

Business Description

L.B. Foster Company is a manufacturer and distributor of products for the transportation, construction, utility, and energy markets. The company supplies products to industries requiring rail and rail accessories; sheet, pipe and H piling; bridge decking and highway products; precast concrete buildings; and threaded and coated pipe.

Stock Data

Price	\$30.65
52Wk High	\$36.62
52Wk Low	\$20.01
3mo. Daily Volume	53,000
Market Capitalization	311 Mil.
Shares Outstanding	10.3 Mil.
Inside Ownership	4%
Dividend Yield	NA
Book Value	\$21.62
Net Cash per Share	\$9.08
EV-to-Sales - TTM	0.4x
EV-to-EBITDA - TTM	5.6x

Financial Data

			Old	New
EPS	FY-07	FY-08	FY-09E	FY-09E
Q1-Mar	\$0.28	\$0.36	\$0.29A	\$0.29A
Q2-Jun	\$0.63	\$0.69	\$0.45E	\$0.26A*
Q3-Sep	\$0.64	\$0.76	\$0.64E	\$0.42E
Q4-Dec	\$0.81	\$0.45	\$0.52E	0.43E
FY-Dec	\$2.28	2.36*	\$1.90	\$1.40
P/E			13.3	16.1
*excludes one-time gains of \$0.21				
*includes \$0.14 in one-time charges				
Revenue	\$509	\$513	\$489	\$423
% Chg	30.6%	0.7%	-5.0%	-17.4%
EBITDA	\$47	\$48	\$39	\$31
ROIC	21.4%	21.0%	13.3%	10.2%
Cash	\$121	\$115	\$102	\$105
Assets	\$331	\$331	\$317	\$301
Debt	\$16	\$22	\$23	\$23
Equity	\$214	\$217	\$236	\$232

Note: Figures in \$millions except per share data

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LB Foster

L.B. FOSTER COMPANY
NASDAQ: FSTR
PRICE: \$30.65
DATE: October 12, 2009

7 new contracts totaling \$47.7 million have been announced since last earnings call.

5 rail contracts totaling \$25.3 million and 2 construction contracts totaling \$22.4 million.

\$3.9 million rail contract with SEPTA (Southeastern Pennsylvania Transportation Authority) is stimulus-funded.

\$11.7 million of "light rail" contracts.

Light Rail market in the U.S is receiving increased attention. Foreign designers and manufacturers are exploring business opportunities in the U.S. Light-rail business activity may help buttress downturn in cap ex spending by freight rail companies.

We are maintaining present estimates.

FOSTER L B CO
as of 9-Oct-2009



Company Update

The company has announced 7 new contract signings since its Q2 earnings call. These contracts total nearly \$50 million. Approximately \$22.4 million of the contracts involve sheet piling product for the company's constructions segment, including a \$20.5 million deal with the Panama Canal authority. Of the \$25.3 million in rail contracts, roughly \$11.7 million relate to "light-rail" projects which include The Tide Light Rail System in Virginia and the Allegheny County Port Authority system. The stimulus bill has allocated \$8 billion in passenger rail projects over then next 5 years. It is generally speculated that cap ex spending by freight rail companies will decline 15-20% YOY due to lower freight volumes brought on by the recession. However, it appears that light rail spending may help offset this decline for LB Foster's rail business. The list below details \$743 million in light rail projects confirmed by the Department of Transportation.

- New York —Long Island Rail Road East Side Access—\$195.4 Million
- Salt Lake City—Mid Jordan Light Rail Transit—\$90.9 Million
- New York—Second Avenue Subway Phase I—\$78.9 Million
- Dallas—Northwest/Southeast Light Rail Transit— \$78.4 Million
- Northern Virginia—Dulles Corridor Metrorail Extension to Wiehle Aveune—\$77.3 Million
- Los Angeles—Metro Gold Line Eastside Extension—\$66.7 Million
- Seattle—University Link Light Rail Transit Extension—\$44 Million
- Denver—West Corridor Light Rail Transit—\$40 Million
- Phoenix—Central Phoenix/East Valley Light Rail—\$36 Million
- Portland, Ore. —South Corridor I-205/Portland Mall LRT— \$32 Million
- Springfield, Ore. —Pioneer Parkway EmX BRT—\$2.9 Million

Additionally, Washington state is seeking \$1 billion in Federal funding with Michigan and Ohio applying for \$800 million and \$400 million respectively. While the US has lagged behind Europe and Japan in light rail development, interest has been renewed due to the stimulus funding. European and Japanese designers have been consulting with various transportation agencies in the states regarding project work. Additionally, Siemens, one of four manufacturers of high-speed trains, has transplanted employees from its high-speed division in Europe to its city tram factory in Sacramento, CA. While it is unclear as to the scope and timing of potential light rail projects in the U.S., interest in the industry has definitely heightened and may meaningfully mitigate the impact of reduced cap ex spending on LB Foster's rail business in ensuing quarters.

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