	1,004	—	—
Deferred income taxes	(1,397)	1,486	814
Changes in assets and liabilities (net of acquisitions):			
Receivables	(24,403)	5,408	12,571
Inventories	(21,888)	22,128	(23,666)
Prepaid expenses and other assets	(10,633)	4,413	(11,048)
Contract asset - costs and profits in excess of billings	19,835	(29,274)	(32,932)
Accounts payable	33,044	(21,410)	(1,486)
Accrued expenses	52,548	(4,255)	2,834
Contract liabilities	12,072	113,039	(2,785)
Other noncurrent liabilities	46,712	(1,274)	(10,888)
Income taxes payable (refundable)	(8,293)	(6,944)	(4,139)
Net cash flows from operating activities	<u>316,294</u>	<u>307,614</u>	<u>153,008</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(106,700)	(97,425)	(71,985)
Proceeds from sale of assets	10,860	5,556	63,103
Acquisitions, net of cash acquired	(15,862)	(81,841)	(143,020)
Proceeds from settlement of net investment hedge	11,983	11,184	(1,621)
Investments in nonconsolidated subsidiaries	(1,283)	(6,169)	—
Other, net	(3,027)	545	(1,922)
Net cash flows used in investing activities	<u>(104,029)</u>	<u>(168,150)</u>	<u>(155,445)</u>
Cash flows from financing activities:			
Proceeds from short-term agreements	20,990	13,195	10,543
Payments on short-term agreements	(7,946)	(1,868)	—
Proceeds from long-term borrowings	88,872	31,000	251,655
Principal payments on long-term borrowings	(121,665)	(10,768)	(262,191)
Settlement of financial derivatives	—	—	(2,467)
Debt issuance costs	—	—	(2,322)
Dividends paid	(36,930)	(32,642)	(33,726)
Dividends to noncontrolling interest	(5,642)	(7,737)	(7,055)
Purchase of noncontrolling interest	(59,416)	(27,845)	(5,510)
Proceeds from exercises under stock plans	18,961	13,619	7,357
Purchase of treasury shares	(56,491)	(62,915)	(114,805)
Purchase of common treasury shares—stock plan exercises	(14,489)	(12,989)	(3,589)
Net cash flows used in financing activities	<u>(173,756)</u>	<u>(98,950)</u>	<u>(162,110)</u>
Effect of exchange rate changes on cash and cash equivalents	8,675	(182)	(15,048)
Net change in cash and cash equivalents	47,184	40,332	(179,595)
Cash, cash equivalents, and restricted cash—beginning of year	353,542	313,210	492,805
Cash, cash equivalents, and restricted cash—end of year	<u>\$ 400,726</u>	<u>\$ 353,542</u>	<u>\$ 313,210</u>

See accompanying notes to consolidated financial statements.

Valmont Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Three-year period ended December 26, 2020
(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 30, 2017 (1)	\$ 27,900	\$ —	\$ 1,987,140	\$ (279,022)	\$ (590,386)	\$ 38,959	\$ 1,184,591
Net earnings.....	—	—	101,770	—	—	5,955	107,725
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 (1)	27,900	—	2,067,811	(303,185)	(692,549)	75,761	1,175,738
Net earnings.....	—	—	146,408	—	—	5,697	152,105
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 (1)	27,900	—	2,173,802	(313,422)	(743,942)	45,407	1,189,745
Net earnings.....	—	—	140,693	—	—	1,456	142,149
Other comprehensive income (loss).....	—	—	—	3,636	—	1,972	5,608
Cash dividends declared (\$1.80 per share).....	—	—	(38,393)	—	—	—	(38,393)
Dividends to noncontrolling interests.....	—	—	—	—	—	(5,642)	(5,642)
Purchase of noncontrolling interest.....	—	—	(31,067)	—	—	(22,544)	(53,611)
Addition of noncontrolling interest.....	—	—	—	—	—	5,125	5,125
Purchase of treasury shares; 441,119 shares acquired.....	—	—	—	—	(56,491)	—	(56,491)
Stock plan exercises; 88,411 shares issued.....	—	—	—	—	(14,489)	—	(14,489)
Stock options exercised; 147,014 shares issued.....	—	(6,335)	—	—	25,296	—	18,961
Stock option expense.....	—	2,628	—	—	—	—	2,628
Stock awards; 65,248 shares issued.....	—	4,042	—	—	8,204	—	12,246
Balance at December 26, 2020	<u>\$ 27,900</u>	<u>\$ 335</u>	<u>\$ 2,245,035</u>	<u>\$ (309,786)</u>	<u>\$ (781,422)</u>	<u>\$ 25,774</u>	<u>\$ 1,207,836</u>

(1) The retained earnings balance has been revised from the amounts previously reported as a result of the change in inventory valuation method from LIFO to FIFO. Refer to Note 1 for additional information.

See accompanying notes to consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Three-year period ended December 26, 2020
(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 \$16,979 and \$13,971 were classified as accounts payable at December 26, 2020 and December 28, 2019, 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 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 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 26, 2020, December 28, 2019 and December 29, 2018 consisted of 52 weeks.

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

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

transparency as to the current credit condition of governmental units. The Company's allowance for doubtful accounts related to current accounts receivable was \$15,952 at December 26, 2020.

Inventories

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.

Effective December 29, 2019, the first day of fiscal 2020, the Company changed its method of accounting for certain of its inventory, previously accounted for on the LIFO basis, so that now all inventory is valued on the FIFO basis. The Company believes this change is preferable as it provides a better matching of costs with the physical flow of goods, more accurately reflects the current value of inventory presented on the Company's Condensed Consolidated Balance Sheets, and standardizes the Company's inventory valuation methodology.

In accordance with ASC 250, *Accounting Changes and Error Corrections*, this change in method of accounting for certain inventories has been retrospectively applied to the earliest period presented. As a result of the retrospective change, the cumulative effect to retained earnings as of December 30, 2017, December 29, 2018, and December 28, 2019 was an increase of \$32,795, \$40,215, and \$32,854, respectively. This change did not affect the Company's previously reported cash flows from operating, investing, or financing activities.

The impact of the change from LIFO to FIFO on the Company's Condensed Consolidated Statements of Earnings and Comprehensive Income for the fiscal years ended December 28, 2019 and December 29, 2018 are as follows:

<i>(in 000's, except earnings per share)</i>	Fiscal Year 2019			Fiscal Year 2018		
	As Previously Reported	Retrospectively Adjusted	Adjustment	As Previously Reported	Retrospectively Adjusted	Adjustment
Cost of sales	2,074,480	2,084,295	9,815	2,098,864	2,088,972	(9,892)
Operating income	237,720	227,905	(9,815)	202,280	212,172	9,892
Income tax expense	50,207	47,753	(2,454)	43,135	45,608	2,473
Net earnings attributed to Valmont Industries, Inc	153,769	146,408	(7,361)	94,351	101,770	7,419
Comprehensive (loss) income	149,037	141,676	(7,361)	78,772	86,191	7,419
Net earnings per diluted share	7.06	6.73	(0.33)	4.20	4.53	0.33

The Company applied this change retrospectively to the earliest period presented. The resulting impact to the Condensed Consolidated Balance Sheet as of December 28, 2019 is as follows:

<i>Consolidated Balance Sheet</i>	December 28, 2019		
	As Previously Reported	Adjustment	Retrospectively Adjusted
Inventory	374,565	43,805	418,370
Deferred income tax liability	47,955	10,951	58,906
Retained earnings	2,140,948	32,854	2,173,802

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

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 2020, 2019 and 2018 was \$63,890, \$64,177 and \$67,499, 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. Impairment losses were recorded in 2020 and 2018 as facilities were closed and future plans for certain fixed assets changed in connection with the Company's restructuring plans. Upon adoption of ASC 842, *Leases* 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.

