

Q4 & FY 2017 EARNINGS PRESENTATION

MARCH 13, 2018

FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This presentation contains, and management may make on our call today, certain "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify 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. Such forward-looking statements are subject to various risks and uncertainties.

Statements relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risk, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors discussed in the section entitled "Risk Factors" in Gates' prospectus dated January 24, 2018, as filed with the Securities and Exchange Commission ("SEC") and the following: conditions in the global and regional economy and the major end markets we serve; economic, political and other risks associated with international operations; availability of raw materials at favorable prices and in sufficient quantities; changes in our relationships with, or the financial condition, performance, purchasing power or inventory levels of, key channel partners; competition in all areas of our business; continued operation of our manufacturing facilities; exchange rate fluctuations; enforcement of our intellectual property rights; work stoppages and other labor matters; changes in legislative, regulatory and legal developments involving taxes and other matters; our substantial leverage; and the significant influence of our majority shareholder, The Blackstone Group L.P., over us, as such factors may be updated from time to time in its periodic filings with the SEC which are accessible on the SEC's website at www.sec.gov. Gates undertakes no obligation to update or supplement any forward-looking statements as a result of new information, future events 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 non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.

Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information in not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.

©2018 Gates Inc. All rights reserved.



A REPUTATION BUILT OVER 100+ YEARS

GLOBALLY RECOGNIZED

WELL KNOWN ACROSS NUMEROUS INDUSTRIAL SEGMENTS

STANDS FOR QUALITY AND RELIABILITY

OVER A CENTURY OF MARKET LEADING INNOVATION

A CULTURE DRIVEN BY PRIDE AND POSSIBILITY

Q4 & FY 2017 HIGHLIGHTS

- **Strong revenue growth**
  - Core revenue growth driven by share gains and industrial end market demand across both segments
  - Continuing to expand presence in emerging markets
- **Strong Adjusted EBITDA growth**
  - Adjusted EBITDA margin expansion in Q4 (excluding acquisitions) and full-year 2017
  - Additional progress with Gates Operating System
- **Continued investment in the business**
  - Product line and engineering capabilities
  - Two new Fluid Power manufacturing facilities to accommodate growth initiatives & customer demand
- **Capital deployment**
  - Acquisitions of Techflow Flexibles and Atlas Hydraulics to accelerate Fluid Power growth strategies
  - Improved leverage metrics, in line with focus on continued de-leveraging of the business

Note: Core revenue growth excludes impact of foreign currency translation and acquisitions completed in the last 12 months

©2018 Gates Inc. All rights reserved.

POWER TRANSMISSION – Q4 & FY 2017 HIGHLIGHTS

Highlights:

- Delivered strong core revenue growth driven by increased end market demand and execution of growth initiatives
  - Particularly strong growth in emerging markets
- Rolling out strategy for industrial chain-to-belt conversion
  - Focusing on fewer, larger conversion opportunities
  - Expecting gradual ramp-up of activity throughout 2018
- Q4 and full-year 2017 Adjusted EBITDA margin expansion

Belts Outpace Alternative Technologies



Belts generally outperform the alternatives based on inherent characteristics such as durability, weight, cleanliness, efficiency, safety and maintenance requirements

(USD In millions)	Q4 2017	% Δ	% Core Δ	FY 2017	% Δ	% Core Δ
SALES	**$513.1**	**+12.8%**	**+9.1%**	**$2,009.4**	**+7.9%**	**+7.3%**
ADJ. EBITDA	**115.5**	**+21.6%**	**–**	**458.1**	**+12.1%**	**–**
ADJ. EBITDA MARGIN	**22.5%**	**+163 bps**	**–**	**22.8%**	**+86 bps**	**–**

©2018 Gates Inc. All rights reserved.

