

Q4 2022 EARNINGS PRESENTATION

FEBRUARY 9, 2023

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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 initiatives, margin expansion and Free Cash Flow conversion), statements regarding the supply chain (including raw material and logistics availability, timeliness and costs), demand trends and growing backlog, currency-related trends, working capital opportunities, conversions of our past due balances, customer inventory levels, our strategic initiatives (including our ability to strengthen our supply chain and operations, our ability to enhance our revenue mix and cash conversion, increased investments in new product development and industrial verticals, and our capital allocation strategy), initiatives intended to drive higher margins and cash flow conversion, 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 the first quarter and full year 2023. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks related to changing economic conditions in the global and regional end markets we serve, macroeconomic factors beyond the Company's control (including material and logistics availability, inflation, supply chain and labor challenges and end-market recovery), political and other risks associated with international operations (including those related to the Russia-Ukraine conflict), continued operation of our manufacturing facilities, our ability to forecast and meet demand, cost-reduction and other restructuring actions, cybersecurity and the integrity of our information systems, legal and regulatory developments, 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, including expected Core Revenue Growth, Adjusted EBITDA, Adjusted Earnings per Share and Free Cash Flow conversion for 2023. 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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Q4 2022 KEY HIGHLIGHTS

- **Mid-teens core growth – outpaced expectation**
  - Solid order intake across end markets
  - Strong order conversion, notably in Europe
- **Healthy margin expansion**
  - Volume growth augmented continued pricing actions
  - Supply chain began to stabilize; operational headwinds abating
- **Significant free cash flow generation; net leverage below 3x**
  - 300%+ FCF conversion
  - Inventory turns improved

STEADY CUSTOMER DEMAND AND SOLID EXECUTION DROVE HIGHER MARGIN AND CASH FLOW CONVERSION

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Q4 2022 – FINANCIAL PERFORMANCE

$893M

Net Sales

16.0% core growth year-over-year

- Most end markets grew double-digits led by Personal Mobility, Energy and Off-Highway
- F/X was a (6.5%) headwind

$166M

Adjusted EBITDA

18.6% Adjusted EBITDA margin

- YoY margin expansion of 150 bps
- External supply chain inefficiencies slowly moderating

$0.25

Adjusted Earnings per Share[1]

30%+ increase in operating income year-over-year

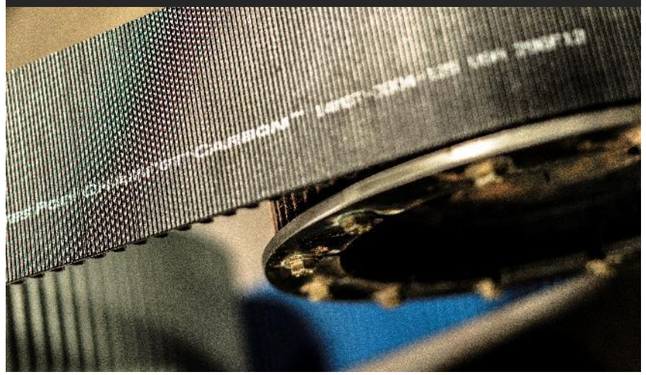
- Interest expense higher
- EPS comparison affected by tax headwinds year-over-year