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. For the solar tracking reporting unit, the Company valued the terminal value for this reporting unit using a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA). 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 2020 and 2018.

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

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

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 28, 2019	\$ (232,575)	\$ 14,076	\$ (94,923)	\$ (313,422)
Current-period comprehensive income (loss)	19,511	1,474	(17,349)	3,636
Balance at December 26, 2020	<u>\$ (213,064)</u>	<u>\$ 15,550</u>	<u>\$ (112,272)</u>	<u>\$ (309,786)</u>

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. On December 26, 2020, we had approximately \$39,000 of remaining performance obligations on contracts with an original expected duration of one year or more. We expect to recognize the majority of our remaining performance obligations on these contracts within the next 12 to 24 months. In addition, the Company elected the practical expedient to not adjust the amount of consideration to be received in a contract for any

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

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.

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 26, 2020 and December 28, 2019 is as follows:

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

	<i>Point in Time</i>	<i>Over Time</i>	<i>Point in Time</i>	<i>Over Time</i>	<i>Point in Time</i>	<i>Over Time</i>
	Fiscal year ended December 26, 2020	Fiscal year ended December 26, 2020	Fiscal year ended December 28, 2019	Fiscal year ended December 28, 2019	Fiscal year ended December 29, 2018	Fiscal year ended December 29, 2018
Utility Support Structures.....	\$ 86,382	\$ 915,756	\$ 47,450	\$ 838,158	\$ 16,760	\$ 838,446
Engineered Support Structures...	940,513	43,010	952,056	50,020	922,677	44,681
Coatings.....	269,602	—	300,640	—	286,739	—
Irrigation.....	624,831	15,261	564,918	13,734	612,385	12,376
Other.....	—	—	—	—	23,080	—
Total.....	\$ 1,921,328	\$ 974,027	\$ 1,865,064	\$ 901,912	\$ 1,861,641	\$ 895,503

The Company's contract asset as of December 26, 2020 and December 28, 2019 was \$123,495 and \$141,322, 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.

At December 26, 2020 and December 28, 2019, the contract liability was \$170,919 and \$117,945. As of December 26, 2020, \$130,018 is recorded as contract liabilities and \$40,901 is recorded as other noncurrent liabilities in the Consolidated Balance Sheets. During the fiscal year ended December 26, 2020 and December 28, 2019, the Company recognized \$74,319 and \$3,921 of revenue that was included in the liability as of December 28, 2019 and December 29, 2018. The revenue recognized was due to applying advance payments received for projects completed during the period. The remaining contract liability from December 28, 2019 that was not recognized in fiscal 2020 is expected to be recognized in fiscal 2021.

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 26, 2020, the Company has acquired 6,363,573 shares for approximately \$852,040 under this share repurchase program.

Research and Development

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

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 \$21,400 in 2020, \$13,900 in 2019, and \$11,500 in 2018.

Recently Adopted 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 Company adopted this ASU on the first day of fiscal 2020. The adoption of ASU No. 2016-13 did not have a significant impact on the consolidated financial statements.

The Company early adopted Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities rules as released by the Securities and Exchange Commission on March 2, 2020, which simplify the disclosure requirements related to the Company’s registered debt securities, guaranteed by certain of its subsidiaries, under Rule 3-10 and Rule 13-01 of Regulation S-X. The final rules permit the simplified disclosures to be provided either in a footnote to the Company’s consolidated financial statements or in management’s discussion and analysis of financial condition and results of operations. The Company has elected to provide the simplified disclosure within Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In August 2018, the FASB issued Accounting Standards Update No. 2018-14 (ASU 2018-14), *Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension and other postretirement plans. The Company adopted ASU 2018-14 on the first day of fiscal 2020 and it did not have a material impact on the Company’s consolidated financial statement disclosure requirements.

Recently Issued Accounting Pronouncements (not yet adopted)

In December 2019, the FASB issued Accounting Standards Update No. 2019-12 (ASU 2019-12), *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting and disclosure requirements for income taxes by clarifying existing guidance to improve consistency in application of Accounting Standards Codification (ASC) 740. The Company will adopt on the first day of fiscal 2021 (the effective date) and it is not expected to have a material impact on the Company’s consolidated statements of earnings, balance sheet, or cash flows.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04 (ASU 2020-04), *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP principles to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. This guidance can be adopted on a prospective basis no later than December 31, 2022, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on our consolidated financial statements and related disclosures.

(2) ACQUISITIONS

Acquisitions of Businesses

On May 29, 2020, the Company acquired 55% of Energia Solar do Brasil ("Solbras") for \$4,308. Approximately \$646 of the purchase price is contingent on seller representations and warranties that will be settled within 12 months of the acquisition date. Solbras is a leading provider of solar energy solutions for agriculture. In the preliminary purchase price allocation, goodwill of \$3,341 and customer relationships of \$3,718 were recorded and the remainder is net working capital. Goodwill is not deductible for tax purposes and the customer relationship will be amortized over 8 years. The acquisition of Solbras, located in Brazil, allows the Company to expand its product offerings in the Irrigation segment to include not only

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pivots, but also a sustainable and low-cost energy source to provide electricity to the units. The Company finalized the purchase price allocation in the fourth quarter of 2020.

On March 6, 2020, the Company acquired 75% of KC Utility Packaging, LLC for \$4,200. Approximately \$400 of the purchase price is contingent on seller representations and warranties that will be settled within 12 months of the acquisition date. The Company name was subsequently changed to Valmont Substations LLC. The acquisition was made to expand the Company's utility substation product offering. In the purchase price allocation, goodwill of \$1,100, customer relationships of \$4,000, and other intangibles of \$500 were recorded. The Company finalized the purchase price allocation in the fourth quarter of 2020.

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 for \$1,522. 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.

Proforma disclosures were omitted for the 2020 acquisitions as the Solbras and Valmont Substation acquisitions do not have a significant impact on the Company's financial results. The proforma effect of 2019 acquisitions on the 2019 and 2018 Consolidated Statements of Earnings is as follows:

	Fifty-two Weeks Ended December 28, 2019	Fifty-two Weeks Ended December 29, 2018
Net sales.....	\$ 2,772,150	\$ 2,801,326
Net earnings.....	146,941	103,370
Earnings per share-diluted.....	6.75	4.61

Acquisitions of Noncontrolling Interests

In February 2020, the Company acquired the remaining 49% of AgSense that it did not own for \$43,983, which includes a holdback payment of \$2,200 that was made in the second quarter of 2020. The accounting for owning 100% of AgSense resulted in the recognition of a deferred tax asset of approximately \$7,700.

