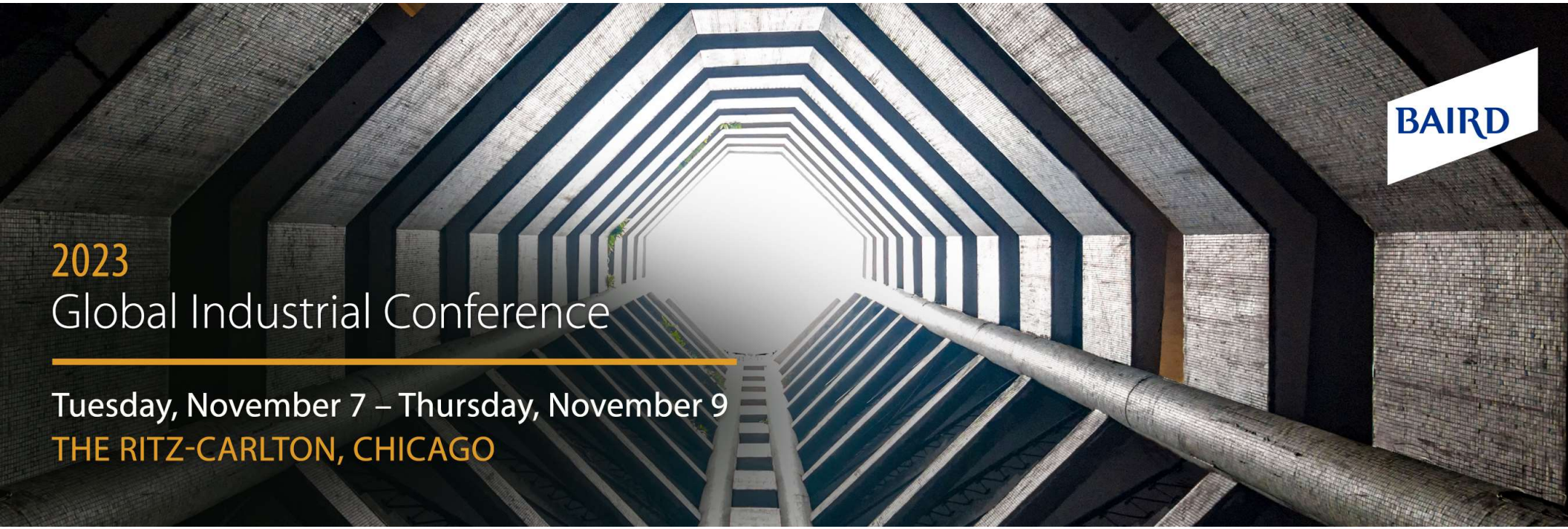

Gates®

Ivo Jurek

Chief Executive Officer

LEGAL DISCLAIMERS

The information in this presentation is as of September 30, 2023, unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This presentation contains, and management may make on our call today, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "trends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. These statements include, but are not limited to, statements related to expectations regarding our outlook for the fourth quarter and full year 2023, performance of the Company's business and financial results (including margin expansion, operational performance and improvements, cost structures, free cash flow generation, net leverage, balance sheet management and our capital allocation strategy), supply chain initiatives, our operational footprint, our organizational structure, seasonal trends, the operating environment, investment opportunities, our ability to create value for our shareholders, and demand and backlog trends. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks related to changing economic, political and other risks associated with international operations, risks inherent to the manufacturing industry, macroeconomic factors beyond the Company's control (including material and logistics availability, inflation, supply chain and labor challenges and end-market recovery), risks related to catastrophic events, continued operation of our manufacturing facilities, including as a result of cybersecurity attacks, our ability to forecast and meet demand, market acceptance of new products, and the significant influence of the Company's largest shareholders, investment funds affiliated with Blackstone Inc. Additional factors that could cause the Company's results to differ materially from those described in the forward-looking statements can be found under the section entitled "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the Securities and Exchange Commission ("SEC"), as such factors may be updated from time to time in the Company's periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the Company's filings with the SEC. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

NON-GAAP FINANCIAL INFORMATION

This presentation includes certain non-GAAP financial measures, which management believes are useful to investors. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation and our earnings release filed with the SEC and posted on our website at investors.gates.com for a reconciliation of historical non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.