ORDER TRENDS & MATERIAL AVAILABILITY MORE FAVORABLE THAN EXPECTED EXITING THE YEAR

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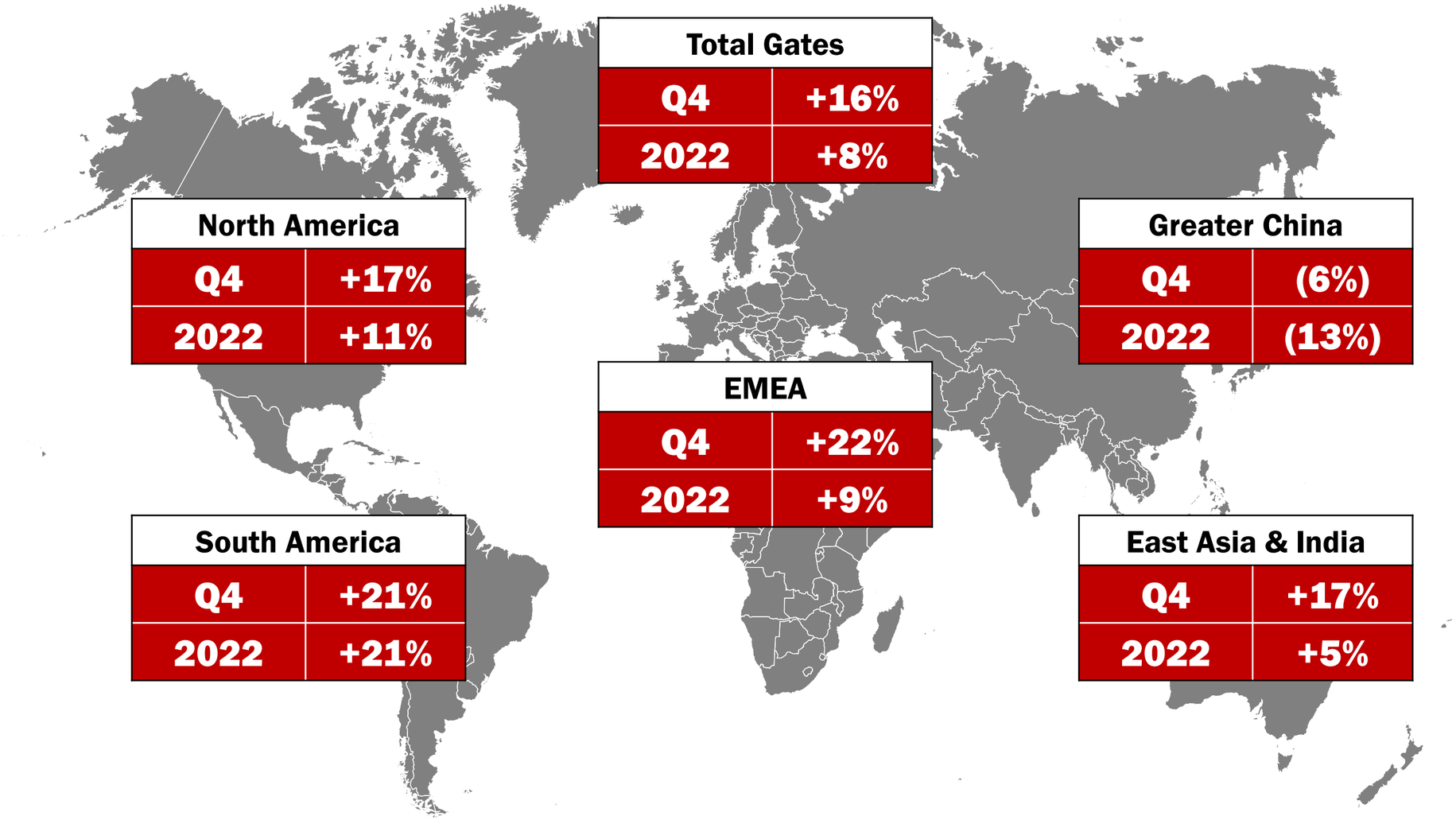
[1] Adjusted Net Income per diluted share

SEGMENT HIGHLIGHTS

	NET SALES	ADJ. EBITDA MARGIN	HIGHLIGHTS
POWER TRANSMISSION 	**Q4 2022** **$552.6M** **14.9%** *Core Growth* **2022** **$2.17B** **4.8%** *Core Growth*	**Q4 2022** **18.4%** **10 bps** *Δ EBITDA Margin* **2022** **18.6%** **(400 bps)** *Δ EBITDA Margin*	▪ Broad growth across end markets led by Personal Mobility, Off-Highway and Energy ▪ Substantial opportunity pipeline growth in Personal Mobility throughout 2022 ▪ Exiting the year with stronger margin fundamentals and fewer material shortages
FLUID POWER 	**Q4 2022** **$340.7M** **18.0%** *Core Growth* **2022** **$1.38B** **12.6%** *Core Growth*	**Q4 2022** **18.8%** **380 bps** *Δ EBITDA Margin* **2022** **20.0%** **130 bps** *Δ EBITDA Margin*	▪ Strong growth across all end markets led by Automotive, Off-Highway and Energy ▪ Innovation supports growth and share gains ▪ Margin normalized, helped by better price/cost economics