FLUID POWER – Q4 & FY 2017 HIGHLIGHTS

Highlights:

- Solid core revenue growth driven by strong end market demand, emerging markets and execution of growth initiatives
- Completed two acquisitions in 2017 to accelerate growth strategies
    - Acquisitions were 154 bps dilutive to FP EBITDA margin in Q4 2017
- Increased R&D investment in full-year 2017 to accelerate growth initiatives

Materials Science-Driven Innovation



We believe Gates' wide array of fluid power products offers higher flexibility, improved safety, abrasion- and chemical-resistance, lighter weight and leak-free performance

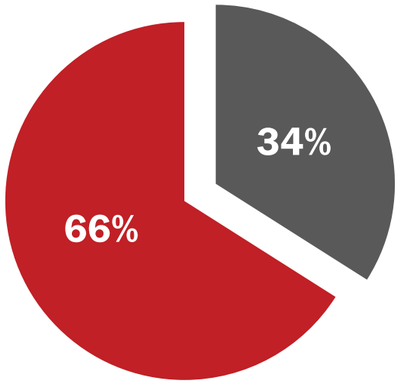
(USD In millions)	Q4 2017	% Δ	% Core Δ	FY 2017	% Δ	% Core Δ
SALES	$268.7	+26.3%	+9.1%	$1,032.3	+16.7%	+12.6%
ADJ. EBITDA	57.5	+8.7%	–	211.0	+13.2%	–
ADJ. EBITDA MARGIN	21.4%	(346) bps	–	20.4%	(63) bps	–
ADJ. EBITDA MARGIN EX-ACQ.	22.9%	(192) bps	–	21.0%	(9) bps	–

©2018 Gates Inc. All rights reserved.

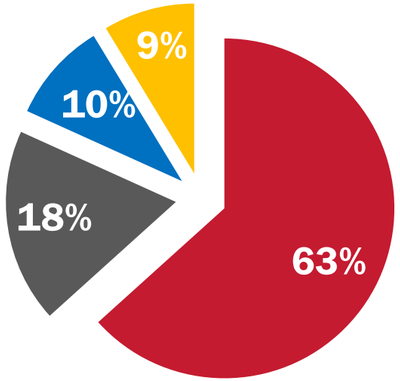
GATES OPERATES A DIVERSIFIED BUSINESS WITH STRONG REPLACEMENT MARKET MIX

~$3B FY 2017 NET SALES:

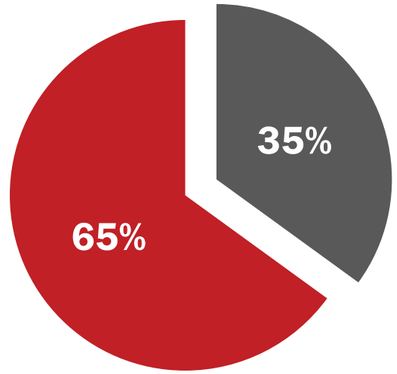
BY PRODUCT CATEGORY



BY END MARKET



BY GEOGRAPHY



BUSINESS MIX ATTRIBUTES:

