



Q3 2021 EARNINGS PRESENTATION

NOVEMBER 8, 2021



LEGAL DISCLAIMERS

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 the performance of the Company's business and financial results (including growth and margin improvement), expectations regarding margin headwinds (including inflation, supply chain, logistical and labor challenges) and the success of related pricing actions, the robust demand environment (including strong order intake trends and growing pipeline of opportunities), price offset on materials and logistics, liquidity and capital resources including deleveraging and our capital allocation flexibility, investment in working capital, productivity and product initiatives, portfolio optimization, increased optionality to accelerate growth inorganically, the success of our efforts related to new partnerships and equipment design and application, and statements regarding the impact of and the recovery from the COVID-19 pandemic and our outlook for 2021 and 2022. Such forward-looking statements are subject to various risks and uncertainties, including, among others, the uncertainties relating to the impact of the COVID-19 pandemic and associated governmental measures on the company's business, operations, employees, financial condition and results of operations, risks inherent to the manufacturing industry, macroeconomic factors beyond the Company's control including raw material and wage inflation, supply chain and labor challenges and end-market recovery, continued operation of our manufacturing facilities, our ability to forecast and meet demand, market acceptance of new products, and the significant influence of the Company's majority 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 January 2, 2021, filed with the Securities and Exchange Commission ("SEC"), as such factors may be further 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.

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. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to future results.

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.



- **Record Q3 top-line performance**
 - Strong underlying demand and order trends continued
 - New products & commercial initiatives drove solid share gains broadly across industrial end markets
 - Execution focused on supporting customer demand amid supply chain disruptions
- **Record Q3 earnings – strong operational performance offset challenging environment**
 - Remained price/cost positive, offsetting impact of significant inflation
 - Continued to invest to support long-term growth
 - Delivered solid incremental margins
- **Strong cash generation, continued to reduce Net Leverage**



21.1%

Revenue Growth

21.3%

Adjusted EBITDA Margin

\$0.31

Adjusted Earnings per Share⁽¹⁾

\$862M of Net Sales
19% core growth year-over-year

- MDD growth across industrial end markets, led by Diversified Industrial, Off-Highway and Mobility & Recreation
- HSD growth in Automotive Replacement business more than offset declines in Automotive OE

\$184M of Adjusted EBITDA
31% growth year-over-year

- Margin expansion of 160 bps – price, volume and productivity initiatives offsetting inflation & supply chain headwinds
- Incremental margin⁽²⁾ of 29%