In December 2020, the Company acquired the remaining 40% of Torrent Engineering and Equipment that it did not own for \$3,500. In the first quarter of 2020, the Company acquired 16% of the remaining 25% that it did not own of Convert Italia for a cash payment of \$11,750. The purchase agreement also settled the escrow funds which the Company had paid at date of acquisition. In April 2019, the Company acquired the remaining 4.8% of Valmont SM that it did not own for \$4,763.

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(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. 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.

	2018
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.....	\$ (6,084)

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.

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(4) RESTRUCTURING ACTIVITIES

During 2020, the Company executed certain regional restructuring activities (the "2020 Plan") primarily in the ESS and Utility segments and a U.S. specific early retirement program covering all segments. The 2020 Plan included the closure of one U.S. Coatings facility. All 2020 restructuring activities were completed by December 26, 2020. The Company recorded the following pre-tax expenses:

	<u>ESS</u>	<u>Utility</u>	<u>Coatings</u>	<u>Irrigation</u>	<u>Other/ Corporate</u>	<u>TOTAL</u>
Severance	\$ 474	\$ 241	\$ 424	\$ —	\$ —	\$ 1,139
Other cash restructuring expenses	181	1,070	596	—	—	1,847
Impairments of fixed assets/net loss on disposals	345	2,866	540	—	—	3,751
Total cost of sales	<u>1,000</u>	<u>4,177</u>	<u>1,560</u>	<u>—</u>	<u>—</u>	<u>6,737</u>
Severance	4,441	2,393	2,231	2,968	1,761	13,794
Other cash restructuring expenses	1,700	71	160	—	244	2,175
Impairments of assets/net loss on disposals	443	—	—	—	—	443
Total selling, general and administrative expenses	<u>6,584</u>	<u>2,464</u>	<u>2,391</u>	<u>2,968</u>	<u>2,005</u>	<u>16,412</u>
Consolidated total	<u>\$ 7,584</u>	<u>\$ 6,641</u>	<u>\$ 3,951</u>	<u>\$ 2,968</u>	<u>\$ 2,005</u>	<u>\$ 23,149</u>

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

	<u>Balance at December 28, 2019</u>	<u>Recognized Restructuring Expense</u>	<u>Costs Paid or Otherwise Settled</u>	<u>Balance at December 26, 2020</u>
Severance	\$ —	\$ 14,933	\$ (2,273)	\$ 12,660
Other cash restructuring expenses	—	4,022	(4,022)	—
Total	<u>\$ —</u>	<u>\$ 18,955</u>	<u>\$ (6,295)</u>	<u>\$ 12,660</u>

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(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 26, 2020 and December 28, 2019, and December 29, 2018 were as follows:

	2020	2019	2018
Interest	\$ 40,209	\$ 39,032	\$ 43,305
Income taxes	54,801	43,629	47,355

The acquisitions in 2019 included hold back payments contingent on seller representations and warranties of \$5,456. The hold back payments were paid in the first quarter of 2020 and are shown as an investing use of cash in the acquisitions line item of the consolidated statements of cash flows.

(6) INVENTORIES

Inventories consisted of the following at December 26, 2020 and December 28, 2019:

	2020	2019
Raw materials and purchased parts	\$ 155,512	\$ 158,314
Work-in-process	33,632	38,088
Finished goods and manufactured goods	259,797	221,968
	<u>\$ 448,941</u>	<u>\$ 418,370</u>

(7) PROPERTY, PLANT AND EQUIPMENT

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

	2020	2019
Land and improvements	\$ 114,831	\$ 111,091
Buildings and improvements	373,271	364,396
Machinery and equipment	616,765	584,447
Transportation equipment	28,610	23,650
Office furniture and equipment	101,487	85,130
Construction in progress	106,416	76,547
	<u>\$1,341,380</u>	<u>\$1,245,261</u>

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(8) GOODWILL AND INTANGIBLE ASSETS

Amortized Intangible Assets

The components of amortized intangible assets at December 26, 2020 and December 28, 2019 were as follows:

	December 26, 2020		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 237,232	\$ 155,760	13 years
Patents & Proprietary Technology	26,208	8,301	14 years
Other	7,602	6,786	4 years
	\$ 271,042	\$ 170,847	

	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
	\$ 269,748	\$ 163,113	

Amortization expense for intangible assets was \$18,147, \$18,087 and \$15,328 for the fiscal years ended December 26, 2020, December 28, 2019 and December 29, 2018, respectively.

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

	Estimated Amortization Expense
2021	\$ 15,435
2022	13,270
2023	11,571
2024	9,656
2025	8,222

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.

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Non-amortized intangible assets

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at December 26, 2020 and December 28, 2019 were as follows:

	December 26, 2020	December 28, 2019	Year Acquired
Newmark.....	\$ 11,111	\$ 11,111	2004
Webforge.....	7,972	9,143	2010
Valmont SM.....	8,720	7,966	2014
Ingal EPS/Ingal Civil Products.....	7,730	7,454	2010
Shakespeare.....	4,000	4,000	2014
Walpar.....	3,500	3,500	2018
Convert.....	9,137	8,378	2018
Other.....	14,828	17,555	
	<u>\$ 66,998</u>	<u>\$ 69,107</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 in the third quarter of 2020. The values of each trade name were determined using the relief-from-royalty method. Based on this evaluation, no trade names were determined to be impaired. In conjunction with an interim second quarter 2020 goodwill impairment test, impairment indicators were noted for the Webforge and Locker trade names requiring an interim impairment test. As a result, an impairment charge of approximately \$3,900 was recognized against these two trade names in fiscal 2020.

Goodwill

The carrying amount of goodwill by segment as of December 26, 2020 and December 28, 2019 was as follows:

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Total
Gross balance at December 28, 2019	\$ 228,634	\$ 130,594	\$ 93,747	\$ 25,136	\$ 478,111
Accumulated impairment losses.....	(18,670)	(14,355)	(16,222)	—	(49,247)
Balance at December 28, 2019.....	209,964	116,239	77,525	25,136	\$ 428,864
Acquisitions.....	—	1,100	—	5,038	6,138
Impairment.....	(12,575)	—	—	—	(12,575)
Foreign currency translation.....	3,689	3,641	562	3	7,895
Balance at December 26, 2020.....	<u>\$ 201,078</u>	<u>\$ 120,980</u>	<u>\$ 78,087</u>	<u>\$ 30,177</u>	<u>\$ 430,322</u>

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	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>

The Company's annual impairment test of goodwill was performed during the third quarter of 2020, using primarily 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.

In April 2020, the price of a barrel of oil began a large decline and various economic forecasts show the lower price of oil will continue into the next few years. This lower price for oil and a revised assessment of the Australian market performed in conjunction with the executed restructuring activities required the Company to re-assess the financial projections for the Access Systems reporting unit. This resulted in lower projected net sales, operating income, and cash flows for this reporting unit, resulting in the need for an interim impairment test. The results of the test showed that the reporting unit's carrying value was higher than its estimated fair value. Accordingly, the Company recorded a \$12,575 impairment of access system's goodwill in the second quarter of 2020.