ROUNDING ADJUSTMENTS

Certain monetary amounts, percentages and other figures included in this presentation have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated, may not be the arithmetic aggregation of the percentages that precede them.

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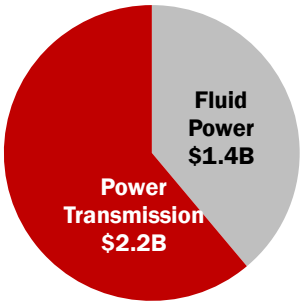
GATES AT A GLANCE

2022 COMPANY OVERVIEW

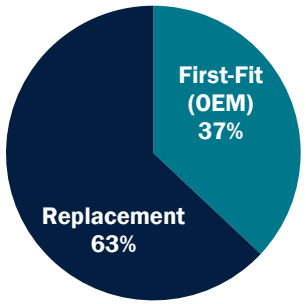
$3.6B Revenue	**$681M** Adj. EBITDA[1]
$179M Free Cash Flow[2]	**20.0%** ROIC[3]
~15,000 Employees	**100,000+** Distributor Locations
750+ Engineers	**130+** Countries Served

2022 REVENUE BREAKDOWN

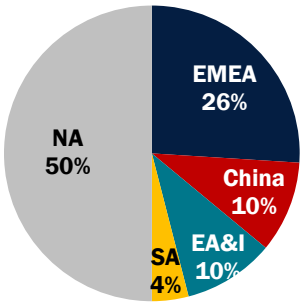
SEGMENT



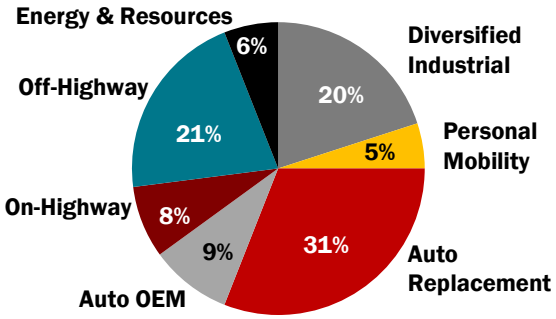
CHANNEL



GEOGRAPHY



END MARKET



PREMIUM INDUSTRIAL COMPANY WITH STRONG GLOBAL PRESENCE AND REPLACEMENT CHANNEL REVENUE MIX

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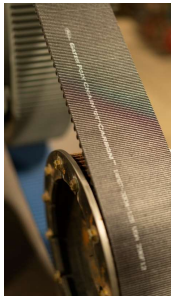
(1) Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliations
(2) Free Cash Flow: Net Cash Provided by Operations minus Capital Expenditures. This is a non-GAAP measure, see appendix for reconciliation.
(3) ROIC: Tax-effected LTM Adjusted EBIT divided by total assets minus cash, accounts payable, income tax-related assets and intangibles related to 2014 acquisition of Gates

PRODUCT SEGMENTS

POWER TRANSMISSION: $2.2B[1]

#1 GLOBAL MARKET POSITION*



PRODUCTS

- Synchronous Belts
- V-Belts, CVT & Micro-V Belts
- TPU Positioning & Conveyance Belts
- Metal Drive Components

- Energy Efficient
- Lightweight
- Clean, Quiet and Safe
- Maintenance Free
- Reliable

Solutions transmitting power in fixed and mobile drives across a wide range of applications and end markets

GROWTH OPPORTUNITIES

- Chain-to-Belt & Belt-to-Belt
- Personal Mobility
- Precision Motion Control & Conveyance

FLUID POWER: $1.4B[1]

TOP-3 GLOBAL MARKET POSITION*



PRODUCTS

- Hydraulic Hose, Tubing and Related Components
- Thermal Management Hose
- Industrial Fluid Conveyance Hose
- Oil & Gas Hose

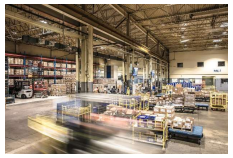
- Leak Free
- Lightweight
- Flexible
- Multi-Application
- Clean and Safe

