OUR JOURNEY
OF SUCCESS
The Growth and Transformation of ASRC

...OUR OPERATIONS IN-STATE ARE SHRINKING JUST THOSE OF ALASKA GROWING FASTER BY
Introduction

In 2022, Arctic Slope Regional Corporation will celebrate its silver anniversary – a monumental milestone marking half a century since the Alaska Native Claims Settlement Act took shape, setting the stage for the first-of-its-kind creation of a dozen land-based Alaska Native corporations, or ANCs.

Since its incorporation in the summer of ’72, ASRC has not only developed into the largest Alaska Native corporation, but also grown into the most successful locally-owned and operated business in Alaska. In 2019, the Corporation was once again recognized by local business leaders as the top-grossing homegrown company – a title ASRC has been honored to hold for 25 consecutive years.
Using Iñupiaq values as our guide, this stable pattern of financial strength has equated to direct as well as indirect benefits to our expanding family of shareholders, to include sustainable dividend levels of $55 per share. In 2019, shareholder dividends were $70 per share. It has also provided the keys to driving success in shareholder and employee development as well as community economic development, both critical areas of focus for the Corporation.

This carefully orchestrated roadmap of expansion and diversification across our family of companies is also driving ASRC in directions earlier generations may never have imagined. In fact, it’s safe to say the changing face of ASRC would be all but unrecognizable to those who haven’t closely monitored our progress along the way.

As we describe in this special publication, prepared and presented by Arctic Slope Regional Corporation, the Corporation’s positive growth and unprecedented period of expansion – our journey of success – is no accident. And, with aggressive targets, guidelines and checkpoints for the Corporation to follow – to include becoming one of the top 100 largest private companies in the nation by 2023 – it’s only the beginning.
As spelled out in ANCSA, Native corporations across the state, including Arctic Slope Regional Corporation, were established in the early ‘70s as private, for-profit businesses.

ASRC’s Certificate of Incorporation was signed in June of 1972, with the company described by then-president Joseph Upicksoun in the first annual report: ‘We are independent, autonomous and are practicing self-determination for our own Iñupiat people within the boundaries of the Arctic Slope region.’
To provide employment and services to its early pool of approximately 3,800 shareholders, early subsidiaries began to take shape, including Iñupiat Builders, SKW/Eskimos, Inc., Arctic Slope Consulting Engineers and Arctic Slope Alaska General. In order to provide revenue while these initial companies became more established, ASRC signed oil and gas exploration leases with several oil companies. The oil and gas industry would make a significant impact on the company’s bottom line in the early years.

In 1978, six years after incorporation and the first year ASRC issued shareholder dividends, natural resource development would bring in $4 million in revenue. This equated to 31 percent of the total revenue for that year.

“WE ARE INDEPENDENT, AUTONOMOUS AND ARE PRACTICING SELF-DETERMINATION FOR OUR OWN IÑUPIAT PEOPLE...”

– JOSEPH UPICKSOUN,
ASRC President, 1972
By 1990, natural resource development revenue would drop to just two percent of the Corporation’s total revenue. A year later, ASRC reported an additional $9 million in revenue from revising certain oil and gas leases on KIC lands moving forward, while natural resource development would remain critically important to ASRC and its bottom line, its impact would be lessened as other business lines, both inside and outside of the state, would become larger and more prominent.

Challenges to the Alaska market and other factors contributed to the change, but as was outlined in the 2018-2023 Strategic Plan, through thoughtful reinvestment and by taking advantage of our strong industry reputation, ASRC remains committed to preserving a long-term position to capture opportunities and take advantage of future growth in the natural resource development sector.