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REGIONAL CORE REVENUE PERFORMANCE



Total Gates	
Q4	+16%
2022	+8%

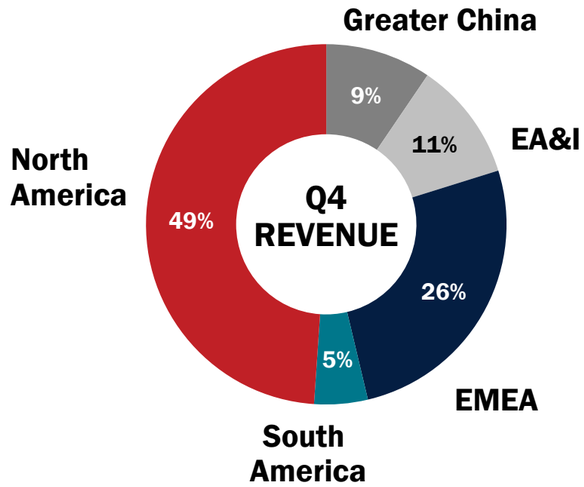
North America	
Q4	+17%
2022	+11%

Greater China	
Q4	(6%)
2022	(13%)

EMEA	
Q4	+22%
2022	+9%

South America	
Q4	+21%
2022	+21%

East Asia & India	
Q4	+17%
2022	+5%



- Broad end market strength in Americas and EMEA
- China impacted by COVID; expecting gradual recovery in 2023

DEMAND STRENGTH IN NORTH AMERICA AND EMEA MORE THAN COMPENSATED FOR CHINA WEAKNESS

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Q4 2022 – CAPITAL EFFICIENCY & CASH FLOW

317%
Free Cash Flow Conversion

$226M of free cash flow generated

- Higher earnings buttressed by improving working capital trends
- Significant focus on increasing inventory turns with stabilizing supply chain

2.8x
Net Leverage

Net leverage ratio declined 0.4x sequentially

- Strengthened capital structure
- Issued new dollar-denominated term loan with 2029 maturity

20.0%
ROIC

ROIC increased sequentially

- Higher margin and improved working capital efficiency

STRONG FINISH TO YEAR; WORKING CAPITAL REMAINS AN OPPORTUNITY IN 2023

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Notes: Free Cash Flow Conversion: Q4 Free Cash Flow (Net Cash Provided by Operations minus capital expenditures) expressed as a percentage of Q4 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

2023 OUTLOOK

FULL YEAR 2023				
CORE REVENUE GROWTH	ADJUSTED EBITDA	ADJUSTED EPS	CAPITAL EXPENDITURES	FREE CASH FLOW CONVERSION
1% – 5%	$700M – $750M	$1.13 – $1.23	~$100M	100%