(9) BANK CREDIT ARRANGEMENTS

The Company maintains various lines of credit for short-term borrowings totaling \$144,690 at December 26, 2020. As of December 26, 2020 and December 28, 2019, \$35,147 and \$21,774 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 4.65% at December 26, 2020. The unused and available borrowings under the lines of credit were \$109,673 at December 26, 2020. 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:

	2020	2019	2018
United States.....	\$ 169,281	\$ 166,108	\$ 137,744
Foreign.....	23,487	33,750	15,589
	<u>\$ 192,768</u>	<u>\$ 199,858</u>	<u>\$ 153,333</u>

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Income tax expense (benefit) consists of:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current:			
Federal.....	\$ 30,431	\$ 27,809	\$ 21,106
State.....	8,302	5,568	6,585
Foreign.....	12,730	13,130	17,559
	<u>51,463</u>	<u>46,507</u>	<u>45,250</u>
Non-current:	(451)	(240)	(456)
Deferred:			
Federal.....	(6,086)	47	2,290
State.....	(822)	160	405
Foreign.....	5,511	1,279	(1,881)
	<u>(1,397)</u>	<u>1,486</u>	<u>814</u>
	<u>\$ 49,615</u>	<u>\$ 47,753</u>	<u>\$ 45,608</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory federal income tax rate.....	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit.....	3.5	2.5	3.5
Carryforwards, credits and changes in valuation allowances.....	(1.6)	(1.0)	3.2
Foreign tax rate differences.....	(1.7)	0.3	(1.0)
Changes in unrecognized tax benefits.....	0.2	(0.1)	(0.3)
Goodwill and intangible impairment.....	2.4	—	2.2
Effects of 2017 Tax Act.....	—	—	(0.5)
Other.....	1.9	1.2	1.7
	<u>25.7 %</u>	<u>23.9 %</u>	<u>29.7 %</u>

Fiscal years 2020 and 2018 include \$4,651 and \$3,171 of tax expense related to non-tax deductible impairment of goodwill. Fiscal years 2020 and 2018 also include \$1,100 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.

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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:

	2020	2019
Deferred income tax assets:		
Accrued expenses and allowances.....	\$ 17,203	\$ 16,148
Tax credits and loss carryforwards.....	81,912	64,116
Defined benefit pension liability.....	30,623	35,539
Accrued compensation and benefits.....	23,545	14,122
Lease liabilities.....	23,715	21,763
Deferred compensation.....	13,883	15,174
Gross deferred income tax assets.....	190,881	166,862
Valuation allowance.....	(44,451)	(35,215)
Net deferred income tax assets.....	<u>146,430</u>	<u>131,647</u>
Deferred income tax liabilities:		
Property, plant and equipment.....	35,701	31,628
Intangible assets.....	43,699	49,686
Inventory allowances.....	5,705	5,352
Lease assets.....	23,715	22,066
Other deferred tax liabilities.....	5,248	6,067
Total deferred income tax liabilities.....	<u>114,068</u>	<u>114,799</u>
Net deferred income tax asset.....	<u>\$ 32,362</u>	<u>\$ 16,848</u>

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

Balance Sheet Caption	2020	2019
Other assets.....	\$ 74,051	\$ 75,754
Deferred income taxes.....	(41,689)	(58,906)
Net deferred income tax asset.....	<u>\$ 32,362</u>	<u>\$ 16,848</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 26, 2020 and December 28, 2019 respectively, there were \$81,912 and \$64,116 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 26, 2020 that are associated with tax loss and tax credit carryforwards not reduced by valuation allowances expire in periods starting in 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

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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 2020 and 2019, in thousands:

	<u>2020</u>	<u>2019</u>
Gross unrecognized tax benefits—beginning of year	\$ 2,300	\$ 2,599
Gross increases—tax positions in prior period	—	29
Gross decreases—tax positions in prior period	(1)	—
Gross increases—current-period tax positions	398	593
Settlements with taxing authorities	(183)	(150)
Lapse of statute of limitations	(650)	(771)
Gross unrecognized tax benefits—end of year	<u>\$ 1,864</u>	<u>\$ 2,300</u>

There are approximately \$973 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 2020, the Company recorded a reduction of its gross unrecognized tax benefit of \$650 with \$513 recorded as a reduction of income tax expense, due to the expiration of statutes of limitation in the United States. During 2019, the Company recorded a reduction of its gross unrecognized tax benefit of \$771, with \$609 recorded as a reduction of its income tax expense, due to the expiration of statutes of limitation in the United States. In addition to these amounts, there was an aggregate of \$845 and \$178 of interest and penalties at December 26, 2020 and December 28, 2019, 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 \$2,547 and \$2,224 at December 26, 2020 and December 28, 2019, respectively.

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(11) LONG-TERM DEBT

Long-term debt is as follows:

	December 26, 2020	December 28, 2019
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)	(20,799)	(21,143)
Revolving credit agreement (c)	—	29,044
IDR Bonds	—	8,500
Other notes	4,483	2,089
Debt issuance costs	(7,505)	(7,786)
Long-term debt	731,179	765,704
Less current installments of long-term debt	2,748	760
Long-term debt, excluding current installments	<u>\$ 728,431</u>	<u>\$ 764,944</u>

- (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 \$13,405 at December 26, 2020. 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 \$7,394 at December 26, 2020. 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 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;
- (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.

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At December 26, 2020, the Company had \$0 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 26, 2020, the Company had the ability to borrow \$585,419 under this facility, after consideration of standby letters of credit of \$14,581 associated with certain insurance obligations. We also maintain certain short-term bank lines of credit totaling \$144,690, \$109,673 of which was unused at December 26, 2020.

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 26, 2020. The minimum aggregate maturities of long-term debt for each of the five years following 2020 are: \$2,748, \$1,028, \$707, \$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 26, 2020, 779,336 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 to ten 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 \$14,874, \$11,587 and \$10,392 of compensation expense (included in selling, general and administrative expenses) in the 2020, 2019 and 2018 fiscal years for all share-based compensation programs, respectively. The associated tax benefits recorded in the 2020, 2019 and 2018 fiscal years was \$3,719, \$2,897 and \$2,598, respectively.

At December 26, 2020, the amount of unrecognized stock option compensation expense, to be recognized over a weighted average period of 2.39 years, was approximately \$5,364.

The Company uses a binomial option pricing model to value its stock options. The fair value of each option grant made in 2020, 2019 and 2018 was estimated using the following assumptions:

	2020	2019	2018
Expected volatility.....	33.72%	33.13%	33.39%
Risk-free interest rate.....	0.43%	1.69%	2.67%
Expected life from vesting date.....	4.0 yrs	3.0 yrs	3.0 yrs
Dividend yield.....	1.24%	1.07%	1.07%

Following is a summary of the stock option activity during 2018, 2019 and 2020:

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	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	<u>578,413</u>	<u>\$ 127.74</u>	4.35	\$ 909
Options vested or expected to vest at December 29, 2018	<u>565,592</u>	<u>\$ 127.84</u>	4.30	909
Options exercisable at December 29, 2018	<u>405,128</u>	<u>\$ 126.61</u>	3.47	909

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	<u>488,560</u>	<u>\$ 133.13</u>	4.04	\$ 9,291
Options vested or expected to vest at December 28, 2019	<u>478,575</u>	<u>\$ 133.21</u>	3.99	9,078
Options exercisable at December 28, 2019	<u>341,828</u>	<u>\$ 133.32</u>	3.19	6,470

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 28, 2019	488,560	\$ 133.13		
Granted	66,231	168.80		
Exercised	(147,014)	125.43		
Forfeited	(8,212)	137.49		
Outstanding at December 26, 2020	<u>399,565</u>	<u>\$ 141.79</u>	4.88	\$ 12,103
Options vested or expected to vest at December 26, 2020	<u>389,633</u>	<u>\$ 141.56</u>	4.81	11,890
Options exercisable at December 26, 2020	<u>254,498</u>	<u>\$ 138.64</u>	3.38	8,510

The weighted average per share fair value of options granted during 2020 was \$45.49.