Solutions serving fixed and mobile fluid conveyance applications across a wide range of end markets

GROWTH OPPORTUNITIES

- Stationary Industrial Applications
- EV Thermal Management
- Geographic Expansion










TWO GLOBAL SEGMENTS OF SCALE FOCUSED ON MISSION-CRITICAL, REPLACEMENT COMPONENTS FOR DIVERSE APPLICATIONS

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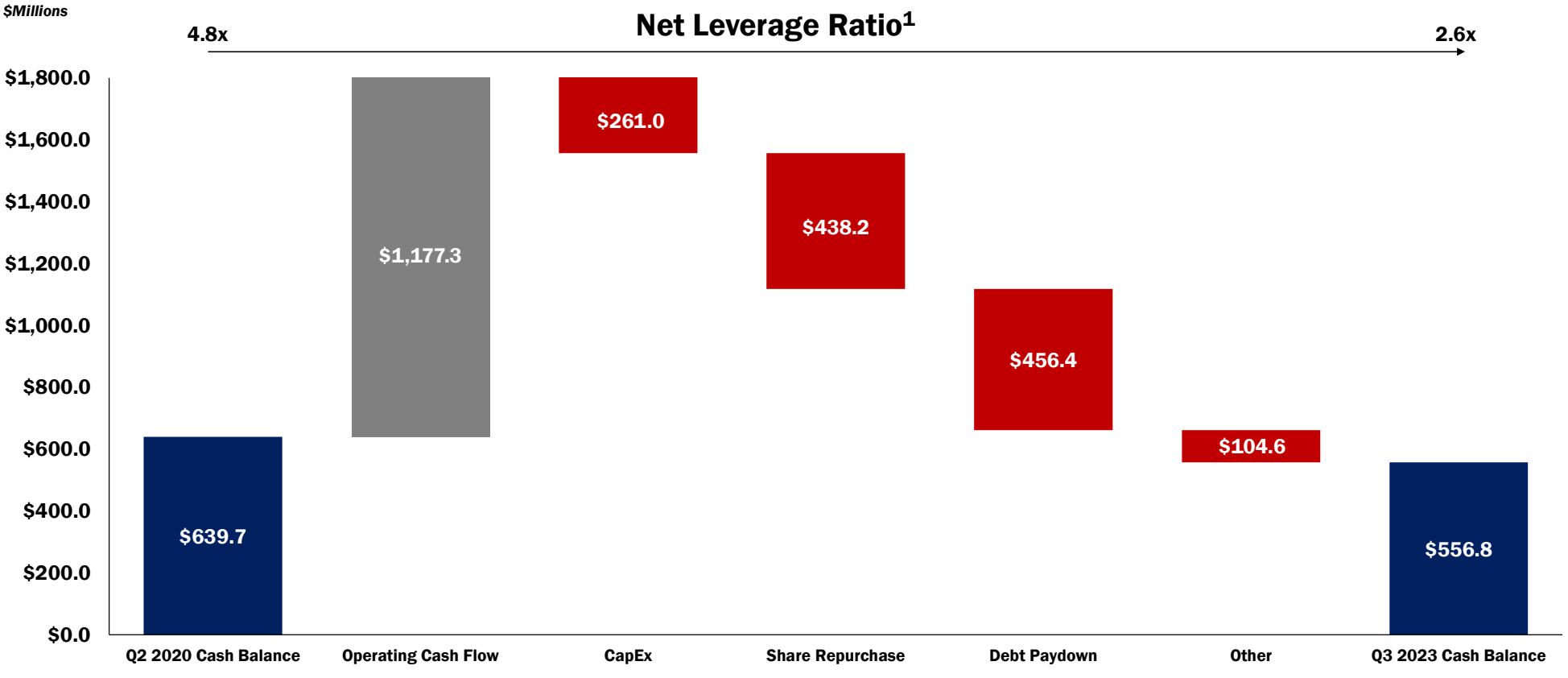
[1] FY2022 Net Sales

* Estimates based on available data

EXECUTING BALANCED CAPITAL ALLOCATION STRATEGY



ALMOST $900 MILLION OF SHARE REPURCHASE AND DEBT PAYDOWN EXECUTED SINCE MID-2020

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(1) Net Leverage Ratio is defined in our credit agreement.