KEY ASSUMPTIONS/CONSIDERATIONS

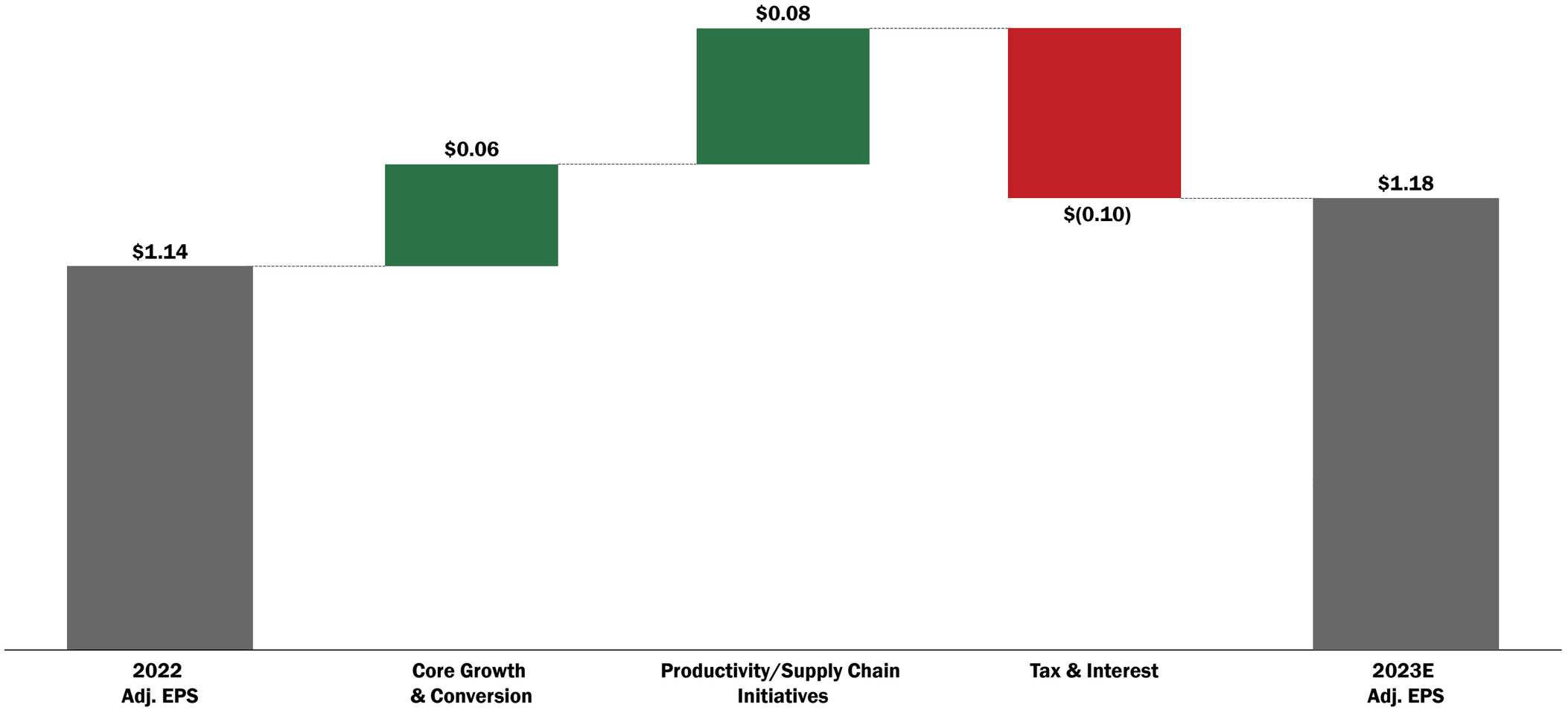
- Volume relatively consistent with 2022
- Adjusted EBITDA reflects:
  - Progressively recovering China demand starting in Q2
  - Gradually lessening supply chain inefficiencies and inflation
- Free Cash Flow Conversion incorporates improved working capital turns

Q1 ESTIMATES

- Revenues: $880M - $910M
  - Low single digit core growth YoY
  - China weaker relative to normal seasonal trend due to COVID impact
- Adjusted EBITDA margin
  - Expect YoY increase of 100 - 150 basis points

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BRIDGE TO 2023 ADJUSTED EPS MIDPOINT



Assumes an adjusted tax rate of 23% and an average fully diluted share count of 285 million shares.