Year-over-year increase of 19%

- Growth from operating income offset increased tax expense on higher earnings

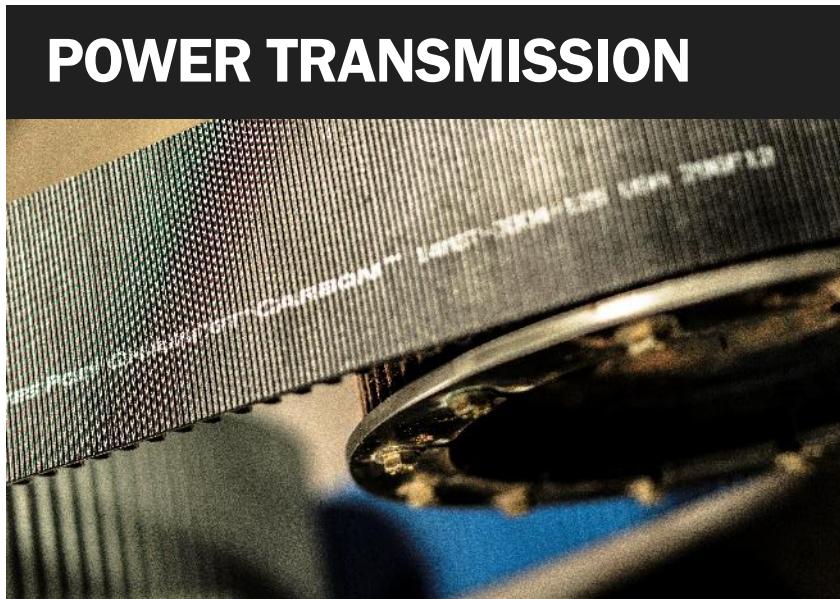
RECORD THIRD-QUARTER RESULTS AMID CHALLENGING OPERATIONAL BACKDROP



Q3 2021 – SEGMENT HIGHLIGHTS



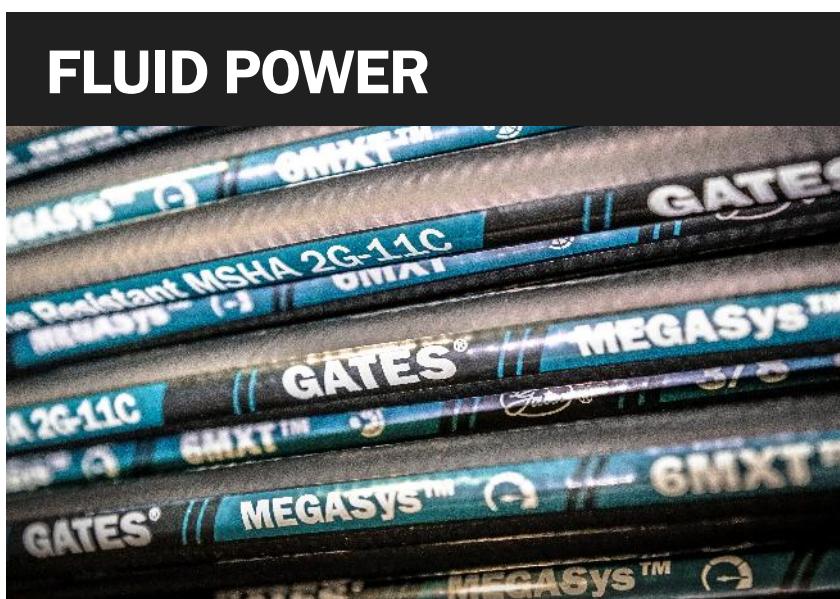
NET SALES	ADJUSTED EBITDA MARGIN	HIGHLIGHTS
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POWER TRANSMISSION

\$549M	22.4%	
15.2%	+120 bps	
Core Growth vs. Q3 '20	vs. Q3 '20	
15.0%	+140 bps	
vs. Q3 '19	vs. Q3 '19	

- Diversified Industrial and Mobility & Recreation end markets driving the segment's above-market growth
- Initiatives drove Chain-to-Belt growth of ~50%
- Wins driving increased momentum in the pipeline of opportunities



FLUID POWER

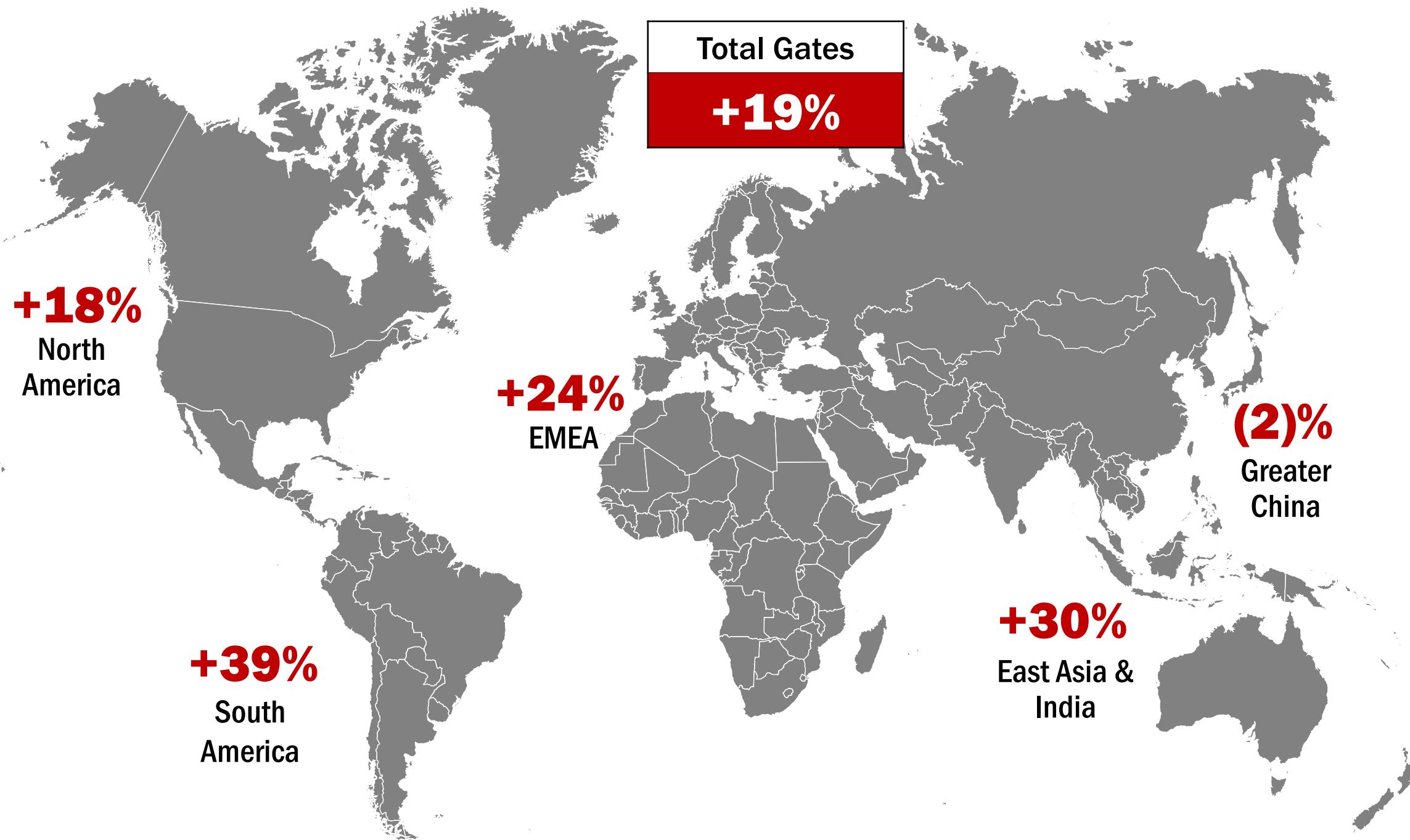
\$313M	19.4%	
26.3%	+270 bps	
Core Growth vs. Q3 '20	vs. Q3 '20	
14.6%	+280 bps	
vs. Q3 '19	vs. Q3 '19	

