

Q1 2018 EARNINGS PRESENTATION

MAY 2, 2018

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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 is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.

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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Q1 HIGHLIGHTS

- **Record quarterly revenue of $852M represents 16.7% growth**
  - Solid core revenue growth across both power transmission and fluid power segments
  - Continued strong growth in emerging markets
- **Record Adjusted EBITDA of $184M, with Adjusted EBITDA Margin of 21.6%**
  - +60 bps over prior year, +115 bps excluding the impact of the 2017 second-half acquisitions
  - Realizing additional positive impacts from the Gates Operating System
- **Continuing to invest in our large organic growth opportunities**
  - Investment in fluid power capacity will begin delivering at end of Q2 and ramping into second half of 2018
  - R&D and product line investments to advance our hydraulics and chain-to-belt initiatives
- **Announced the acquisition of Rapro**
  - Fits seamlessly into our distribution network and provides opportunity for further industrial expansion
  - Aligned with our focus on emerging markets

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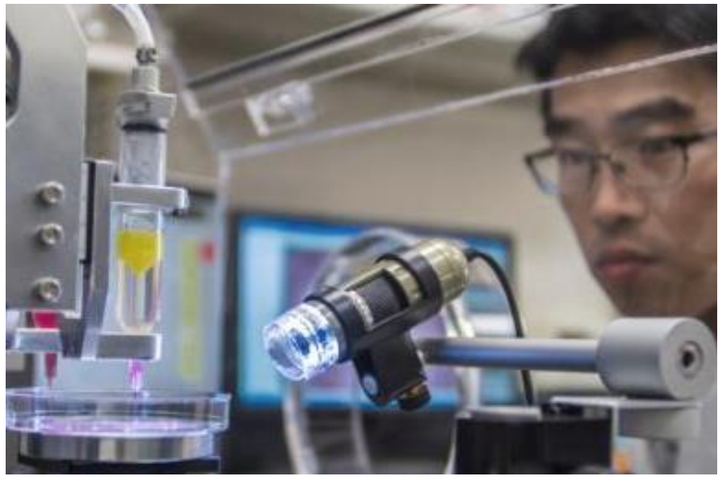
Note: Core revenue growth excludes impact of foreign currency translation and acquisitions completed in the last 12 months

POWER TRANSMISSION – Q1 HIGHLIGHTS

Highlights:

- Balanced core revenue growth across all end markets
  - Particularly strong growth in China and Brazil
- Early stages of chain-to-belt, with very positive feedback
  - Seeing many opportunities in a variety of end markets
- Q1 Adjusted EBITDA margin expansion of 80 bps
  - Offsetting inflation with price and procurement actions

Materials Science Expertise



Gates has developed best-in-industry technology to combine the low-weight, high-strength and stiffness performance of carbon fiber with the durability and flexibility required in belt applications

(USD In millions)	Q1 2018	Q1 2017	% Δ
REVENUE	$546.0	$485.6	+12.4%
ADJ. EBITDA	$125.3	$107.5	+16.6%
ADJ. EBITDA MARGIN	22.9%	22.1%	+80 bps
DEPRECIATION & AMORTIZATION[(1)]	$15.5	$13.9	+11.5%
AMORT. OF INTANGIBLES FROM ACQ. OF GATES	$19.6	$20.8	(5.8%)

REVENUE GROWTH:

Core	5.8%
FX	6.6%
Acq.	–
Total	12.4%

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(1) Excludes the amortization of intangible assets arising from the 2014 acquisition of Gates.