OPTIMIZING PERFORMANCE IN POST-COVID PERIOD

PRODUCTIVITY

- Optimizing supply chain, particularly sourcing & logistics
- Intensified focus on operations - boosting VAVE savings and asset utilization

REDUCE COMPLEXITY

- “80/20” initiative advancing
- “Above the skin” focus enhancing revenue mix and cash conversion

HIGH GROWTH MARKET FOCUS

- Focused on growing Personal Mobility business
- Steady investments in new product development & industrial verticals

CAPITAL ALLOCATION

- Lowering net debt over the intermediate-term
- Creating optionality for the enterprise

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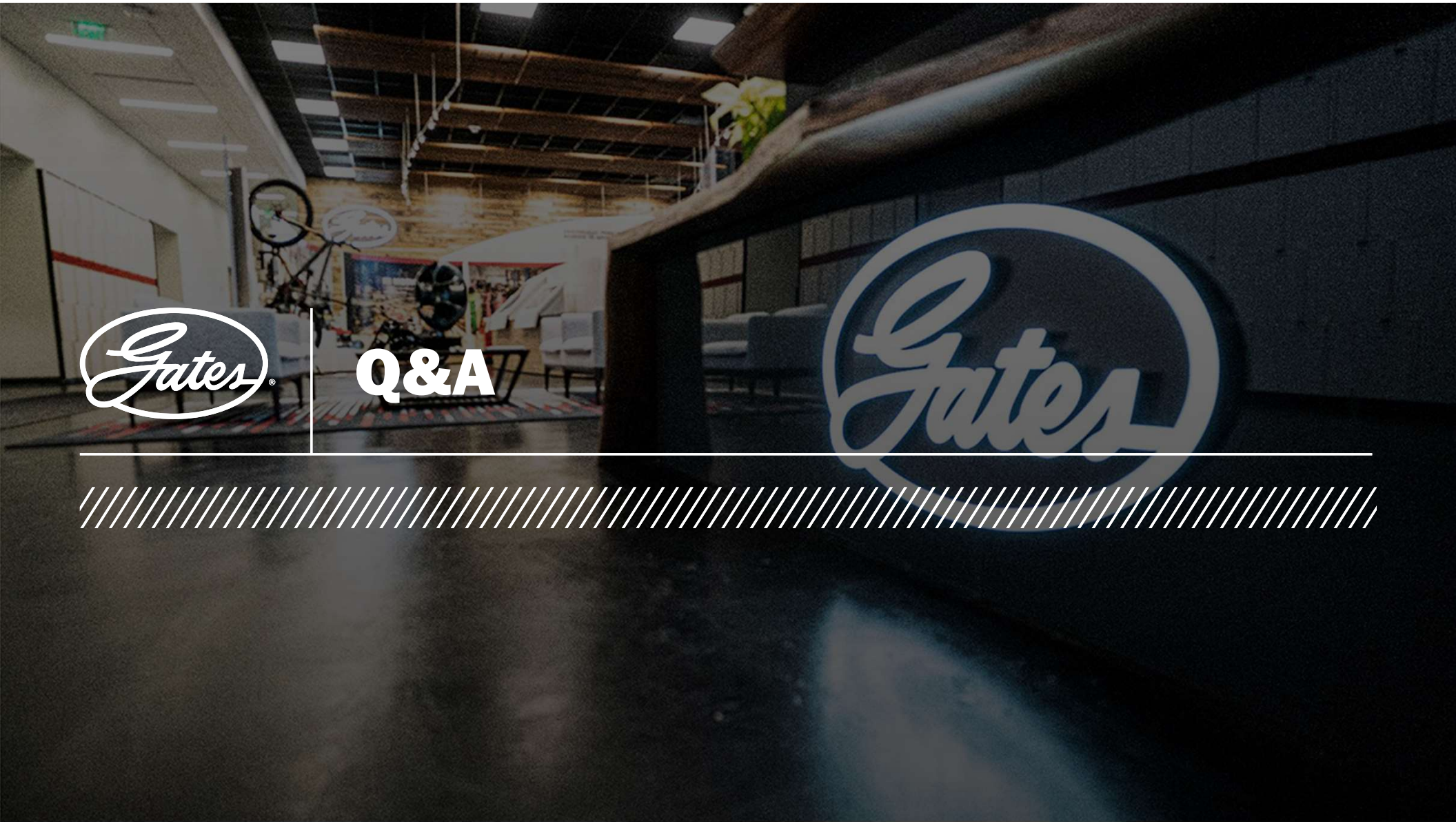
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RECONCILIATIONS – ADJUSTED EBITDA AND NET LEVERAGE

