Gates Industrial Reports Second-Quarter 2023 Results

Denver, CO, August 4, 2023

Second-Quarter 2023 Financial Summary

- Record second-quarter net sales of $936.3 million, up 3.3% compared to the prior-year period, including core revenue growth of 3.9%.
- Net income attributable to shareholders of $64.9 million, or $0.23 per diluted share.
- Adjusted Net Income per diluted share of $0.36.
- Net income from continuing operations of $71.3 million, or a margin of 7.6%.
- Adjusted EBITDA of $197.3 million, or a margin of 21.1%.
- Generated $183.9 million of operating cash flow year to date, compared to $(81.8) million in the prior year.
- $250 million share repurchase executed during May 2023.
- Raising 2023 full-year EPS guidance.

Gates Industrial Corporation plc (NYSE:GTES), a leading global provider of application-specific power transmission and fluid power solutions, today reported results for the second quarter ended July 1, 2023.

Ivo Jurek, Gates Industrial's Chief Executive Officer, commented, "We produced solid increases in net income attributable to shareholders as well as core revenue growth and strong margin expansion and cash flow generation. We also reduced our net leverage ratio compared to the prior year period and returned $250 million to shareholders during the quarter."

Jurek continued, "We executed well in the first half of 2023. As we enter the second half, our business prospects remain constructive and the operating environment continues to normalize. We are maintaining the midpoint of our Adjusted EBITDA guidance and offsetting slower demand trends in the back half of the year. In addition, we have increased our full year Adjusted EPS guidance. Long-term, I am confident in our growth, margin and cash flow generation potential and our ability to improve our balance sheet while investing in our growth initiatives and returning meaningful capital to shareholders."

Second-Quarter Financial Results

Second-quarter net sales were $936.3 million, an increase of 3.3% over the prior-year quarter net sales of $906.8 million, including a 3.9% core revenue increase partially offset by unfavorable foreign currency impact of 0.6%. Our Replacement and First-Fit businesses contributed similarly to our core growth in the quarter. Core growth in the Automotive Replacement market exceeded the core growth of the enterprise. The Automotive, Construction and On-Highway end markets experienced the highest growth rates compared to the prior-year period.

Second-quarter net income attributable to shareholders was $64.9 million, or $0.23 per diluted share, compared to net income attributable to shareholders of $53.1 million, or $0.19 per diluted share, in the prior-year quarter. Adjusted Net Income was $101.6 million, or $0.36 per diluted share, compared to $90.2 million, or $0.32 per diluted share in the prior-year period, fueled by improved operating performance. The diluted weighted-average number of shares outstanding in the second quarter of 2023 was 279,915,448 compared to 286,038,818 in the second quarter of 2022.

Second quarter net income from continuing operations was $71.3 million, or 7.6% of net sales, compared to $59.3 million, or 6.5% of net sales in the prior-year quarter. The margin improvement was fueled primarily by increased operating income partially offset by higher net interest expense.

Second-quarter Adjusted EBITDA was $197.3 million compared to $180.1 million in the prior-year quarter. Second-quarter Adjusted EBITDA margin of 21.1% represented an expansion of 120 basis points compared to the prior-year quarter. The increase in Adjusted EBITDA margin stemmed largely from favorable pricing slightly offset by lower volumes.

Power Transmission Segment Results

	For the three months ended			
(USD in millions)	**July 1, 2023**	**July 2, 2022**	**% Change**	**% Core Change**
Net sales	$573.9	$543.0	5.7%	7.0%
Adjusted EBITDA	$119.0	$102.4	16.2%	
Adjusted EBITDA margin	20.7%	18.9%	180 bps	

	For the six months ended			
(USD in millions)	**July 1, 2023**	**July 2, 2022**	**% Change**	**% Core Change**
Net sales	$1,122.0	$1,098.6	2.1%	5.1%
Adjusted EBITDA	$226.7	$200.2	13.2%	
Adjusted EBITDA margin	20.2%	18.2%	200 bps	

Second-quarter Power Transmission net sales increased 5.7% to $573.9 million compared to the prior-year quarter, reflecting a core revenue increase of 7.0%, excluding unfavorable currency effects of 1.3%. The segment saw the highest core growth rates in the Automotive, On-Highway and Construction end markets. Core growth was relatively balanced between the first-fit and replacement channels.

Second-quarter Power Transmission Adjusted EBITDA was $119.0 million compared to $102.4 million in the prior-year quarter. The expansion in Adjusted EBITDA was driven by favorable pricing offset partially by lower fixed cost absorption. Adjusted EBITDA margin of 20.7% represented an improvement of 180 basis points compared to the prior-year quarter.

