

Q3 2022 EARNINGS PRESENTATION

NOVEMBER 4, 2022

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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 initiatives and margin expansion), expectations regarding the supply chain (including raw material and logistics availability, timeliness and costs), demand trends and growing backlog, currency-related trends, cash generation capabilities, capital deployment options, investments in innovation, investments in production capacity, product initiatives, pricing actions, the recovery of certain markets, including China, and statements regarding the impact of and the recovery from the COVID-19 pandemic, our footprint optimization plan and our outlook for 2022. Such forward-looking statements are subject to various risks and uncertainties, including, among others, economic, political and other risks associated with international operations (including those related to the Russia-Ukraine conflict), the uncertainties relating to the impact of the COVID-19 pandemic and associated governmental measures, 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), 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 1, 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.

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.

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Q3 2022 – OVERVIEW

- **HSD core growth while navigating through incremental disruptions**
  - Steady demand environment – book-to-bill remains above 1.0
  - Backlog remains elevated
  - Execution on initiatives offsetting negative FX and other external headwinds
- **Profitability continued to improve sequentially**
  - Positive price/cost
- **Updating full-year outlook to reflect continued challenges**
  - Stronger US dollar creating more significant FX headwind
  - Highly-engineered polymer supply remains volatile, resulting in operational and logistics inefficiencies
  - Increasing energy and petrochemical inflation
- **Positioning the company for long-term profitable growth – initiating next phase of footprint optimization plan**

SOLID EXECUTION IN THE FACE OF CHALLENGING MACRO ENVIRONMENT

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Q3 2022 – FINANCIAL PERFORMANCE

$861M

Net Sales

7.6% core growth year-over-year

- Growth led by industrial end markets and initiatives
- Net sales headwinds of ~8% from FX

$178M

Adjusted EBITDA

20.6% Adjusted EBITDA margin

- Sequential margin expansion of 70 bps
- Price/cost positive – margin neutral
- Inefficiencies of ~250 bps related to operational disruptions

$0.31

Adjusted Earnings per Share[1]

Flat to prior-year quarter

- Lower operating income offset by lower minority interest and share count

SOLID PERFORMANCE WHILE NAVIGATING A COMPLEX SET OF EXTERNAL CHALLENGES

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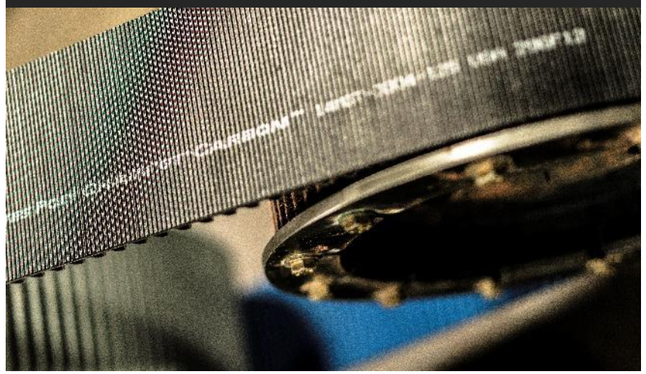
[1] Adjusted Net Income per diluted share

Q3 2022 – SEGMENT RESULTS

POWER TRANSMISSION



FINANCIAL PERFORMANCE		HIGHLIGHTS
NET SALES	$523M	▪ Core revenue growth of 5.0% – includes LSD headwind from suspension of Russia business
ADJUSTED EBITDA	$102M	▪ Core revenue growth in all regions, with strongest performance in industrial end markets – led by Energy, Off-Highway and Personal Mobility
MARGIN	19.5%	▪ Order book in Mobility continues to grow – pipeline remains strong

FLUID POWER



NET SALES	$338M	▪ Core revenue growth of 12.1% – solid performance across all end markets, led by Energy, On-Highway and Automotive Replacement
ADJUSTED EBITDA	$76M	▪ New products continued to support growth, up over 20% year-over-year
MARGIN	22.4%	▪ Strong pace of design-win activities