FLUID POWER – Q1 HIGHLIGHTS

Highlights:

- High growth rate resulting from acquisitions and execution of growth initiatives, particularly in emerging markets
  - Built backlog in hydraulics during Q1
- Adjusted EBITDA margin expansion over Q1 of prior year
- Acquired Rapro to expand our replacement business and presence in emerging markets
- Investing in new product development to support continued growth and increase size of addressable market

Leading Portfolio of Premium Products



Gates' fluid power solutions are engineered for optimal performance, including improved flexibility, corrosion resistance, abrasion resistance, lighter weight and increased safety

(USD in millions)	Q1 2018	Q1 2017	% Δ
REVENUE	$306.0	$244.6	+25.1%
ADJ. EBITDA	$58.6	$45.5	+28.8%
ADJ. EBITDA MARGIN	19.2%	18.6%	+60 bps
ADJ. EBITDA MARGIN EX-ACQ.	20.4%	18.6%	+180 bps
DEPRECIATION & AMORTIZATION[(1)]	$8.9	$7.2	+23.6%
AMORT. OF INTANGIBLES FROM ACQ. OF GATES	$11.0	$10.5	+4.8%

REVENUE GROWTH:

Core	+7.2%
FX	+4.0%
Acq.	+13.9%
Total	+25.1%

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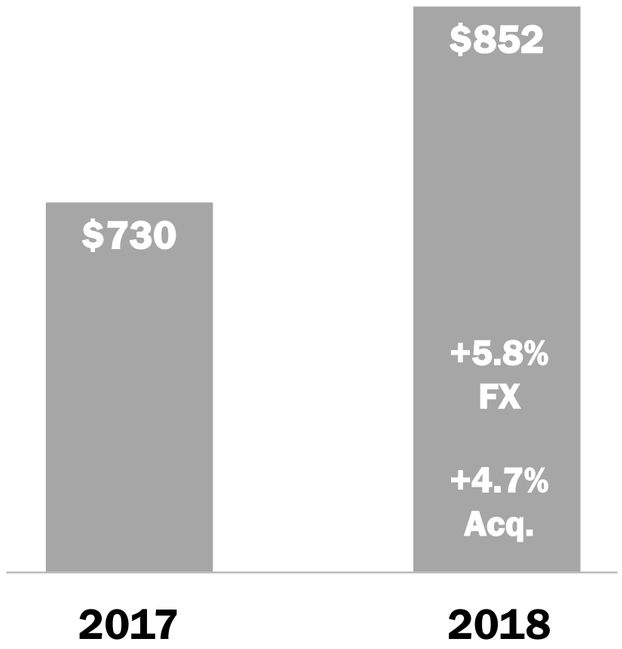
(1) Excludes the amortization of intangible assets arising from the 2014 acquisition of Gates.