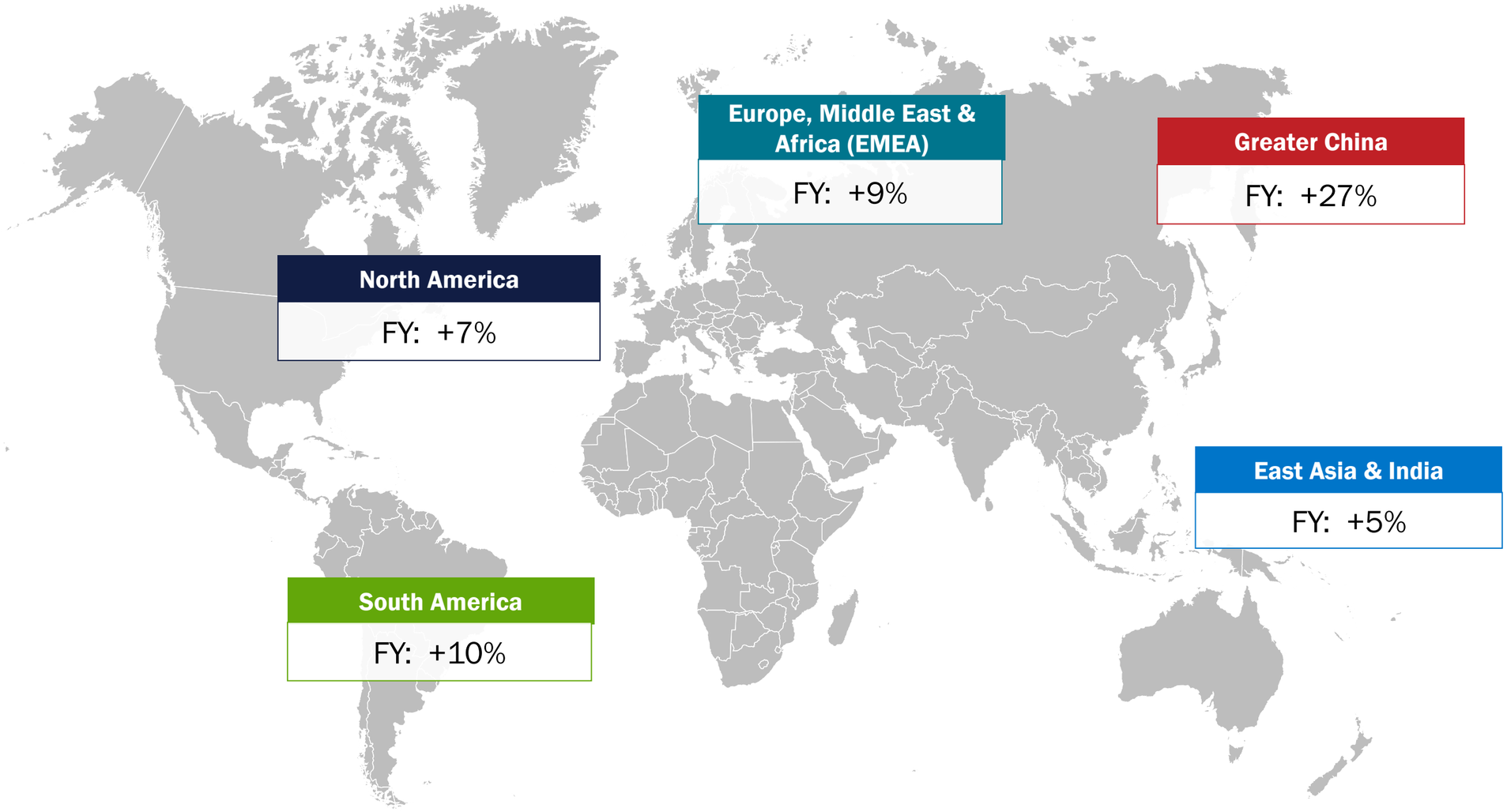
- High-quality growth with attractive margins
- Large and growing installed base of equipment
- First-fit presence reinforces premium brand
- Route to aftermarket expansion in emerging markets
- Natural replacement cycles drive recurring revenue
- Competitive differentiation creates customer stickiness
- Leading distribution network
- Selective participation where Gates can differentiate with technology and drive continuous innovation

ATTRACTIVE DIVERSIFIED INDUSTRIAL BUSINESS MIX WITH REPLACEMENT MARKET FOCUS DRIVES LONG-TERM GROWTH

©2018 Gates Inc. All rights reserved.

FY 2017 CORE REVENUE GROWTH BY REGION

- Emerging market growth outpaced developed market growth
- Industrial end markets driving growth across all regions
- Double-digit growth across all major end markets in China

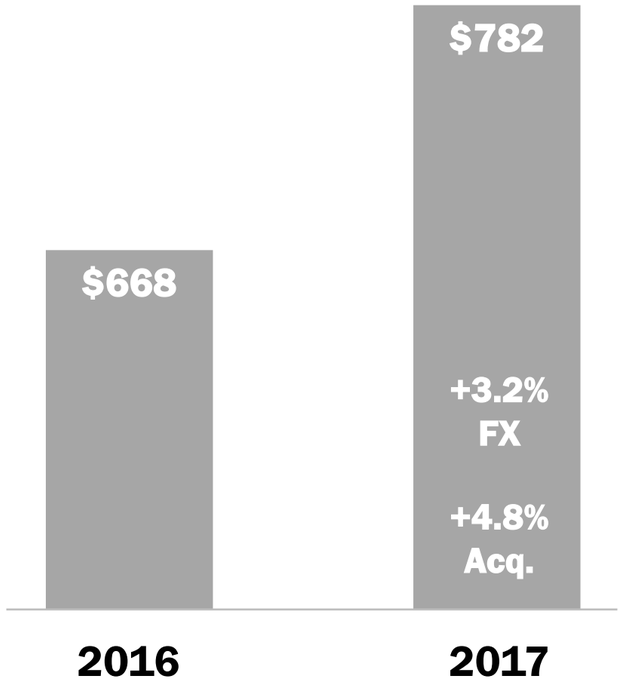


©2018 Gates Inc. All rights reserved.