- Above-market growth driven by initiatives in Diversified Industrial, Off-Highway and recovering Energy end markets
- Key wins in food & beverage, construction and heavy-duty truck applications; new product sales up over 70% year-over-year
- EV participation gaining strong momentum – HD application thermal management system SOP, launch of next-gen water pump platform



Q3 2021 – REGIONAL CORE REVENUE PERFORMANCE

6



North America

+18%
North America

+24%
EMEA

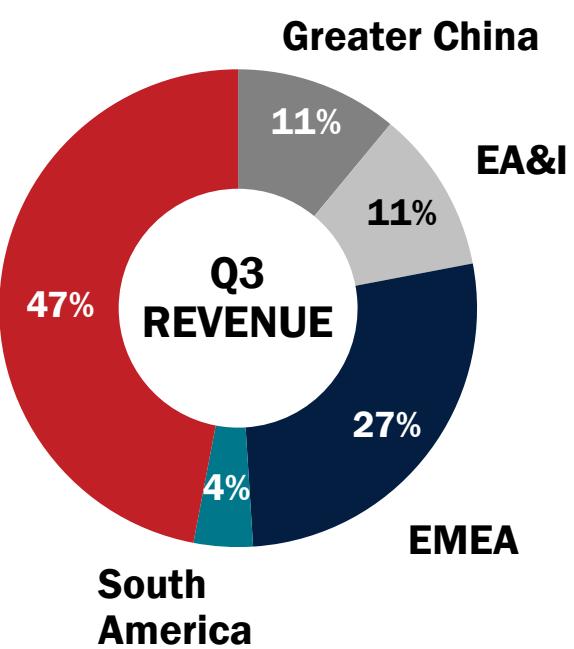
+39%
South America

+30%
East Asia & India

(2)%
Greater China

Total Gates

+19%



- Strong core growth across the portfolio
- China impacted by government-implemented power outages

STRONG EXECUTION OF GLOBAL INITIATIVES DRIVING ABOVE-MARKET GROWTH



\$309M
LTM Free Cash Flow

Solid Free Cash Flow while investing to support exceptionally strong growth

- Q3 Free Cash Flow growth of 116% vs. prior year, Cash conversion on Adjusted Net Income of 89%
- Year-over-year improvement of 250 bps in trade working capital as a percentage of LTM sales

2.7X
Net Leverage

Net Leverage within targeted mid-term range of 2.0x - 3.0x

- Cash generation and Adjusted EBITDA growth driving continued reduction in Net Leverage
- Year-over-year improvement of 2.1x

22.1%
ROIC

ROIC improving towards mid-20% range

- Increase of 790 bps compared to prior-year Q3
- Higher operating income offset increased investment to fund growth