Q1 2018 FINANCIAL PERFORMANCE

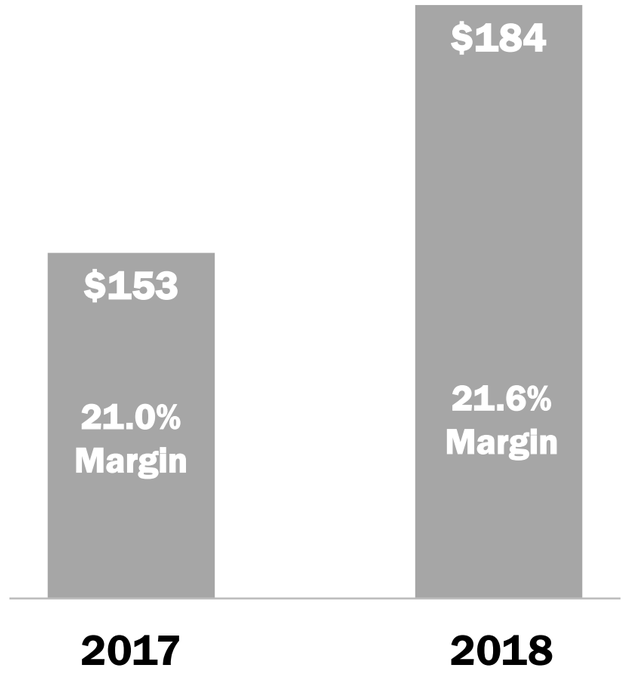
USD in millions

REVENUE



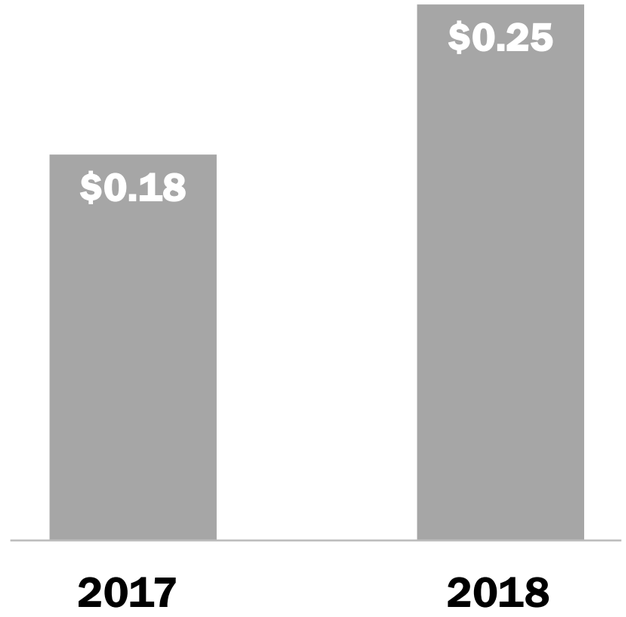
Up 16.7%
6.2% Core Growth

ADJUSTED EBITDA



Up 20.1%
Margin of 22.1% excl. acquisitions

ADJUSTED EPS



Driven by growth in Adjusted EBITDA

RECORD QUARTER FOR REVENUE AND ADJUSTED EBITDA

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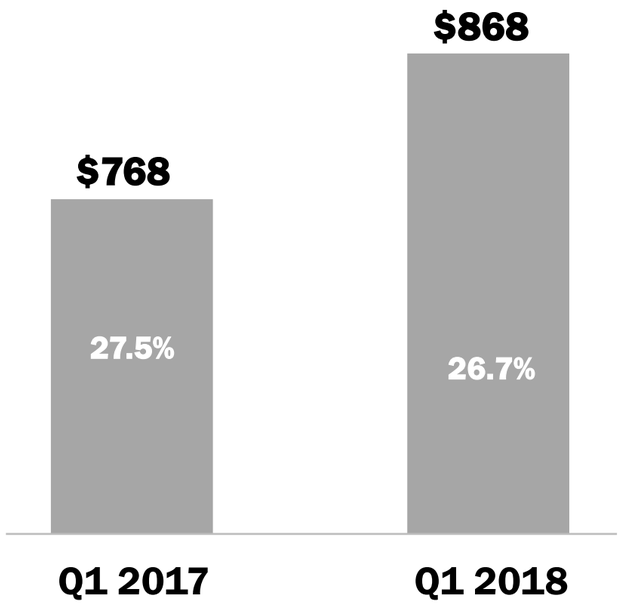
BALANCE SHEET AND LIQUIDITY