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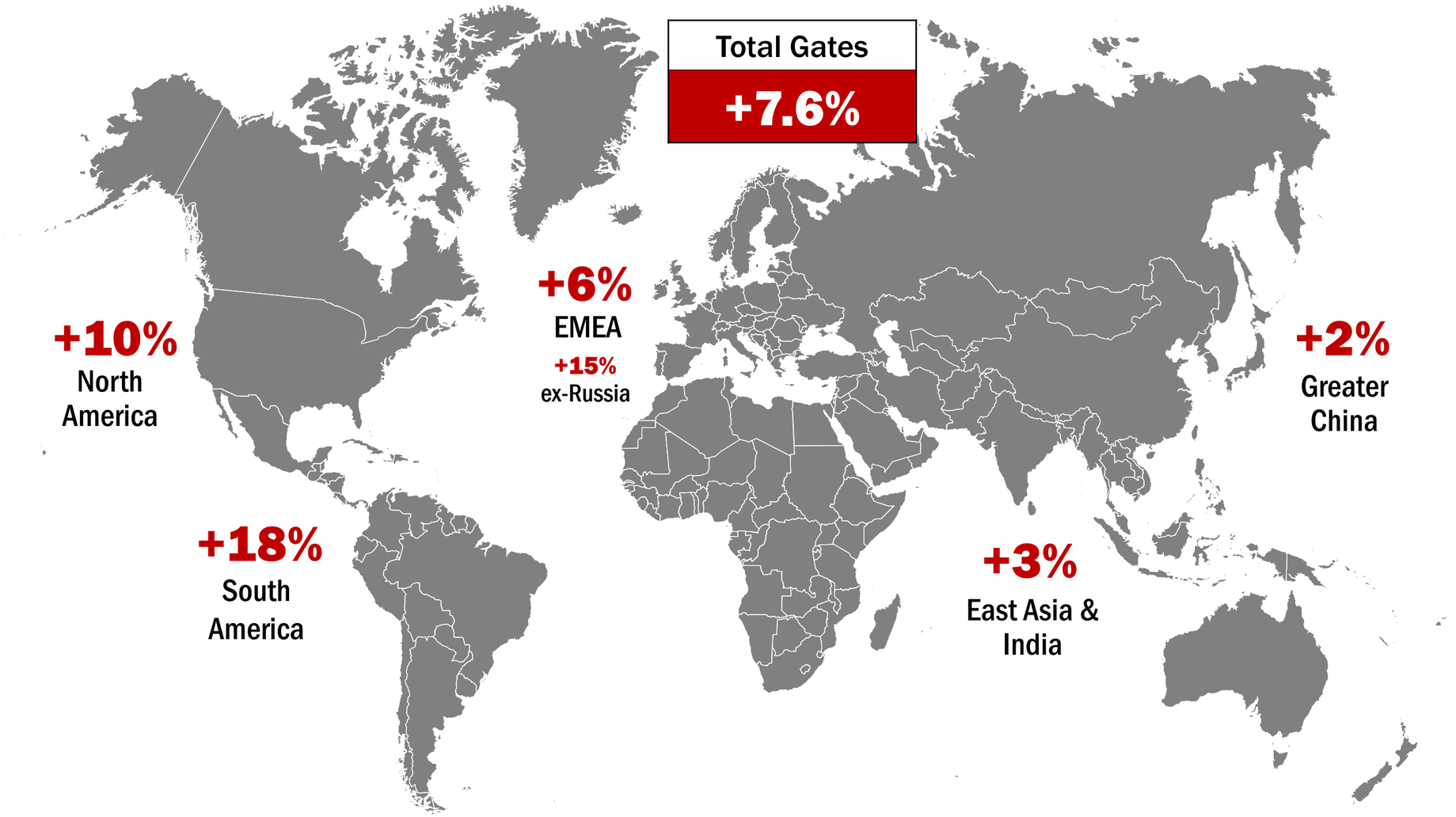
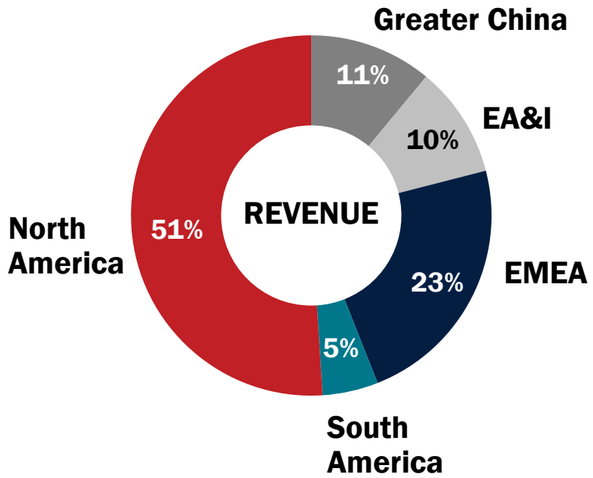
Q3 2022 – REGIONAL CORE REVENUE PERFORMANCE





Growth in all regions, with China returning to core revenue growth as end markets recover from COVID shutdowns