Q4 2017 FINANCIAL PERFORMANCE

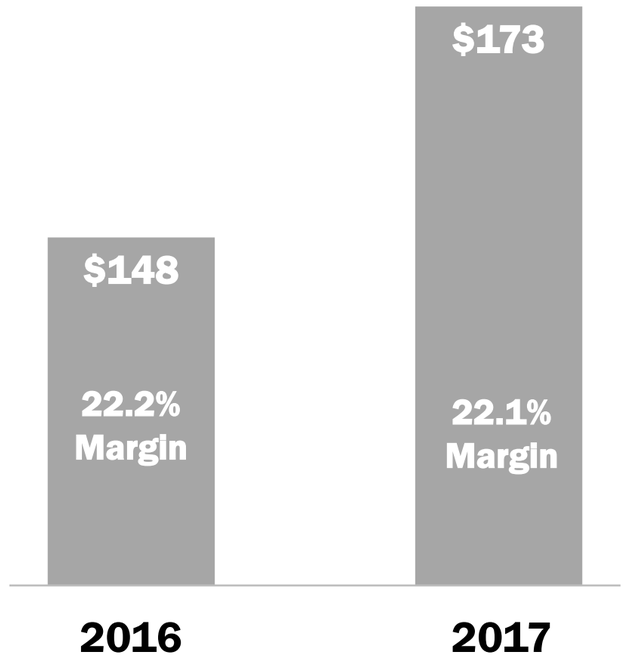
USD in millions

REVENUE



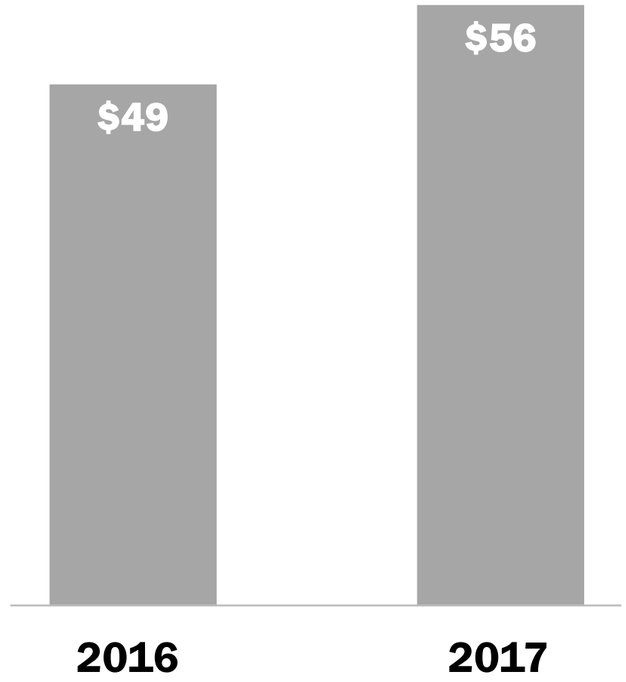
Up 17.1%
9.1% Core Growth

ADJUSTED EBITDA



Up 17.0%
Margin of 22.6% excl. acquisitions

ADJUSTED NET INCOME



Higher Q4 2017 Adjusted EBITDA driving growth

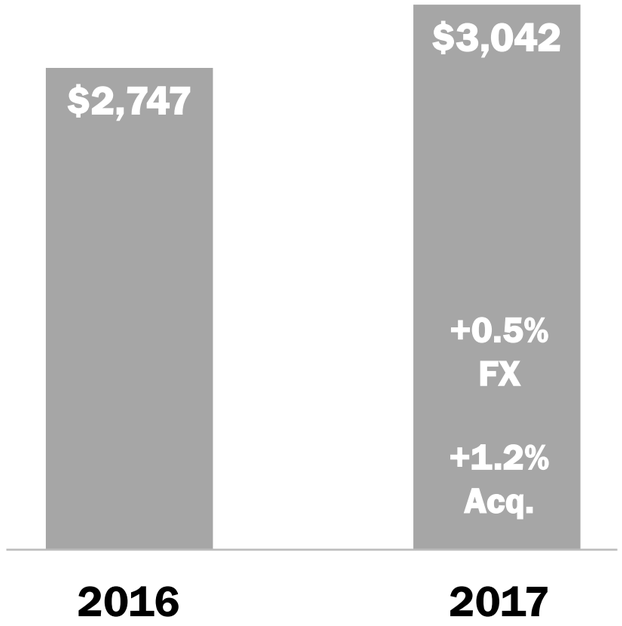
RECORD Q4 FOR BOTH REVENUE AND ADJUSTED EBITDA