Following is a summary of the status of stock options outstanding at December 26, 2020:

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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	120,194	3.99 years	\$ 109.58	79,796	\$ 108.31
\$123.87 - 132.84	26,282	0.97 years	132.48	26,282	132.48
\$142.67 - 168.80	253,089	5.71 years	158.05	148,420	156.04
	<u>399,565</u>			<u>254,498</u>	

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, performance based 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 2020, 2019 and 2018, 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):

	2020	2019	2018
Shares granted.....	85,251	78,318	88,127
Weighted-average per share price on grant date.....	\$ 161.73	\$ 145.89	\$ 114.89
Recognized compensation expense.....	\$ 9,081	\$ 8,815	\$ 6,328

At December 26, 2020 the amount of deferred stock-based compensation granted, to be recognized over a weighted-average period of 2.66 years, was approximately \$22,862.

Performance-based restricted stock units (PSU) awards consist of shares of our stock which are payable upon the determination that the Company achieve certain established performance targets and can range from 0% to 200% of the targeted payout based on the actual results. PSU's granted in 2020 have a performance period of three years. The fair value of each PSU granted is equal to the fair market value of our common stock on the date of grant. PSUs granted generally have a three years period cliff vesting schedule; however, according to the grant agreements, if certain conditions are met, the employee (or beneficiary) will receive a prorated amount of the award based on active employment during the service period.

During fiscal 2020 and 2019, the Company issued PSUs of 35,181 and 31,344 with a weighted average grant date fair value of \$125.41 and \$136.14 per share. During fiscal 2020, the Company recognized expense of \$3,165 for these two PSU plans.

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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
2020:			
Net earnings attributable to Valmont Industries, Inc.....	\$ 140,693	\$ —	\$ 140,693
Weighted average shares outstanding (000's)	21,315	110	21,425
Per share amount.....	\$ 6.60	\$ 0.03	\$ 6.57
2019:			
Net earnings attributable to Valmont Industries, Inc.....	\$ 146,408	\$ —	\$ 146,408
Weighted average shares outstanding (000's).....	21,659	110	21,769
Per share amount.....	\$ 6.76	\$ 0.03	\$ 6.73
2018:			
Net earnings attributable to Valmont Industries, Inc.....	\$ 101,770	\$ —	\$ 101,770
Weighted average shares outstanding (000's).....	22,306	140	22,446
Per share amount.....	\$ 4.56	\$ 0.03	\$ 4.53

Basic and diluted net earnings and earnings per share in fiscal 2020 was impacted by impairments of goodwill and intangible assets in fiscal 2020 of \$16,220 after-tax (\$0.76 per share) and restructuring expenses of \$17,324 after-tax (\$0.81 per share). 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).

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 2020, 2019, and 2018 there were 0, 130,704, and 406,806 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 2020, 2019 and 2018 Company contributions to these plans amounted to approximately \$14,800, \$12,600 and \$12,300 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 \$35,125 and \$36,290 at December 26, 2020 and December 28, 2019, 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 \$5,067 and \$8,335 at December 26, 2020 and December 28, 2019, 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 26, 2020, the carrying amount of the Company’s long-term debt was \$731,179 with an estimated fair value of approximately \$884,846. 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.

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 \$35,125 (\$36,290 in 2019) 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 \$202 (\$210 in 2019) is recorded at fair value at December 26, 2020. 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.

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

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

	Carrying Value December 26, 2020	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.....	\$ 35,327	\$ 35,327	\$ —	\$ —
Liabilities:				
Derivative financial instruments, net.....	\$ (5,911)	\$ —	\$ (5,911)	\$ —

	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.....	\$ 36,500	\$ 36,500	\$ —	\$ —
Derivative financial instruments, net.....	\$ 3,247	\$ —	\$ 3,247	\$ —

(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 26, 2020 and 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 26, 2020 and December 28, 2019 are as follows:

Derivatives designated as hedging instruments:	Balance sheet location	December 26,	December 28,
		2020	2019
Foreign currency forward contracts.....	Prepaid expenses and other assets.....	724	2,119
Cross currency swap contracts.....	Prepaid expenses and other assets.....	600	1,128
Cross currency swap contracts.....	Accrued expenses.....	(7,235)	—
		\$ (5,911)	\$ 3,247

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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 26, 2020, December 28, 2019, and December 29, 2018 are as follows:

Derivatives designated as hedging instruments:	Statements of earnings location	2020	2019	2018
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	Product Sales	1,598	—	—
Foreign currency forward contracts	Other income (expense) ...	187	950	782
Interest rate contracts	Interest expense	(64)	(64)	(423)
Cross currency swap contracts	Interest expense	2,738	2,823	828
		\$ 4,459	\$ 1,579	\$ 993

Cash Flow Hedges

In 2019, 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. The gain (loss) realized upon settlement is recorded in product cost of sales in the consolidated statements of earnings over average inventory turns.

In May 2020, a Brazilian subsidiary with a Real functional currency entered into foreign currency forward contracts to mitigate foreign currency risk related to a customer order with components purchased in Euros. The forward contracts, which qualify as a cash flow hedge, matured in December 2020 and a notional amount to buy 4,500 euros in exchange for a stated amount of Brazilian Real. In March 2020, a subsidiary with a Euro functional currency entered into foreign currency forward contracts to mitigate foreign currency risk related to a large customer order denominated in U.S. dollars. The forward contracts, which qualify as a cash flow hedge, have a final maturity date of June 2021 and a notional amount to sell \$27,500 in exchange for a stated amount of Euros.

Net Investment Hedges

In the second quarter of 2020, the Company early settled its Australian dollar denominated foreign currency forward contracts and received proceeds of \$11,983. In 2019, all net investment hedges inceptioned in 2018 were early settled and the Company received proceeds of \$11,184. Amounts 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 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.

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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 two 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 26, 2020 and December 28, 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$ 13,532	\$ 17,008
Payments made	(10,228)	(17,484)
Change in liability for warranties issued during the period	12,287	16,080
Change in liability for pre-existing warranties	(804)	(2,072)
Balance, end of period	<u>\$ 14,787</u>	<u>\$ 13,532</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.

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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 26, 2020.

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 \$1.356/£ and \$1.308/£ to translate the net pension liability into U.S. dollars at December 26, 2020 and December 28, 2019, respectively. The net funded status of \$118,523 at December 26, 2020 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 was treated as a prior service cost at December 29, 2018. During fiscal 2020, the Company recognized an additional £711 for the effect of GMP equalization.