OPERATING PERFORMANCE IMPROVEMENT OUTPACES BELOW THE LINE IMPACTS

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SUMMARY THOUGHTS

- **Improving operational execution**
  - Earnings conversion returned to more normalized levels
  - Strong free cash flow generation
  - Operational environment less volatile but remains uncertain
- **Price/material economics in balance**
- **Demand remains constructive**
  - Solid levels of business activity exiting 2022 and so far in early 2023
  - Supply chain stabilizing
  - Opportunities pipeline remains active

MANAGING THROUGH UNEVEN OPERATING ENVIRONMENT – SOLID FINISH TO THE YEAR

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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

- Maintaining double digit annual growth in Personal Mobility
- Steady investments in new product development & industrial verticals

CAPITAL ALLOCATION

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

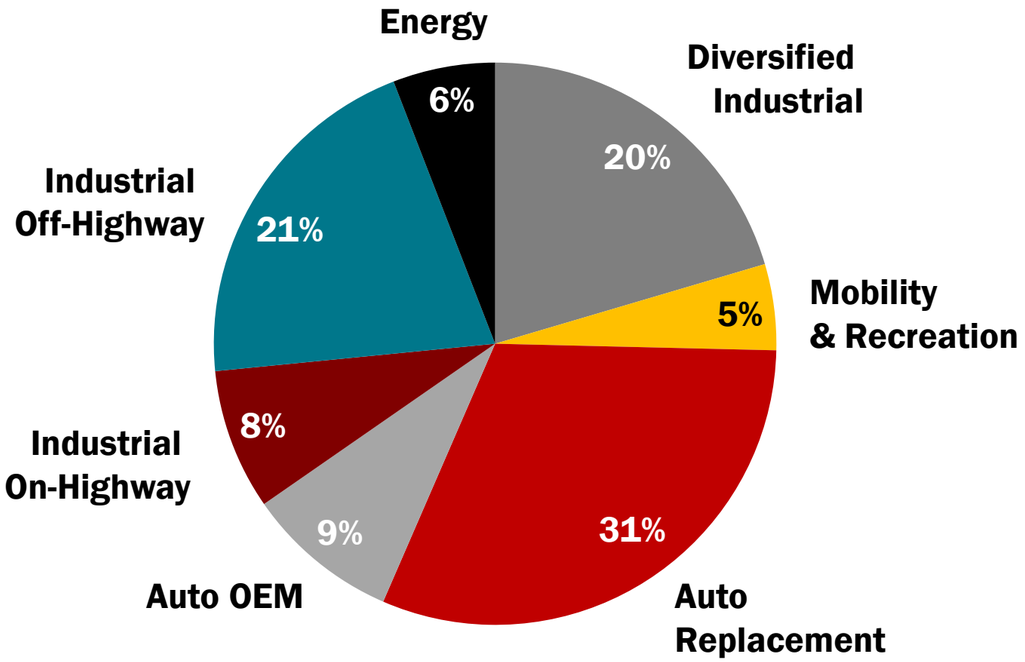
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APPENDIX

UNDERLYING 2023 MARKET GROWTH EXPECTATIONS

FY 2022 SALES SPLITS



Underlying Market	
Automotive Replacement	+
Automotive OEM	○
Industrial Off-Highway	−
Industrial On-Highway	−
Energy & Resources	+++
Diversified Industrial	−
Mobility	○

+++ HSD/DD ++ MSD + LSD ○ Flat

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Q4 2022 ADJUSTED EPS – SUMMARY WALK

Q4 2021	**$0.31**	
OPERATING PERFORMANCE	0.10	Improved pricing, higher volume and improved efficiency
INCOME TAX EXPENSE	(0.15)	Decrease in one-time tax benefits, combined with higher underlying effective tax rate
OTHER	(0.01)	
Q4 2022	**$0.25**	

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Q4 2022 ADJUSTED EBITDA & INCREMENTAL MARGIN

(USD in millions)