©2018 Gates Inc. All rights reserved.

FY 2017 FINANCIAL PERFORMANCE

USD in millions

REVENUE



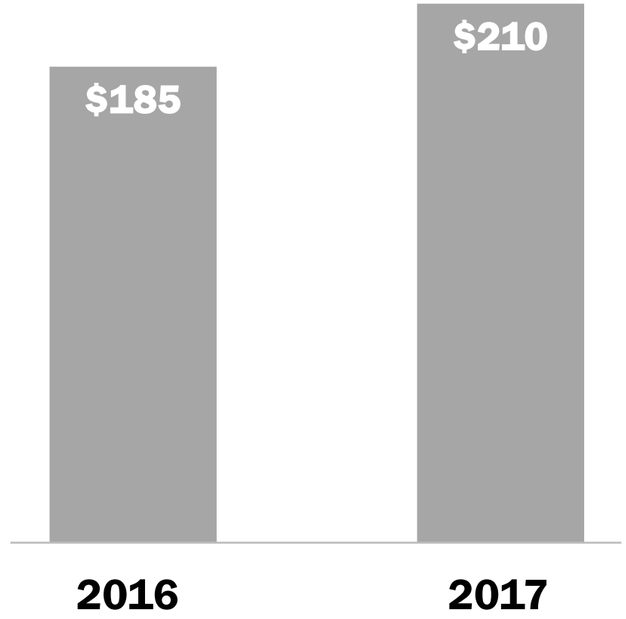
Up 10.7%
9.0% Core Growth

ADJUSTED EBITDA



Up 12.5%
Margin of 22.2% excl. acquisitions

ADJUSTED NET INCOME



Higher 2017 Adjusted EBITDA driving growth

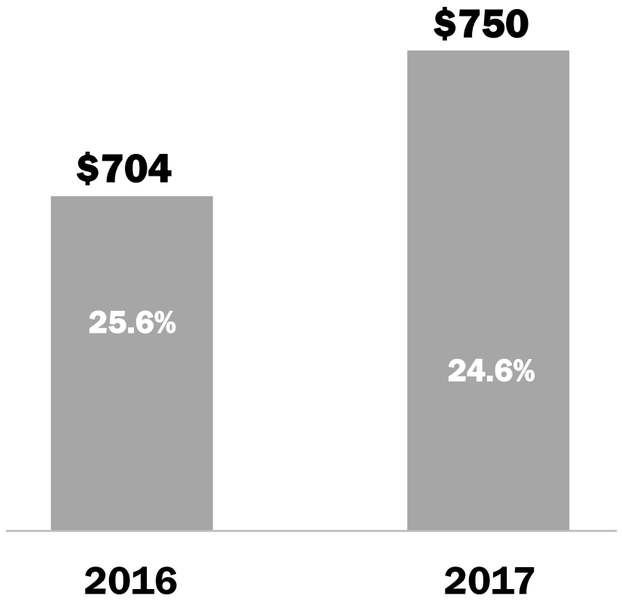
CONTINUED GROWTH AND MARGIN EXPANSION IN FY 2017

©2018 Gates Inc. All rights reserved.