ACCELERATED DELEVERAGING & STRONG FREE CASH FLOW GENERATION PROVIDE INCREASED OPTIONALITY

Notes: LTM Free Cash Flow: Net Cash Provided by Operations minus capital expenditures for the last twelve months; Free Cash Flow Conversion shown as % of Adjusted Net Income

Net Leverage: Net Debt (defined as the principal amount of our debt less the carrying amount of cash and cash equivalents) divided by LTM Adjusted EBITDA

ROIC: Tax-effected LTM Adjusted EBIT divided by total assets minus cash, accounts payable, deferred tax assets, taxes receivable and intangibles related to 2014 acquisition of Gates



OUTLOOK



FULL YEAR 2021			
CORE REVENUE GROWTH	ADJUSTED EBITDA MARGIN	CAPITAL EXPENDITURES <small>(USD IN MILLIONS)</small>	FREE CASH FLOW CONVERSION
20.0% – 22.0%	21.0% – 21.5%	~\$100	> 80%

- **Core Revenue maintained at 20% to 22%, reflecting strong organic growth**
- **Adjusted EBITDA margin updated to reflect higher cost expectations**
 - Full-year Adjusted EBITDA margin expansion of over 300 bps, incremental margin in mid-30% range
 - Higher costs driven by inflation, logistics and operational inefficiencies
 - Focus continues to be on maintaining excellent customer service amid significant supply chain disruptions
- **Expect to be price/cost neutral in 2021, as well as in 2022**
- **Anticipate transitioning to Adjusted EPS guidance in 2022**



■ Robust revenue growth

- Compelling value propositions driving Diversified Industrial & Mobility growth initiatives
- Focus on innovation continues – growing pipeline of new products
- End market trends supportive of demand – book-to-bill remains solidly above 1.0

■ **Strong earnings growth**

- Solid execution in challenging environment
- Resilient business model – managing supply chain/logistics disruptions well
- YTD Adjusted EBITDA growth of 73% – key growth initiatives focused on higher-margin products

■ **Substantial Free Cash Flow generation**

- Contributing to rapid year-over-year deleveraging
- Increased optionality for range of capital allocation opportunities

■ Well positioned for 2022





APPENDIX





ADJUSTED EPS – SUMMARY WALK

12

Q3 2020

\$0.26

OPERATING PERFORMANCE 0.15 Revenue growth and margin improvement

INCOME TAX EXPENSE (0.09) Higher income tax expense from higher pre-tax income

OTHER (0.01)

Q3 2021

\$0.31



RECONCILIATIONS – ADJUSTED EBITDA AND NET LEVERAGE

13

(USD in millions)	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020	LTM Q3 2021	LTM Q3 2020
Reconciliation to Adjusted EBITDA						
Net Income from Continuing Operations	\$ 78.2	\$ 45.7	\$ 260.1	\$ 57.8	\$ 292.6	\$ 83.2
<i>Adjusted for:</i>						
Income tax expense (benefit)	17.3	(16.0)	47.8	(31.5)	60.0	(29.6)
Net interest and other expenses	35.0	34.2	100.3	99.4	141.0	140.1
Depreciation and amortization	54.7	53.6	167.4	163.2	222.8	218.0
Transaction-related expenses	0.2	5.4	2.8	5.2	2.8	7.1
Asset impairments	-	1.4	-	5.1	0.1	5.1
Restructuring expenses	1.9	7.3	8.5	26.4	19.4	28.5
Share-based compensation expense	5.7	4.9	18.5	13.5	24.8	18.0
Sponsor fees (included in other operating (income) expenses)	-	0.2	-	1.9	-	3.5
Inventory impairments (included in cost of sales)	-	-	0.1	1.4	0.1	1.3
Severance expenses (included in cost of sales)	-	0.3	-	0.9	0.1	1.9
Severance expenses (included in SG&A)	0.2	3.0	0.5	3.8	4.7	4.2
Other items not directly related to current operations ⁽¹⁾	(9.3)	-	(9.8)	(3.1)	(9.6)	(2.2)
Adjusted EBITDA	\$ 183.9	\$ 140.0	\$ 596.2	\$ 344.0	\$ 758.8	\$ 479.1
Adjusted EBITDA margin						
Net Sales	\$ 862.4	\$ 712.2	\$ 2,658.8	\$ 1,998.8	\$ 3,453.0	\$ 2,724.5
Adjusted EBITDA	\$ 183.9	\$ 140.0	\$ 596.2	\$ 344.0	\$ 758.8	\$ 479.1
Adjusted EBITDA margin	21.3%	19.7%	22.4%	17.2%	22.0%	17.6%
Reconciliation to Net Leverage						
Total principal amount of debt					\$ 2,596.7	\$ 2,994.6
Less: Cash and cash equivalents					540.6	672.3
Net Debt					\$ 2,056.1	\$ 2,322.3
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)					2.7 x	4.8 x

(1) During the three, nine and twelve months ended October 2, 2021, other items not directly related to current operations included a \$9.3 million net gain on the sale of a purchase option on a building that we lease in Europe.