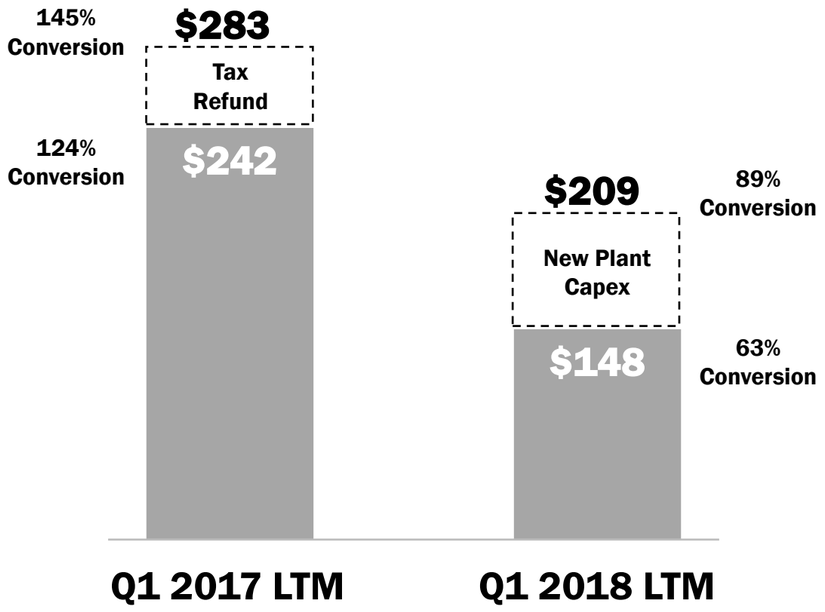
USD in millions, except multiple data

TRADE WORKING CAPITAL



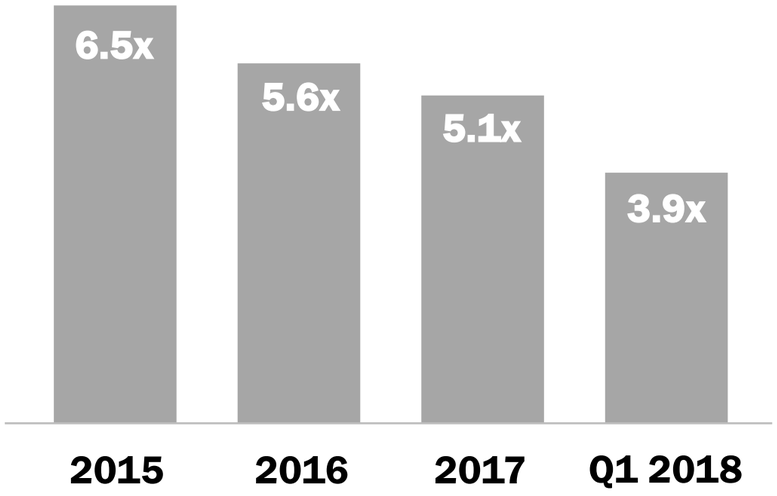
Improved 80 bps as % of LTM revenue

FREE CASH FLOW



Continuing to invest in growth

LEVERAGE



IPO proceeds drive further deleveraging

CONTINUING TO DELEVERAGE WHILE INVESTING IN GROWTH

Note: Trade Working Capital: Trade Accounts Receivable plus Inventory minus Trade Accounts Payable, net of acquisitions
LTM 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

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2018 OUTLOOK

USD in millions	PREVIOUS	CURRENT
Revenue Growth	**7.5% – 10.5%**	**8.0% – 11.0%**
Core Revenue Growth	**5.0% – 6.0%**	**5.0% – 6.0%**
Adjusted EBITDA	**$735 – $755**	**$738 – $758**
Capital Expenditures	**–**	**$150 – $170**

- Strong Q1 performance delivers a solid start to 2018
- Maintaining previous guidance but adding Rapro impact
  - For remainder of 2018, Rapro anticipated to bring ~$15M in revenue, generally in-line with Gates' profitability

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KEY TAKEAWAYS FROM Q1

- **Strong start to 2018 in terms of revenue growth and Adjusted EBITDA Margin**
  - Pleased with the contribution from our acquisitions, which are benefitting from industrial end markets
  - Emerging markets presence continues to help drive strong core revenue growth
  - Favorable price/cost in Q1 as we also experienced in Q4
- **Continuing to invest in our large organic growth opportunities**
  - Currently running at full capacity in hydraulics; exited Q1 with backlog
  - Additional fluid power capacity begins to come online late Q2, continuing into second half of year
- **Reiterating full-year 2018 outlook, raising for Rapro acquisition**
  - Tariffs are not currently expected to have a material impact
  - Managing raw material inflation through commercial actions
- **Rapro acquisition demonstrates ability to execute bolt-on acquisitions in fragmented markets**

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APPENDIX

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2017 REVENUE GROWTH BY SEGMENT