Fluid Power Segment Results

	For the three months ended			
(USD in millions)	**July 1, 2023**	**July 2, 2022**	**% Change**	**% Core Change**
Net sales	$362.4	$363.8	(0.4%)	(0.8%)
Adjusted EBITDA	$78.3	$77.7	0.8%	
Adjusted EBITDA margin	21.6%	21.4%	20 bps	

	For the six months ended			
(USD in millions)	**July 1, 2023**	**July 2, 2022**	**% Change**	**% Core Change**
Net sales	$712.0	$701.6	1.5%	2.1%
Adjusted EBITDA	$145.1	$136.7	6.1%	
Adjusted EBITDA margin	20.4%	19.5%	90 bps	

Second-quarter Fluid Power net sales decreased 0.4% to $362.4 million compared to the prior-year quarter, reflecting a core revenue decrease of 0.8%. Foreign currency effects were favorable by 0.4%. The segment experienced core revenue growth in the Construction, Energy and On-Highway end markets. The replacement channels slightly outperformed the first-fit channels.

Second-quarter Fluid Power Adjusted EBITDA was $78.3 million compared to $77.7 million in the prior-year quarter, resulting in an Adjusted EBITDA margin of 21.6% and expansion of 20 basis points compared to the prior-year quarter. The increase in Adjusted EBITDA was driven by favorable pricing partially offset by lower volumes.

Liquidity and Capital Resources

During the second quarter of 2023, the Company generated $131.4 million of cash from operations. Second-quarter capital expenditures decreased to $15.2 million from $20.1 million in the prior-year quarter.

As of July 1, 2023, the Company had total cash and cash equivalents of $565.0 million and total outstanding debt of $2.6 billion, as well as committed borrowing headroom of $368.0 million.

2023 Guidance

The Company is updating its full year financial guidance for 2023. Specifically, the company updates the following:

	Prior 2023	**Updated 2023**	**Change (At Midpoint)**
Core Revenue Growth	1 to 5%	0 to 2%	(2)%
Adjusted EBITDA	$700 to $750 Million	$710 to $740 Million	No Change
Adjusted EPS	$1.13 to $1.23	$1.18 to $1.24	+$0.03
Capital Expenditures	~$100 Million	<$100 Million	Down Slightly
Free Cash Flow Conversion	100%	100%+	Higher

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 EPS 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.

Conference Call and Webcast

Gates Industrial Corporation plc will host a conference call today at 10:00 a.m. Eastern Time to discuss the Company's financial results. The live webcast of the conference call and accompanying presentation materials can be accessed through Gates Industrial's website at investors.gates.com. For those unable to access the webcast, the conference call can be accessed by dialing (888) 414-4601 (domestic) or +1 (646) 960-0313 (international) and requesting the Gates Industrial Corporation Second Quarter 2023 Earnings Conference Call or providing the Conference ID of 5772067. An audio replay of the conference call can be accessed by dialing (800) 770-2030 (domestic) or +1 (647) 362-9199 (international), and providing the passcode 5772067, or by accessing Gates Industrial's website at investors.gates.com.

About Gates Industrial Corporation plc

Gates is a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. Gates offers a broad portfolio of products to diverse replacement channel customers, and to original equipment ("first-fit") manufacturers as specified components. Gates participates in many sectors of the industrial and consumer markets. Our products play essential roles in a diverse range of applications across a wide variety of end markets ranging from harsh and hazardous industries such as agriculture, construction, manufacturing and energy, to everyday consumer applications such as printers, power washers, automatic doors and vacuum cleaners and virtually every form of transportation. Our products are sold in more than 130 countries across our four commercial regions: the Americas; Europe, Middle East & Africa; Greater China; and East Asia & India.

Forward-Looking Statements

This press release contains 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 our growth, business prospects, margin expansion and cash flow generation), statements regarding the operating environment, demand and backlog trends, cash flow generation capabilities, our balance sheet management, capital deployment options (including share repurchases), and statements regarding our outlook for 2023. Such forward-looking statements are subject to various risks and uncertainties, including, among others, economic, political and other risks associated with international operations, risks inherent to the manufacturing industry, macroeconomic factors beyond the Company's control (including material and logistics availability, bank failures, inflation, supply chain and labor challenges and end-market recovery), risks related to catastrophic events, continued operation of our manufacturing facilities, including as a result of cybersecurity attacks, our ability to forecast and meet demand, market acceptance of new products, and the significant influence of the Company's largest 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 December 31, 2022, filed with the 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.

Gates Industrial Corporation plc
Condensed Consolidated Statements of Operations
(Unaudited)