RECONCILIATIONS – ADJUSTED NET INCOME

14

(USD in millions, except share numbers and per share amounts)

	Q3 2021	Q3 2020	LTM Q3 2021	LTM Q3 2020
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Reconciliation to Adjusted Net Income

Net Income Attributable to Shareholders	\$ 70.2	\$ 41.9	\$ 258.7	\$ 74.5
<i>Adjusted for:</i>				
Loss (gain) on disposal of discontinued operations	0.2	0.1	(0.1)	0.3
Amortization of intangible assets arising from the 2014 acquisition of Gates	29.9	29.5	120.4	117.0
Transaction-related expenses	0.2	5.4	2.8	7.1
Asset impairments	-	1.4	0.1	5.1
Restructuring expenses	1.9	7.3	19.4	28.5
Share-based compensation expense	5.7	4.9	24.8	18.0
Sponsor fees (included in other operating (income) expenses)	-	0.2	-	3.5
Inventory impairments (included in cost of sales)	-	-	0.1	1.3
Adjustments relating to post-retirement benefits	(1.2)	(1.4)	(5.4)	(3.2)
Financing-related FX losses (gains)	3.6	(2.1)	3.8	(3.8)
Other adjustments ⁽¹⁾	(11.6)	0.8	(14.1)	(14.0)
Estimated tax effect of the above adjustments	(6.9)	(12.2)	(37.4)	(31.0)
Adjusted Net Income	\$ 92.0	\$ 75.8	\$ 373.1	\$ 203.3

Diluted weighted average number of shares outstanding 299,683,289 292,441,599

Adjusted Net Income per diluted share \$ 0.31 \$ 0.26

(1) During the three and twelve months ended October 2, 2021, other adjustments included a \$9.3 million net gain on the sale of a purchase option on a building that we lease in Europe. During the twelve months ended September 26, 2020, other adjustments included \$17.9 million in relation to the non-controlling interest share of the adjustments above, primarily restructuring expenses incurred in relation to the closure of our manufacturing facility in Korea.



RECONCILIATIONS – FREE CASH FLOW AND FREE CASH FLOW CONVERSION

(USD in millions)

Reconciliation of Free Cash Flow

	Q3 2021	Q3 2020	LTM Q3 2021	LTM Q3 2020
Net Cash Provided By Operating Activities	\$ 101.7	\$ 55.9	\$ 395.0	\$ 331.2
Capital Expenditures ⁽¹⁾	(20.0)	(18.0)	(85.8)	(70.2)
Free Cash Flow	\$ 81.7	\$ 37.9	\$ 309.2	\$ 261.0

(USD in millions)

Reconciliation of Free Cash Flow Conversion

	Q3 2021	Q3 2020	LTM Q3 2021	LTM Q3 2020
Free Cash Flow	\$ 81.7	\$ 37.9	\$ 309.2	\$ 261.0
Adjusted Net Income	\$ 92.0	\$ 75.8	\$ 373.1	\$ 203.3
Free Cash Flow Conversion	88.8%	50.0%	82.9%	128.4%



RECONCILIATIONS – RETURN ON INVESTED CAPITAL (ROIC)

16

(USD in millions)

Return On Invested Capital (ROIC)

LTM Adjusted EBITDA

LTM Total depreciation and amortization
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates

	Q3 2021	Q3 2020
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\$ 758.8	\$ 479.1
(222.8)	(218.0)
120.4	117.0
656.4	378.1

LTM Adjusted EBIT

Notional tax at 25%

(164.1)	(94.5)
\$ 492.3	\$ 283.6

LTM Tax-effected Adjusted EBIT

Total Assets

\$ 7,506.0	\$ 7,335.7
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Adjusted for:

Cash

(540.6)	(672.3)
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Taxes receivable

(54.2)	(53.9)
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Deferred tax assets

(624.0)	(620.4)
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Accounts payable

(459.5)	(339.4)
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Intangibles arising from the acquisition of Gates

(3,601.1)	(3,652.8)
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Invested Capital

\$ 2,226.6	\$ 1,996.9
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Return On Invested Capital

22.1%	14.2%
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