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Q3 2022 – CAPITAL EFFICIENCY & CASH FLOW

82%

Free Cash Flow Conversion

Solid Free Cash Flow Conversion despite challenging environment

- Significantly improved Free Cash Flow Conversion from Q2
- Working capital stabilizing but supply chain challenges remain

3.2x

Net Leverage

Net Leverage continuing to improve

- Maintaining expectation of Net Leverage at or below 3.0x by the end of 2022

18.0%

ROIC

Maintaining solid ROIC

- Overcoming significant operational disruptions and higher investment in working capital

WORKING CAPITAL STABILIZING, BUT SUPPLY CHAIN CHALLENGES REMAIN

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Notes: Free Cash Flow Conversion: LTM Free Cash Flow (Net Cash Provided by Operations minus capital expenditures for the last twelve months) expressed as a percentage of LTM 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, income tax-related assets and intangibles related to 2014 acquisition of Gates

OUTLOOK

FULL YEAR 2022				
CORE REVENUE GROWTH	ADJUSTED EBITDA	ADJUSTED EPS	CAPITAL EXPENDITURES	FREE CASH FLOW CONVERSION
5.5% – 8.0%	$660M – $690M	$1.07 – $1.15	~$100M	~50%

FULL YEAR 2022 UPDATE

- Modifying full-year Core Revenue growth range to reflect lower production volumes due to supply chain limitations
- Adjusted EBITDA and Adjusted EPS reflect:
  - Stronger US dollar creating more significant FX headwind
  - Highly-engineered polymer supply remains volatile resulting in operational and logistics inefficiencies
  - Increasing energy and petrochemical material inflation
- Free Cash Flow Conversion reflects higher inventories to offset supply chain challenges

IMPLIED Q4 AT MID-POINT

- Net revenue of ~$860M
  - Core Revenue growth of ~12.5%
  - Includes ~7% FX impact
- Adjusted EBITDA margin YoY expansion of ~150 bps

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FOOTPRINT OPTIMIZATION PLAN

(USD in millions)	ESTIMATED CASH IMPACT	ESTIMATED TIMING
Planned Restructuring Costs	~($45)M	Q4 2022 – 2023
Targeted Annual Savings	~$25M	H1 2024

- Reducing footprint complexity
- Supporting growth initiatives
- Providing access to more flexible labor markets

CONTINUING TO OPTIMIZE AND SIMPLIFY OUR OPERATING BUSINESS MODEL

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SUMMARY

- **Delivering strong core growth**
  - **Macroeconomic and geopolitical environment remains volatile**
  - **Growth initiatives offsetting significant headwinds**
- **Profitability continuing to improve**
  - **Incremental costs driven by polymer supply chain challenges and logistics inefficiencies**
  - **Positive price/cost maintained – margin-neutral in Q3**
  - **Launching next phase of footprint optimization and business simplification programs**
- **Business aligned with key secular trends – industrial automation, micro-mobility, electrification and sustainability**
- **Investing in growth initiatives and higher-margin new products – well-positioned to execute on our mid-term strategy**

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Gates

APPENDIX

ADJUSTED EPS – SUMMARY WALK

Q3 2021	**$0.31**	
OPERATING PERFORMANCE	(0.02)	Impact of inflation, supply chain and labor headwinds offsetting pricing benefits
OTHER	0.02	Lower minority interest expense and share count
Q3 2022	**$0.31**	

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RECONCILIATIONS – ADJUSTED EBITDA AND NET LEVERAGE

(USD in millions)	Q3 2022	Q3 2021	LTM Q3 2022	LTM Q3 2021
Reconciliation to Adjusted EBITDA				
Net Income from Continuing Operations	**$ 56.0**	**$ 78.2**	**$ 223.9**	**$ 292.6**
Adjusted for:				
Income tax expense (benefit)	11.4	17.3	(7.9)	60.0
Net interest and other expenses	36.4	35.0	144.8	141.0
Depreciation and amortization	53.2	54.7	219.3	222.8
Transaction-related expenses	0.7	0.2	2.9	2.8
Asset impairments	0.5	-	1.7	0.1
Restructuring expenses	4.7	1.9	7.3	19.4
Share-based compensation expense	7.2	5.7	40.9	24.8
Inventory impairments and adjustments (included in cost of sales) [1]	7.5	-	20.0	0.1
Severance expenses (included in cost of sales)	-	-	-	0.1
Severance expenses (included in SG&A)	-	0.2	0.6	4.7
Other items not directly related to current operations [2]	0.1	(9.3)	0.7	(9.6)
Adjusted EBITDA	**$ 177.7**	**$ 183.9**	**$ 654.2**	**$ 758.8**
Adjusted EBITDA margin				
Net Sales	$ 860.7	$ 862.4	$ 3,476.5	$ 3,453.0
Adjusted EBITDA	$ 177.7	$ 183.9	$ 654.2	$ 758.8
Adjusted EBITDA margin	**20.6%**	**21.3%**	**18.8%**	**22.0%**
Reconciliation to Net Leverage				
Total principal amount of debt			$ 2,513.7	$ 2,596.7
Less: Cash and cash equivalents			395.3	540.6
Net Debt			**$ 2,118.4**	**$ 2,056.1**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)			**3.2 x**	**2.7 x**