Reconciliation to Adjusted EBITDA Margin and Incremental Margin

	Q4 2022	Q4 2021	Change
Power Transmission Net Sales	$ 552.6	$ 518.8	$ 33.8
Power Transmission Adjusted EBITDA	$ 101.9	$ 95.1	$ 6.8
Adjusted EBITDA Margin	**18.4%**	**18.3%**	**10 bps**
Incremental Margin			**20.1%**
Fluid Power Net Sales	$ 340.7	$ 296.8	$ 43.9
Fluid Power Adjusted EBITDA	$ 64.1	$ 44.5	$ 19.6
Adjusted EBITDA Margin	**18.8%**	**15.0%**	**380 bps**
Incremental Margin			**44.6%**
Total Net Sales	$ 893.3	$ 815.6	$ 77.7
Total Adjusted EBITDA	$ 166.0	$ 139.6	$ 26.4
Adjusted EBITDA Margin	**18.6%**	**17.1%**	**150 bps**
Incremental Margin			**34.0%**

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RECONCILIATIONS – CORE REVENUE GROWTH

(USD in millions)	Power Transmission	Fluid Power	Total Q4 2022
Reconciliation of Core Revenue Growth			
Net sales for the quarter ended December 31, 2022 [1]	**$ 552.6**	**$ 340.7**	**$ 893.3**
Impact on net sales of movements in currency rates	43.3	9.5	52.8
Core revenue for the quarter ended December 31, 2022	**$ 595.9**	**$ 350.2**	**$ 946.1**
Net sales for the quarter ended January 1, 2022	518.8	296.8	815.6
Increase in net sales on a core basis (core revenue)	**$ 77.1**	**$ 53.4**	**$ 130.5**
Core revenue growth	**14.9%**	**18.0%**	**16.0%**

(USD in millions)	Power Transmission	Fluid Power	Total FY 2022
Reconciliation of Core Revenue Growth			
Net sales for the year ended December 31, 2022 [1]	**$ 2,173.7**	**$ 1,380.5**	**$ 3,554.2**
Impact on net sales of movements in currency rates	149.2	35.9	185.1
Core revenue for the year ended December 31, 2022	**$ 2,322.9**	**$ 1,416.4**	**$ 3,739.3**
Net sales for the year ended January 1, 2022	2,216.3	1,258.1	3,474.4
Increase in net sales on a core basis (core revenue)	**$ 106.6**	**$ 158.3**	**$ 264.9**
Core revenue growth	**4.8%**	**12.6%**	**7.6%**

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(1) Throughout this document the terms "net sales" and "revenue" are used interchangeably in reference to the GAAP measure "net sales."

RECONCILIATIONS – ADJUSTED EBITDA AND NET LEVERAGE

(USD in millions)	Q4 2022	Q4 2021	FY 2022	FY 2021
Reconciliation to Adjusted EBITDA				
Net Income from Continuing Operations	**$ 90.2**	**$ 71.2**	**$ 242.9**	**$ 331.3**
Adjusted for:				
Income tax (benefit) expense	(6.6)	(29.4)	14.9	18.4
Net interest and other expenses	15.5	34.1	126.2	134.4
Depreciation and amortization	53.1	55.2	217.2	222.6
Transaction-related expenses	0.1	0.9	2.1	3.7
Asset impairments	-	0.6	1.1	0.6
Restructuring expenses (income)	1.1	(1.1)	9.5	7.4
Share-based compensation expense	9.5	6.1	44.3	24.6
Inventory impairments and adjustments (included in cost of sales) [1]	2.2	1.3	20.9	1.4
Severance expenses (included in cost of sales)	0.8	-	0.8	-
Severance expenses (included in SG&A)	0.1	0.2	0.5	0.7
Other items not directly related to current operations	-	0.5	0.2	(9.3)
Adjusted EBITDA	**$ 166.0**	**$ 139.6**	**$ 680.6**	**$ 735.8**
Adjusted EBITDA margin				
Net Sales	$ 893.3	$ 815.6	$ 3,554.2	$ 3,474.4
Adjusted EBITDA	$ 166.0	$ 139.6	$ 680.6	$ 735.8
Adjusted EBITDA margin	**18.6%**	**17.1%**	**19.1%**	**21.2%**
Reconciliation to Net Leverage				
Total principal amount of debt			$ 2,491.4	$ 2,579.2
Less: Cash and cash equivalents			578.4	658.2
Net Debt			**$ 1,913.0**	**$ 1,921.0**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)			**2.8 x**	**2.6 x**