%	Q1	Q2	Q3	Q4	FY
Power Transmission:					
Core	6.0	6.7	10.8	7.6	7.8
FX	(0.8)	(1.5)	0.9	3.8	0.6
Acquisitions	0.0	0.0	0.0	0.0	0.0
Total	**5.2**	**5.3**	**11.7**	**11.5**	**8.3**
Fluid Power:					
Core	10.1	11.7	12.6	11.6	11.5
FX	(0.9)	(0.8)	1.2	2.5	0.5
Acquisitions	0.0	0.0	0.6	14.9	3.7
Total	**9.2**	**10.9**	**14.4**	**28.9**	**15.7**
Total:					
Core	7.3	8.3	11.4	9.1	9.0
FX	(0.8)	(1.2)	1.0	3.2	0.5
Acquisitions	0.0	0.0	0.2	4.8	1.2
Total	**6.5**	**7.1**	**12.6**	**17.1**	**10.7**

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2017 DEPRECIATION & AMORTIZATION BY SEGMENT

USD in millions	Q1	Q2	Q3	Q4	FY
Power Transmission:					
Depreciation & Amortization[(1)]	13.9	14.5	14.4	15.1	57.9
Amortization of intangibles from acq. of Gates	20.8	21.2	20.2	19.5	81.7
Fluid Power:					
Depreciation & Amortization[(1)]	7.2	7.4	7.4	8.7	30.7
Amortization of intangibles from acq. of Gates	10.5	10.7	10.0	10.7	41.9
Total:					
Depreciation & Amortization[(1)]	21.1	21.9	21.8	23.8	88.6
Amortization of intangibles from acq. of Gates	31.3	31.9	30.2	30.2	123.6

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(1) Excludes the amortization of intangible assets arising from the 2014 acquisition of Gates.

RECONCILIATIONS – ADJUSTED EBITDA

(USD in millions)	Q1 2018	Q1 2017	LTM Q1 2018	LTM Q1 2017
Reconciliation to Adjusted EBITDA				
Net income	**$ 29.3**	**$ 26.3**	**$ 185.7**	**$ 97.7**
Loss (gain) on disposal of discontinued operations	0.1	(0.3)	(0.3)	(12.6)
Income tax expense (benefit)	11.7	12.5	(73.3)	26.5
Net finance costs	77.2	55.9	314.7	215.4
Depreciation & amortization	55.0	52.4	214.8	226.3
Transaction-related costs	4.7	2.0	20.8	2.4
Restructuring expenses	(0.3)	1.8	15.3	11.8
Sponsor fees and expenses	1.9	1.5	7.1	6.1
Share-based compensation	1.6	0.8	6.2	4.4
Inventory impairments & adjustments (incl. in cost of sales)	-	-	2.0	20.7
Other impairments	0.3	-	3.1	3.2
Other adjustments	2.4	0.1	3.9	2.9
Adjusted EBITDA	**$ 183.9**	**$ 153.0**	**$ 700.0**	**$ 604.8**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD millions)	Q1 2018	Q1 2017	LTM Q1 2018	LTM Q1 2017
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 24.2**	**$ 18.8**	**$ 156.7**	**$ 69.5**
Plus:				
Amortization of intangibles from the 2014 acquisition of Gates	30.6	31.3	122.9	134.3
Transaction-related expenses	4.7	2.0	20.8	2.4
Impairments	0.3	-	3.1	3.2
Restructuring (benefits) expenses	(0.3)	1.8	15.3	11.8
Sponsor fees and expenses	1.9	1.5	7.1	6.1
Share-based compensation	1.6	0.8	6.2	4.4
Adjustments relating to post-retirement benefits	1.0	1.6	1.9	6.4
Inventory impairments and adjustments (incl. in cost of sales)	-	-	2.0	20.7
Premium on redemption of long-term debt	27.0	-	27.0	-
Financing-related FX (gains) losses	(9.4)	0.2	51.6	(4.4)
Loss (gain) on disposal of discontinued operations	0.1	(0.3)	(0.3)	(12.6)
One-time deferred tax benefit from U.S. tax reform	-	-	(118.2)	-
Other adjustments	(0.4)	(2.3)	(7.4)	(8.0)
Estimated tax effect of the above adjustments	(9.7)	(9.3)	(54.3)	(38.9)
Adjusted Net Income	**$ 71.6**	**$ 46.1**	**$ 234.4**	**$ 194.9**

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