BALANCE SHEET AND LIQUIDITY

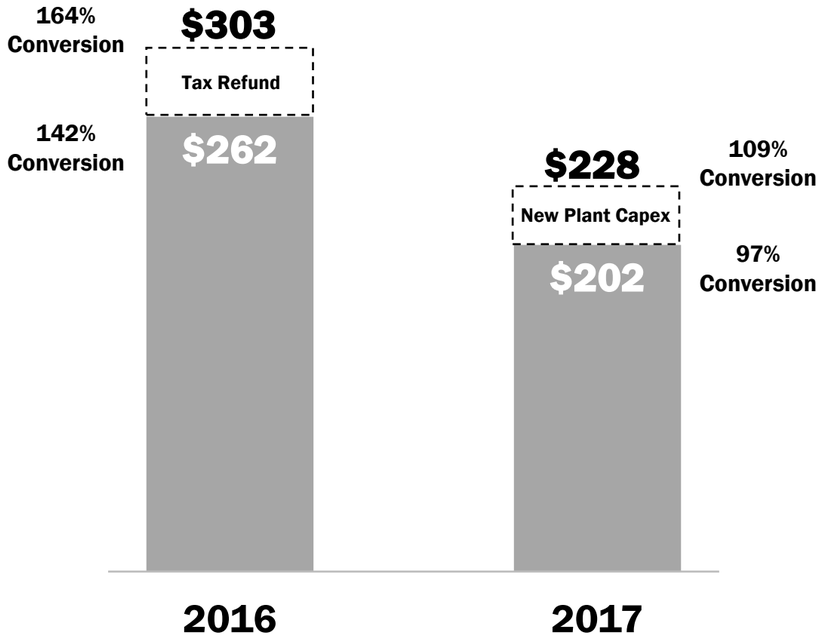
USD in millions, except multiple data

TRADE WORKING CAPITAL



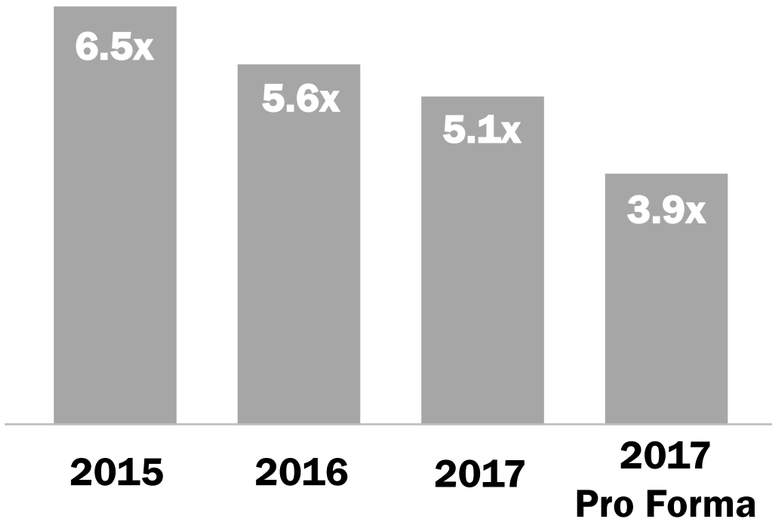
Improved 100 bps as % of revenue

FREE CASH FLOW



100%+ free cash flow conversion, excluding new plant capex

LEVERAGE



Continuing to de-lever, while investing for growth

GENERATING STRONG CASH CONVERSION WHILE INVESTING IN CAPACITY FOR FUTURE GROWTH

Note: Trade Working Capital: Trade Accounts Receivable plus Inventory minus Trade Accounts Payable, net of acquisitions
Free Cash Flow: Net Cash Provided by Operations minus Capex; Free Cash Flow Conversion shown as % of Adjusted Net Income
Leverage: Net Debt divided by Adjusted EBITDA; 2017 pro forma leverage includes redemption of a portion of senior notes using IPO proceeds and cash on hand in Jan. & Feb. 2018

©2018 Gates Inc. All rights reserved.