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:

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	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>

Changes in the PBO and fair value of plan assets for the pension plan for the period from December 28, 2019 to December 26, 2020 were as follows:

	Projected Benefit Obligation	Plan Assets	Funded status
Fair Value at December 28, 2019	\$ 744,403	\$ 604,396	\$ (140,007)
Employer contributions	—	35,399	
Interest cost	12,954	—	
Prior service costs - GMP equalization	949	—	
Actual return on plan assets	—	89,988	
Benefits paid	(18,212)	(18,212)	
Actuarial (gain) loss	87,855	—	
Currency translation	32,224	30,079	
Fair Value at December 26, 2020	<u>\$ 860,173</u>	<u>\$ 741,650</u>	<u>\$ (118,523)</u>

Actuarial loss that increased the projected benefit obligation was driven by a decrease in 2020 discount rates from 2.05% to 1.40%.

Pre-tax amounts recognized in accumulated other comprehensive income (loss) as of December 26, 2020 and December 28, 2019 consisted of actuarial gains (losses):

Balance December 29, 2018	\$ (130,188)
Actuarial gain (loss)	(10,839)
Currency translation gain (loss)	(2,699)
Balance December 28, 2019	(143,726)
Actuarial gain (loss)	(16,731)
Prior service costs - GMP equalization	(814)
Currency translation gain (loss)	(3,987)
Balance December 26, 2020	<u>\$ (165,258)</u>

Assumptions—The weighted-average actuarial assumptions used to determine the benefit obligation at December 26, 2020 and December 28, 2019 were as follows:

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Percentages	2020	2019
Discount rate	1.40%	2.05%
Salary increase	N/A	N/A
CPI inflation	2.00%	2.15%
RPI inflation	2.90%	3.05%

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.

The components of the net periodic pension expense for the fiscal years ended December 26, 2020 and December 28, 2019 were as follows:

	2020	2019
Net Periodic Benefit Cost:		
Interest cost	\$ 12,954	\$ 16,923
Expected return on plan assets	(23,215)	(20,000)
Amortization of prior service cost	513	513
Amortization of actuarial loss	2,437	2,051
Net periodic benefit expense (benefit)	<u>\$ (7,311)</u>	<u>\$ (513)</u>

Assumptions—The weighted-average actuarial assumptions used to determine expense are as follows for fiscal 2020 and 2019:

Percentages	2020	2019
Discount rate	2.05%	2.90%
Expected return on plan assets	4.18%	4.25%
CPI Inflation	2.15%	2.20%
RPI Inflation	3.05%	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. The expected return of plan assets decreased from 4.18% to 3.96% for 2021 as the projected returns on the corporate bond plan assets is expected to decrease. 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 \$17,765 (£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 \$1,763 (£1,300) per annum. In December 2020, the Company made its required 2021 annual contribution in addition to the required 2020 annual contribution that was made earlier in fiscal 2020.

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Benefit Payments

The following table details expected pension benefit payments for the years 2021 through 2030:

2021.....	\$ 19,935
2022.....	20,477
2023.....	21,155
2024.....	21,698
2025.....	22,376
Years 2026 - 2030.....	122,727

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 26, 2020.

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.

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

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.

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 26, 2020 and December 28, 2019, the pension plan assets measured at fair value on a recurring basis were as follows:

December 31, 2020	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.....	\$ 31,935	\$ —	\$ —	\$ 31,935
Corporate stock.....	—	—	—	—
Total plan net assets at fair value.....	\$ 31,935	\$ —	\$ —	\$ 31,935
Plan assets at NAV:				
Leveraged inflation-linked gilt funds.....				171,013
Corporate bonds.....				115,577
Corporate stock.....				309,987
Secured income asset funds.....				113,138
Total plan assets at NAV.....				709,715
Total plan assets.....				\$ 741,650

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.....	\$ 38,388	\$ —	\$ —	\$ 38,388
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.....				566,008
Total plan assets.....				\$ 604,396

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

(20) LEASES

The Company has operating leases for plant locations, corporate offices, sales offices, and certain equipment. Outstanding leases at December 26, 2020 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. Commencing in 2021, the Company has an operating lease with first year annual cash expense of approximately \$4,000 that will increase 2% annually over the 25 year term.

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 at December 26, 2020 and December 28, 2019 are as follows:

	Fifty-Two weeks ended December 26, 2020	Fifty-Two weeks ended December 28, 2019
Operating lease cost.....	\$ 23,976	\$ 24,073
Operating cash outflows from operating leases.....	\$ 25,390	\$ 24,835
ROU assets obtained in exchange for lease obligations.....	\$ 6,131	\$ 13,474
Weighted average remaining lease term.....	11 years	10 years
Weighted average discount rate.....	3.5 %	3.8 %

Operating lease cost includes approximately \$2,500 for short-term lease costs and approximately \$2,000 for variable lease payments in 2020 and 2019.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

Supplemental balance sheet information related to operating leases as of December 26, 2020 and December 28, 2019 is as follows:

Classification		December 26, 2020	December 28, 2019
Operating lease assets.....	Other assets.....	\$ 77,566	\$ 86,998
Operating lease short-term liabilities.....	Accrued expenses.....	14,658	15,226
Operating lease long-term liabilities.....	Operating lease liabilities.....	80,202	85,817
Total lease liabilities.....		<u>\$ 94,860</u>	<u>\$ 101,043</u>

Minimum lease payments under operating leases expiring subsequent to December 26, 2020 are as follows:

Fiscal year ending:		
2021.....		\$ 17,941
2022.....		14,389
2023.....		11,097
2024.....		9,476
2025.....		9,095
Subsequent.....		<u>52,383</u>
Total minimum lease payments.....		<u>\$ 114,381</u>
Less: Interest.....		<u>\$ 19,521</u>
Present value of minimum lease payments.....		<u><u>\$ 94,860</u></u>

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

(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 poles, towers, and components for lighting, transportation, and wireless communication markets, including integrated structure solutions for smart cities, and engineered access systems;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for utility markets, including transmission, distribution, and substation products, and renewable energy generation equipment;

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

IRRIGATION: This segment consists of the global manufacture of agricultural irrigation equipment, parts, services, tubular products, and advanced technology solutions for water management and 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 interest expense, non-operating income and deductions, or income taxes to its business segments.

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

Summary by Business

	<u>2020</u>	<u>2019</u>	<u>2018</u>
SALES:			
Engineered Support Structures segment:			
Lighting, Traffic, and Highway Safety Products	\$ 717,216	\$ 708,853	\$ 706,582
Communication Products	190,203	188,912	149,817
Access Systems	88,421	114,525	130,481
Engineered Support Structures segment	995,840	1,012,290	986,880
Utility Support Structures segment:			
Steel	635,220	630,892	637,979
Concrete	160,544	122,032	111,875
Engineered Solar Tracker Solutions	86,382	47,450	16,760
Offshore and Other Complex Steel Structures	120,063	90,206	92,559
Utility Support Structures segment	1,002,209	890,580	859,173
Coatings segment	345,312	367,835	353,351
Irrigation segment:			
North America	378,424	378,613	386,683
International	267,407	206,583	246,983
Irrigation segment	645,831	585,196	633,666
Other	—	—	23,080
Total	2,989,192	2,855,901	2,856,150
INTERSEGMENT SALES:			
Engineered Support Structures	12,317	10,214	19,522
Utility Support Structures	71	4,972	3,967
Coatings	75,710	67,195	66,612
Irrigation	5,739	6,544	8,905
Total	93,837	88,925	99,006
NET SALES:			
Engineered Support Structures segment	983,523	1,002,076	967,358
Utility Support Structures segment	1,002,138	885,608	855,206
Coatings segment	269,602	300,640	286,739
Irrigation segment	640,092	578,652	624,761
Other	—	—	23,080
Total	<u>\$ 2,895,355</u>	<u>\$ 2,766,976</u>	<u>\$ 2,757,144</u>