1) During the three months and year ended December 31, 2022, inventory impairments and adjustments included $1.0 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 results in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q4 2022	Q4 2021	FY 2022	FY 2021
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 84.9**	**$ 62.7**	**$ 220.8**	**$ 297.1**
Adjusted for:				
Loss on disposal of discontinued operations	0.1	0.1	0.4	-
Amortization of intangible assets arising from the 2014 acquisition of Gates	28.5	29.8	115.6	120.3
Transaction-related expenses	0.1	0.9	2.1	3.7
Asset impairments	-	0.6	1.1	0.6
Restructuring expenses (income)	1.1	(1.1)	9.5	7.4
Share-based compensation expense	9.5	6.1	44.3	24.6
Inventory impairments and adjustments (included in cost of sales) (1)	2.2	1.3	20.9	1.4
Adjustments relating to post-retirement benefits	(1.7)	(1.1)	(6.5)	(4.6)
Financing and other FX related (gain) losses	(24.0)	2.5	(7.9)	7.6
One-time tax benefit from unrecognized tax benefit (2)	(26.4)	-	(26.4)	-
Other adjustments	(0.3)	(1.6)	(6.2)	(18.4)
Estimated tax effect of the above adjustments	(2.8)	(7.5)	(38.7)	(31.6)
Adjusted Net Income	**$ 71.2**	**$ 92.7**	**$ 329.0**	**$ 408.1**
Diluted weighted average number of shares outstanding	284,912,127	297,703,904	287,586,210	297,294,075
Adjusted Net Income per diluted share	**$ 0.25**	**$ 0.31**	**$ 1.14**	**$ 1.37**

1) During the three months and year ended December 31, 2022, inventory impairments and adjustments included $1.0 million and $19.4 million, respectively, for the reversal of the adjustment to remeasure certain inventories on a LIFO basis. 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 three months and year ended December 31, 2022, one-time tax benefit of $26.4 million related to unrecognized tax benefits due to lapsed statute of limitations.

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RECONCILIATIONS – FREE CASH FLOW & FREE CASH FLOW CONVERSION

(USD in millions)	Q4 2022	Q4 2021	FY 2022	FY 2021
Reconciliation of Free Cash Flow				
Net Cash Provided By Operating Activities	$ 247.0	$ 168.9	$ 265.8	$ 382.4
Capital Expenditures [1]	(21.3)	(23.0)	(87.0)	(87.0)
Free Cash Flow	**$ 225.7**	**$ 145.9**	**$ 178.8**	**$ 295.4**

(USD in millions)	Q4 2022	Q4 2021	FY 2022	FY 2021
Reconciliation of Free Cash Flow Conversion				
Free Cash Flow	$ 225.7	$ 145.9	$ 178.8	$ 295.4
Adjusted Net Income	$ 71.2	$ 92.7	$ 329.0	$ 408.1
Free Cash Flow Conversion	**317.0%**	**157.4%**	**54.3%**	**72.4%**

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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)	Q4 2022	Q4 2021
Return On Invested Capital (ROIC)		
LTM Adjusted EBITDA	**$ 680.6**	**$ 735.8**
LTM Total depreciation and amortization	(217.2)	(222.6)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	115.6	120.3
LTM Adjusted EBIT	**579.0**	**633.5**
Notional tax at 25%	(144.8)	(158.4)
LTM Tax-effected Adjusted EBIT	**$ 434.2**	**$ 475.1**
Total Assets	$ 7,191.6	$ 7,533.0
Adjusted for:		
Cash	(578.4)	(658.2)
Taxes receivable	(28.1)	(34.8)
Deferred tax assets	(600.3)	(639.3)
Prepaid taxes	(11.4)	(13.4)
Accounts payable	(469.6)	(506.6)
Intangibles arising from the acquisition of Gates	(3,335.1)	(3,557.7)
Invested Capital	**$ 2,168.7**	**$ 2,123.0**
Return On Invested Capital	**20.0%**	**22.4%**

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