IMPACT OF TAX REFORM

- **2017 results include a one-time, non-cash net benefit of $118M**
  - Primarily driven by applying the lower US corporate tax rate to deferred tax liabilities
  - Partially offset by negative impact of other items, primarily transition tax
- **Adjusting for tax reform and other non run-rate items in 2017, effective tax rate would have been ~27%**
- **We continue to work through the implications of tax reform, but anticipate a 2018 impact of +/- 150 bps to the normalized 2017 effective rate**
- **We continue to believe that the largest impact of tax reform will be the stimulus that it provides to the applications that require our products**

TAX REFORM ANTICIPATED TO STIMULATE END MARKETS, SLIGHT IMPACT TO EFFECTIVE RATE EXPECTED IN 2018

©2018 Gates Inc. All rights reserved.

2018 OUTLOOK

USD in millions	2018 RANGE
Net Revenue Growth	7.5% – 10.5%
Core Revenue Growth	5.0% – 6.0%
Adjusted EBITDA	$735M – $755M

©2018 Gates Inc. All rights reserved.

KEY TAKEAWAYS FROM 2017

- **Outstanding finish to 2017**
  - High single-digit core revenue growth the result of strong efforts across all product lines
  - Completed two Fluid Power bolt-on acquisitions to accelerate growth strategies
- **Increasing momentum across many of the end markets we serve**
- **Made capacity investments that we expect to serve our organic growth initiatives**
- **Steps taken to continue reducing our leverage, including use of IPO proceeds**
- **Continued to advance our organic growth strategies**
- **Encouraged by 2017 progress and well positioned to accomplish growth objectives in 2018 and beyond**

©2018 Gates Inc. All rights reserved.


Gates

APPENDIX

©2018 Gates Inc. All rights reserved.

RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions)	Q4 2017	Q4 2016	FY 2017	FY 2016
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 118.8**	**$ 9.9**	**$ 151.3**	**$ 57.7**
Plus:				
Amortization of acquisition-related intangible assets	30.8	31.6	124.2	141.9
Transaction-related expenses	6.8	0.4	18.1	0.4
Impairments	2.8	1.8	2.8	3.2
Restructuring expenses	9.1	3.4	17.4	11.4
Sponsor fees and expenses	2.2	1.6	6.7	6.1
Share-based compensation	2.5	0.9	5.4	4.2
Adjustments relating to post-retirement benefits	1.9	1.6	2.5	6.4
Inventory impairments and adjustments (incl. in cost of sales)	2.0	21.3	2.0	20.7
Non-cash financing-related FX losses (gains)	11.7	(4.3)	61.2	(7.6)
Income from discontinued operations	(0.6)	(8.6)	(0.7)	(12.4)
One-time deferred tax benefit from U.S. tax reform	(118.2)	-	(118.2)	-
Normalization for quarterly variances in effective tax rates	13.0	1.2	-	-
Other adjustments	(1.9)	(0.2)	(9.3)	(8.1)
Estimated tax effect of the above adjustments	(24.9)	(12.0)	(53.9)	(38.9)
Adjusted Net Income	**$ 56.0**	**$ 48.6**	**$ 209.5**	**$ 185.0**

RECONCILIATIONS – ADJUSTED EBITDA

(USD in millions)	Q4 2017	Q4 2016	FY 2017	FY 2016
Reconciliation to Adjusted EBITDA				
Net income	**$ 130.2**	**$ 15.3**	**$ 182.7**	**$ 84.3**
Gain on disposal of discontinued operations	(0.6)	(8.6)	(0.7)	(12.4)
Income tax (benefit) expense	(105.4)	6.0	(72.5)	21.1
Net finance costs	65.8	48.8	290.9	205.9
Depreciation & amortization	54.0	52.2	212.2	240.8
Transaction-related costs	6.8	0.4	18.1	0.4
Restructuring expenses	9.1	3.4	17.4	11.4
Sponsor fees	2.2	1.6	6.7	6.1
Share-based compensation	2.5	0.9	5.4	4.2
Adjustments relating to post-retirement benefits	1.9	1.6	2.5	6.4
Inventory impairments & adjustments (incl. in cost of sales)	2.0	21.3	2.0	20.7
Other impairments	2.8	1.8	2.8	3.2
Other adjustments	1.7	3.2	1.6	2.8
Adjusted EBITDA	**$ 173.0**	**$ 147.9**	**$ 669.1**	**$ 594.9**