1) During the three and twelve months ended Oct 1, 2022, inventory impairments and adjustments included $7.5 million and $18.4 million for the reversal of the adjustment to remeasure certain inventories on a LIFO basis, respectively. The recent inflationary environment has caused LIFO values to drop below FIFO values because LIFO measurement results in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.
2) During the twelve months ended Oct 1, 2022, other adjustments included a $9.3 million net gain on the sale of a purchase option on a building that we lease in Europe.

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q3 2022	Q3 2021	LTM Q3 2022	LTM Q3 2021
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 51.9**	**$ 70.2**	**$ 198.6**	**$ 258.7**
Adjusted for:				
Loss (gain) on disposal of discontinued operations	-	0.2	0.4	(0.1)
Amortization of intangible assets arising from the 2014 acquisition of Gates	28.4	29.9	116.9	120.4
Transaction-related expenses	0.7	0.2	2.9	2.8
Asset impairments	0.5	-	1.7	0.1
Restructuring expenses	4.7	1.9	7.3	19.4
Share-based compensation expense	7.2	5.7	40.9	24.8
Inventory impairments and adjustments (included in cost of sales) [1]	7.5	-	20.0	0.1
Adjustments relating to post-retirement benefits	(1.6)	(1.2)	(5.9)	(5.4)
Financing and other FX related losses	4.0	3.6	18.6	3.8
Other adjustments [2]	(2.2)	(11.6)	(7.5)	(14.1)
Estimated tax effect of the above adjustments	(11.7)	(6.9)	(43.4)	(37.4)
Adjusted Net Income	**$ 89.4**	**$ 92.0**	**$ 350.5**	**$ 373.1**
Diluted weighted average number of shares outstanding	285,174,344	299,683,289		
Adjusted Net Income per diluted share	**$ 0.31**	**$ 0.31**		

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2) During the last twelve months ended Oct 1, 2022, other adjustments included a $9.3 million net gain on the sale of a purchase option on a building that we lease in Europe.

RECONCILIATIONS – FREE CASH FLOW

(USD in millions)

	Q3 2022	Q3 2021	LTM Q3 2022	LTM Q3 2021
Reconciliation of Free Cash Flow				
Net Cash Provided By Operating Activities	$ 100.6	$ 101.7	$ 187.7	$ 395.0
Capital Expenditures [1]	(27.6)	(20.0)	(88.7)	(85.8)
Free Cash Flow	**$ 73.0**	**$ 81.7**	**$ 99.0**	**$ 309.2**

(USD in millions)

	LTM Q3 2022	LTM Q3 2021
Reconciliation of Free Cash Flow Conversion		
Free Cash Flow	$ 99.0	$ 309.2
Adjusted Net Income	$ 350.5	$ 373.1
Free Cash Flow Conversion	**28.2%**	**82.9%**

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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)	Q3 2022	Q3 2021
Return On Invested Capital (ROIC)		
LTM Adjusted EBITDA	**$ 654.2**	**$ 758.8**
LTM Total depreciation and amortization	(219.3)	(222.8)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	116.9	120.4
LTM Adjusted EBIT	**551.8**	**656.4**
Notional tax at 25%	(138.0)	(164.1)
LTM Tax-effected Adjusted EBIT	**$ 413.8**	**$ 492.3**
Total Assets	$ 7,038.7	$ 7,506.0
Adjusted for:		
Cash	(395.3)	(540.6)
Taxes receivable	(77.5)	(54.2)
Deferred tax assets	(531.2)	(624.0)
Prepaid taxes	(13.4)	(4.7)
Accounts payable	(453.2)	(459.5)
Intangibles arising from the acquisition of Gates	(3,265.7)	(3,601.1)
Invested Capital	**$ 2,302.4**	**$ 2,221.9**
Return On Invested Capital	**18.0%**	**22.2%**

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