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING INCOME (LOSS):			
Engineered Support Structures.....	\$ 65,342	\$ 65,627	\$ 34,776
Utility Support Structures.....	100,855	87,788	64,766
Coatings.....	42,975	51,008	55,325
Irrigation.....	83,046	71,687	97,722
Other.....	—	—	(913)
Corporate.....	(66,265)	(48,205)	(39,504)
Total.....	<u>225,953</u>	<u>227,905</u>	<u>212,172</u>
Interest expense, net.....	(38,701)	(36,211)	(39,569)
Costs associated with refinancing of debt.....	—	—	(14,820)
Loss from divestiture of grinding media business.....	—	—	(6,084)
Other.....	5,516	8,164	1,634
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries.....	<u>\$ 192,768</u>	<u>\$ 199,858</u>	<u>\$ 153,333</u>
TOTAL ASSETS:			
Engineered Support Structures.....	\$ 932,565	\$ 944,428	\$ 868,336
Utility Support Structures.....	778,127	742,194	700,915
Coatings.....	360,594	363,070	294,951
Irrigation.....	465,322	347,887	347,894
Corporate.....	416,552	409,637	371,798
Total.....	<u>\$ 2,953,160</u>	<u>\$ 2,807,216</u>	<u>\$ 2,583,894</u>
CAPITAL EXPENDITURES:			
Engineered Support Structures.....	\$ 24,447	\$ 25,344	\$ 26,783
Utility Support Structures.....	34,495	26,306	17,442
Coatings.....	22,132	23,610	10,320
Irrigation.....	16,740	15,644	7,249
Other.....	—	—	7
Corporate.....	8,886	6,521	10,184
Total.....	<u>\$ 106,700</u>	<u>\$ 97,425</u>	<u>\$ 71,985</u>

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

Three-year period ended December 26, 2020
(Dollars in thousands, except per share amounts)

	2020	2019	2018
DEPRECIATION AND AMORTIZATION:			
Engineered Support Structures.....	\$ 25,399	\$ 26,280	\$ 27,274
Utility Support Structures.....	23,641	23,779	23,618
Coatings.....	15,793	15,907	15,956
Irrigation.....	12,098	10,943	11,335
Other.....	—	—	775
Corporate.....	5,961	5,355	3,869
Total.....	<u>\$ 82,892</u>	<u>\$ 82,264</u>	<u>\$ 82,827</u>

Summary by Geographical Area by Location of Valmont Facilities:

	2020	2019	2018
NET SALES:			
United States.....	\$ 1,919,136	\$ 1,872,840	\$ 1,771,390
Australia.....	252,253	255,271	325,553
Denmark.....	120,063	90,206	92,559
Other.....	603,903	548,659	567,642
Total.....	<u>\$ 2,895,355</u>	<u>\$ 2,766,976</u>	<u>\$ 2,757,144</u>
LONG-LIVED ASSETS:			
United States.....	\$ 748,886	\$ 753,545	\$ 624,143
Australia.....	179,673	193,029	168,438
Denmark.....	61,546	58,435	64,497
Other.....	408,430	369,983	332,556
Total.....	<u>\$ 1,398,535</u>	<u>\$ 1,374,992</u>	<u>\$ 1,189,634</u>

No single customer accounted for more than 10% of net sales in 2020, 2019, or 2018. 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 2020; 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 26, 2020
(Dollars in thousands, except per share amounts)

(22) QUARTERLY FINANCIAL DATA (Unaudited)

	Net Sales	Gross Profit	Net Earnings		Stock Price		Dividends Declared	
			Amount	Per Share		High		Low
				Basic	Diluted			
2020								
First.....	\$ 674,200	\$186,249	\$ 42,929	\$ 2.00	\$ 1.99	\$154.86	\$ 82.60	\$ 0.450
Second (1).....	688,808	183,937	22,607	1.06	1.06	128.37	98.93	0.450
Third (2).....	733,970	190,747	39,342	1.85	1.84	134.58	108.15	0.450
Fourth (3).....	798,377	204,581	35,815	1.69	1.68	176.62	119.88	0.450
Year.....	<u>\$ 2,895,355</u>	<u>\$765,514</u>	<u>\$ 140,693</u>	<u>\$ 6.60</u>	<u>\$ 6.57</u>	<u>\$176.62</u>	<u>\$ 82.60</u>	<u>\$ 1.80</u>
2019								
First.....	\$ 692,139	\$164,627	\$ 36,104	\$ 1.65	\$ 1.64	\$139.50	\$107.43	\$ 0.375
Second.....	700,871	178,176	39,719	1.83	1.82	136.75	112.94	0.375
Third.....	690,340	173,287	38,045	1.76	1.75	146.46	123.74	0.375
Fourth.....	683,626	166,591	32,540	1.52	1.51	151.46	123.80	0.375
Year.....	<u>\$ 2,766,976</u>	<u>\$682,681</u>	<u>\$ 146,408</u>	<u>\$ 6.76</u>	<u>\$ 6.73</u>	<u>\$151.46</u>	<u>\$107.43</u>	<u>\$ 1.50</u>

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 second quarter of 2020 included an impairment of goodwill and intangible assets totaling \$16,220 after-tax (\$0.76 per share) and certain restructuring expenses of \$4,019 after-tax (\$0.19 per share).
- (2) The third quarter of 2020 included certain restructuring expenses of \$2,133 after-tax (\$0.10 per share).
- (3) The fourth quarter of 2020 included certain restructuring expenses of \$11,041 after-tax (\$0.52 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 26, 2020.

The effectiveness of the Company's internal control over financial reporting as of December 26, 2020 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 26, 2020, 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 26, 2020, 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 26, 2020, of the Company and our report dated February 24, 2021, 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, and the Company’s election to change its method of accounting for certain inventories to the first-in, first-out method on December 29, 2019.

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.