(USD in millions)	LTM Q3 2023	LTM Q2 2020	FY 2022
Reconciliation to Adjusted EBITDA			
Net Income from Continuing Operations	**$ 278.0**	**$ 75.0**	**$ 242.9**
Adjusted for:			
Income tax expense (benefit)	19.3	(9.2)	14.9
Net interest and other expenses	144.1	140.7	126.2
Depreciation and amortization	215.6	219.5	217.2
Transaction-related expenses	2.2	2.7	2.1
Asset impairments	0.1	4.4	1.1
Restructuring expenses	11.4	21.5	9.5
Share-based compensation expense	29.1	17.2	44.3
Sponsor fees (included in other operating (income) expenses)	-	4.4	-
Inventory impairments and adjustments [1] (included in cost of sales)	8.5	2.3	20.9
Severance expenses (included in cost of sales)	1.2	4.1	0.8
Severance expenses (included in SG&A)	1.0	3.0	0.5
Credit loss related to customer bankruptcty (included in SG&A) [2]	11.4	-	-
Cybersecurity incident expenses [3]	5.1	-	-
Other items not directly related to current operations	0.2	(1.5)	0.2
Adjusted EBITDA	**$ 727.2**	**$ 484.1**	**$ 680.6**

Reconciliation to Net Leverage		
Total principal amount of debt	$ 2,476.8	$ 2,975.3
Less: Cash and cash equivalents	(556.8)	(639.7)
Net Debt	**$ 1,920.0**	**$ 2,335.6**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)	**2.6 x**	**4.8 x**

(1) During the twelve months ended September 30, 2023 and December 31, 2022, inventory impairments and adjustments included $7.2 million and $19.4 million, respectively, for the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis. The recent inflationary environment has caused LIFO values to drop below First-in, First-out ("FIFO") values because LIFO measurement resulted in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.

(2) On January 31, 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the bankruptcy proceedings, we evaluated our potential risk and exposure relating to our outstanding pre-petition accounts receivable balance from the customer and recorded a $11.4 million pre-tax charge for the twelve months ended September 30, 2023, to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.

(3) On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

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RECONCILIATIONS – FREE CASH FLOW AND FREE CASH FLOW CONVERSION

(USD in millions)	FY 2022
Reconciliation of Free Cash Flow	
Net Cash Provided By Operating Activities	$ 265.8
Capital Expenditures [1]	(87.0)
Free Cash Flow	**$ 178.8**

(USD in millions)	FY 2022
Reconciliation of Free Cash Flow Conversion	
Free Cash Flow	$ 178.8
Adjusted Net Income	$ 329.0
Free Cash Flow Conversion	**54.3%**

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(1) Capital expenditures represent purchases of property, plant and equipment and purchases of intangible assets.

RECONCILIATIONS – RETURN ON INVESTED CAPITAL (ROIC)

(USD in millions)	FY 2022
Return On Invested Capital (ROIC)	
LTM Adjusted EBITDA	**$ 680.6**
LTM Total depreciation and amortization	(217.2)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	115.6
LTM Adjusted EBIT	**579.0**
Notional tax at 25%	(144.8)
LTM Tax-effected Adjusted EBIT	**$ 434.2**
Total Assets	$ 7,191.6
Adjusted for:	
Cash	(578.4)
Taxes receivable	(28.1)
Deferred tax assets	(600.3)
Prepaid Taxes	(11.4)
Accounts Payable	(469.6)
Intangibles arising from the acquisition of Gates	(3,335.1)
Invested Capital	**$ 2,168.7**
Return On Invested Capital	**20.0%**

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