2018 REVENUE BY SEGMENT

- Government Contract Services 41%
- Petroleum Refining/Marketing 26%
- Energy Support Services 14%
- Industrial Services 14%
- Construction 4%
- Other 1%

Above: A Builders Choice employee works outside of the facility in South Anchorage. Builders Choice is a subsidiary of ASRC Construction Holding Company.
THROUGH THOUGHTFUL REINVESTMENT AND BY TAKING ADVANTAGE OF OUR STRONG INDUSTRY REPUTATION, ASRC REMAINS COMMITTED TO PRESERVING A LONG-TERM POSITION TO CAPTURE OPPORTUNITIES"
A Changing Revenue Mix

Through the years, as ASRC became less and less dependent on Alaska’s oil and gas industry to provide a large percentage of its earnings, another slow but consistent shift was also taking place – the increasing spread of the Corporation’s operations across the Lower 48.

Many factors contributed to the decision to seek additional growth and diversification in the contiguous United States. The Lower 48 continues to see robust economic expansion and presents an abundance of business opportunities across various industries.
In our Government Contract Services sector, increased federal spending on infrastructure and other initiatives has spurred significant capital investment plans, which creates additional incentives for growth. In our business segment Industrial Services, we anticipate a continued steady increase in demand for additional facility infrastructure and other services, particularly in the Gulf South.

The economic outlook across the Lower 48 stands in contrast to the challenging business atmosphere in the Last Frontier. Alaska’s regulatory climate and uncertain tax environment – coupled with oil price volatility – continues to threaten prospects for long-term growth.

Based on these current as well as expected future economic conditions, factoring in the diligently prepared and approved strategic goals established by the board of directors and senior leadership team, ASRC set its gaze to the south and the additional opportunities for the Corporation and its shareholders across the Lower 48.
In 2002, a couple of years after ASRC reached a historic milestone of earning $1 billion in annual revenues, approximately 16 percent of the Corporation’s earnings before interest, tax, depreciation and amortization was coming from operations based in the contiguous United States.

By 2010, Lower 48 operations were responsible for a little more than 30 percent of the company’s EBITDA.

Six years later, for the first time in the company’s history, operations outside of Alaska actually delivered a higher percentage of EBITDA than those based in-state. This increase is being driven by the success of ASRC Federal’s diverse portfolio as well as acquisitive growth in our Industrial Services sector.

It’s important to note – as the percentages of out of state EBITDA continue to increase, ASRC’s Alaska-based operations are not only fully-supported for the short- as well as long-term, but continue to thrive and grow also. The Corporation has made significant investments in our Petroleum Refining and Marketing business sector and we continue to strengthen our relationship with Oil Search and our partners in Alaska’s oil and gas industry. Simply put, our operations in-state aren’t shrinking, it’s just those outside of Alaska are growing at a faster rate.

Moving forward – we anticipate an increasing percentage of our EBITDA to originate from our Lower 48 operations as we continue to seek opportunities outside of Alaska.
**Our Shareholders at a Glance**

**ASRC SHAREHOLDERS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders</th>
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<tbody>
<tr>
<td>1972</td>
<td>3,797</td>
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<td>1982</td>
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<td>1992</td>
<td>6,011</td>
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<td>2002</td>
<td>8,433</td>
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<td>2012</td>
<td>11,278</td>
</tr>
<tr>
<td>2019</td>
<td>13,122</td>
</tr>
</tbody>
</table>

*Of today’s shareholder population, approximately 2,000 are from the original enrollment at the time of incorporation. ASRC began enrolling new shareholders (born after 1971) in April of 1990.*

**CHANGING SHAREHOLDER GEOGRAPHICS**

- **2005**
  - Total number of shareholders: 9,195*
  - Live on the Slop: 5,041
  - Live elsewhere in AK: 2,956
  - Live outside of AK: 1,097
  - Outside USA: 101

*These numbers are approximate

- **2019**
  - Total number of shareholders: 13,122
  - Live on the Slop: 5,775
  - Live elsewhere in AK: 4,880
  - Live outside of AK: 2,331
  - Outside USA: 136

*Courtesy: ASRC Stock Dept. As of September, 2019*
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