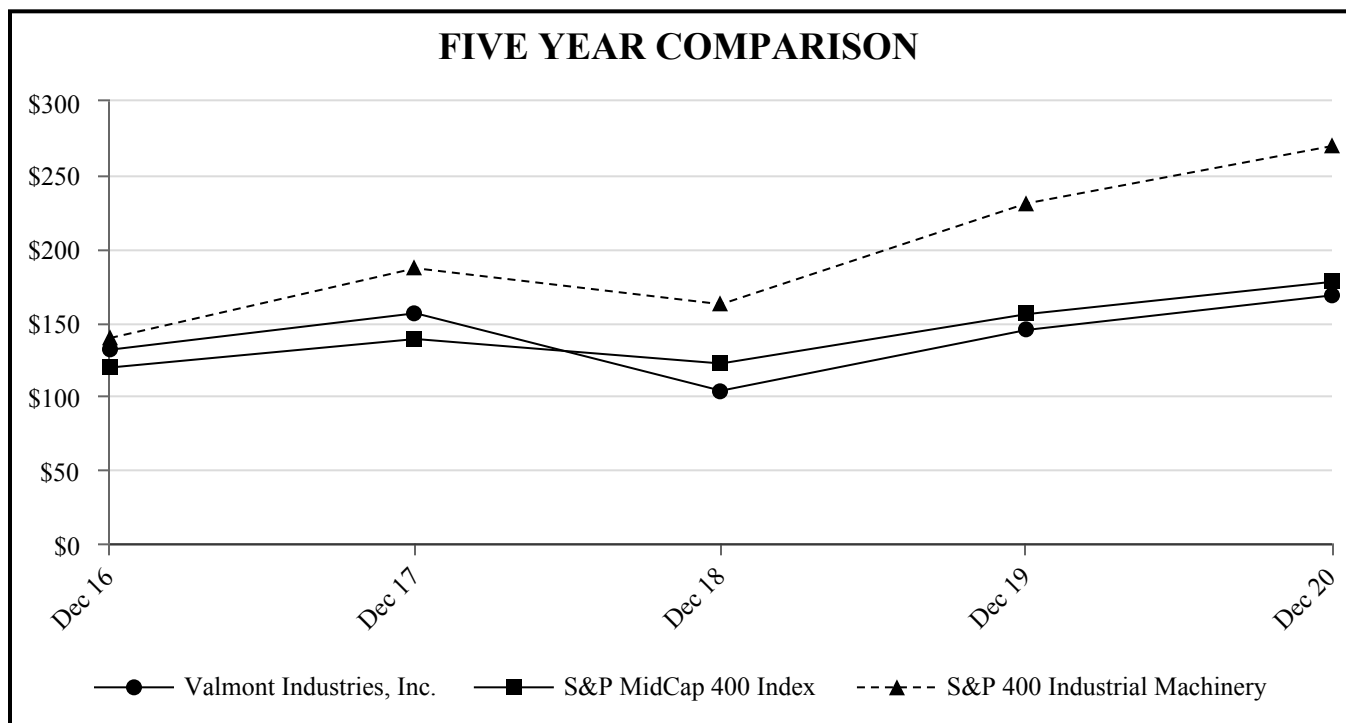
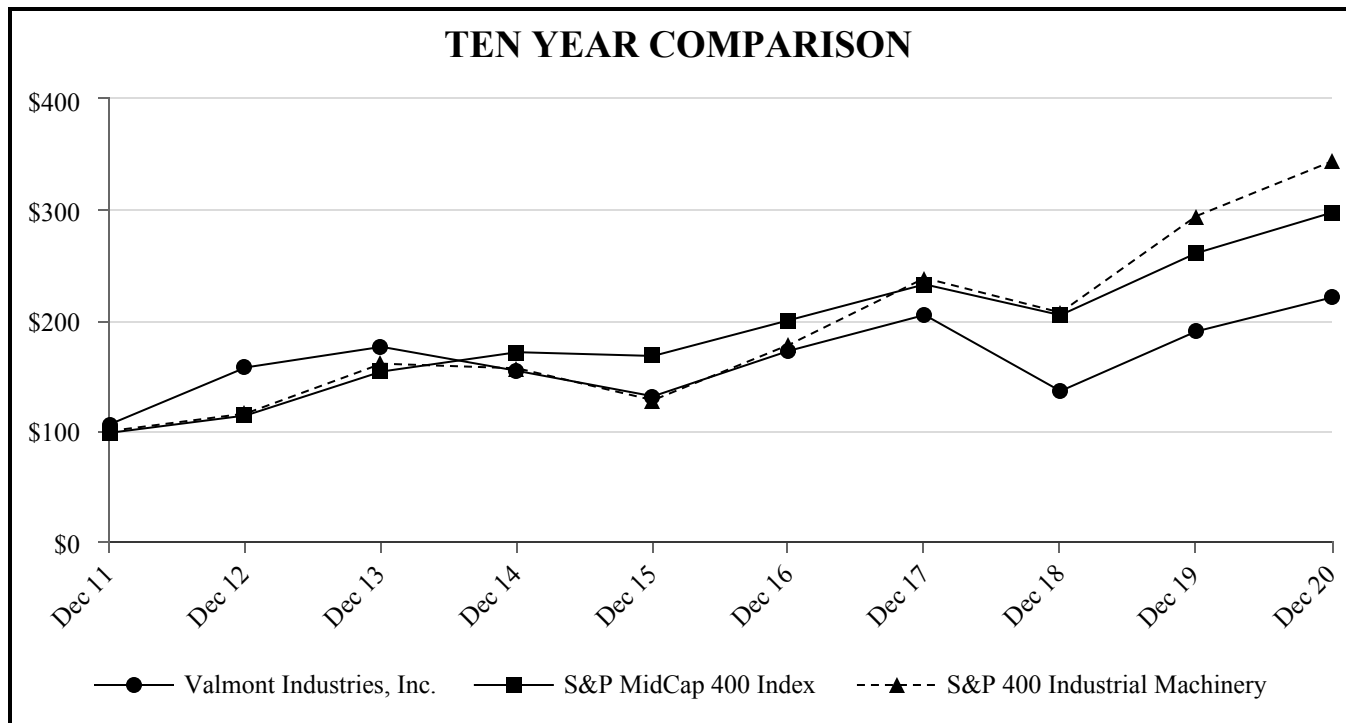
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Omaha, Nebraska
February 24, 2021

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 26, 2020. 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 2020”, “Outstanding Equity Awards at Fiscal Year-End”, “Options Exercised in Fiscal 2020”, “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* 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* 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.....	44
Consolidated Statements of Earnings—Three-Year Period Ended December 26, 2020.....	46
Consolidated Statements of Comprehensive Income—Three-Year Period Ended December 26, 2020.....	47
Consolidated Balance Sheets—December 26, 2020 and December 28, 2019.....	48
Consolidated Statements of Cash Flows—Three-Year Period Ended December 26, 2020.....	49
Consolidated Statements of Shareholders' Equity—Three-Year Period Ended December 26, 2020.....	50
Notes to Consolidated Financial Statements—Three-Year Period Ended December 26, 2020.....	51

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 26, 2020					
Reserve deducted in balance sheet from the asset to which it applies—					
Allowance for doubtful receivables.....	\$ 9,548	7,957	260	(1,813)	\$ 15,952
Allowance for deferred income tax asset valuation.	35,215	11,450	1,064	(3,278)	44,451
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)	(2,165)	\$ 8,277
Allowance for deferred income tax asset valuation.	27,864	10,769	(384)	(5,021)	33,228

* 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 — 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 4.2 — 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 4.3 — 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 4.4 — 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 4.5 — 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 4.6 — Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. This document was filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K (Commission file number 001-31429) for the year ended December 28, 2019 and is incorporated herein by this reference.
- 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 22.1 List of Issuer and Guarantor Subsidiaries. This document was filed as Exhibit 22.1 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-31429) for the quarter ended March 28, 2020 and is incorporated herein by reference.
- 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 26, 2020, 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)

* 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.

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 26, 2020 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 24, 2021

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Avner M. Applbaum, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 26, 2020 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/ AVNER M. APPLBAUM

Avner M. Applbaum
Executive Vice President and Chief Financial Officer

Date: February 24, 2021

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 26, 2020 (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 24th day of February, 2021.

/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, Avner M. Applbaum, 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 26, 2020 (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 24th day of February, 2021.

/s/ AVNER M. APPLBAUM

Avner M. Applbaum
Executive Vice President and Chief Financial Officer