(USD in millions, except per share amounts)	Three months ended		Six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	$ 936.3	$ 906.8	$ 1,834.0	$ 1,800.2
Cost of sales	583.6	580.6	1,156.2	1,169.1
Gross profit	**352.7**	**326.2**	**677.8**	**631.1**
Selling, general and administrative expenses	220.7	209.1	452.8	444.3
Transaction-related expenses	0.6	0.5	0.8	1.3
Asset impairments	—	0.6	—	0.6
Restructuring expenses	2.2	3.2	7.7	3.7
Other operating expenses	0.1	0.1	0.1	0.1
Operating income from continuing operations	**129.1**	**112.7**	**216.4**	**181.1**
Interest expense	44.5	33.0	85.3	65.6
Other expenses	3.7	8.1	4.0	8.7
Income from continuing operations before taxes	**80.9**	**71.6**	**127.1**	**106.8**
Income tax expense	9.6	12.3	24.9	10.1
Net income from continuing operations	**71.3**	**59.3**	**102.2**	**96.7**
Loss on disposal of discontinued operations	0.1	0.2	0.4	0.3
Net income	**71.2**	**59.1**	**101.8**	**96.4**
Less: non-controlling interests	6.3	6.0	10.5	12.4
Net income attributable to shareholders	**$ 64.9**	**$ 53.1**	**$ 91.3**	**$ 84.0**
Earnings per share				
Basic				
Earnings per share from continuing operations	$ 0.24	$ 0.19	$ 0.33	$ 0.29
Earnings per share from discontinued operations	—	—	—	—
Earnings per share	**$ 0.24**	**$ 0.19**	**$ 0.33**	**$ 0.29**
Diluted				
Earnings per share from continuing operations	$ 0.23	$ 0.19	$ 0.32	$ 0.29
Earnings per share from discontinued operations	—	—	—	—
Earnings per share	**$ 0.23**	**$ 0.19**	**$ 0.32**	**$ 0.29**

Gates Industrial Corporation plc
Condensed Consolidated Balance Sheets
(Unaudited)

(USD in millions, except share numbers and per share amounts)	As of July 1, 2023	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 565.0	$ 578.4
Trade accounts receivable, net	874.8	808.6
Inventories	644.4	656.2
Taxes receivable	39.8	13.0
Prepaid expenses and other assets	250.4	221.2
Total current assets	**2,374.4**	**2,277.4**
Non-current assets		
Property, plant and equipment, net	633.8	637.5
Goodwill	2,018.0	1,981.1
Pension surplus	10.1	10.1
Intangible assets, net	1,438.5	1,490.4
Right-of-use assets	126.2	132.2
Taxes receivable	15.1	15.1
Deferred income taxes	618.4	600.3
Other non-current assets	42.4	47.5
Total assets	**$ 7,276.9**	**$ 7,191.6**
Liabilities and equity		
Current liabilities		
Debt, current portion	$ 36.7	$ 36.6
Trade accounts payable	470.7	469.6
Taxes payable	52.5	23.5
Accrued expenses and other current liabilities	238.3	222.6
Total current liabilities	**798.2**	**752.3**
Non-current liabilities		
Debt, less current portion	2,520.6	2,426.4
Post-retirement benefit obligations	74.2	76.2
Lease liabilities	117.3	121.9
Taxes payable	77.3	79.5
Deferred income taxes	176.5	192.0
Other non-current liabilities	121.8	99.7
Total liabilities	**3,885.9**	**3,748.0**
Shareholders' equity		
—Shares, par value of $0.01 each - authorized shares: 3,000,000,000; outstanding shares: 263,685,743 (December 31, 2022: authorized shares: 3,000,000,000; outstanding shares: 282,578,917)	2.6	2.8
—Additional paid-in capital	2,573.1	2,542.1
—Accumulated other comprehensive loss	(825.9)	(917.8)
—Retained earnings	1,320.6	1,482.9
Total shareholders' equity	**3,070.4**	**3,110.0**
Non-controlling interests	320.6	333.6
Total equity	**3,391.0**	**3,443.6**
Total liabilities and equity	**$ 7,276.9**	**$ 7,191.6**

Gates Industrial Corporation plc
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(USD in millions)	Six months ended July 1, 2023	Six months ended July 2, 2022
Cash flows from operating activities		
Net income	$ 101.8	$ 96.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	108.5	110.9
Foreign exchange and other non-cash financing expenses	20.5	25.1
Share-based compensation expense	16.3	27.6
Decrease in post-employment benefit obligations, net	(5.1)	(7.9)
Deferred income taxes	(22.3)	(30.8)
Asset impairments	—	0.9
Other operating activities	3.5	4.3
Changes in operating assets and liabilities:		
—Increase in accounts receivable	(66.8)	(153.5)
—Decrease (increase) in inventories	23.0	(40.3)
—Decrease in accounts payable	(2.1)	(5.7)
—Decrease (increase) in prepaid expenses and other assets	7.6	(38.0)
—Decrease in taxes payable	(0.8)	(27.8)
—Decrease in other liabilities	(0.2)	(43.0)
Net cash provided by (used in) operating activities	**183.9**	**(81.8)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(24.4)	(34.9)
Purchases of intangible assets	(5.4)	(3.2)
Cash paid under corporate-owned life insurance policies	(17.0)	(10.3)
Cash received under corporate-owned life insurance policies	5.3	4.6
Proceeds from the sale of property, plant and equipment	0.4	—
Other investing activities	—	1.2
Net cash used in investing activities	**(41.1)**	**(42.6)**
Cash flows from financing activities		
Issuance of shares	16.7	13.9
Buy-back of shares	(251.7)	(175.8)
Proceeds from long-term debt	100.0	70.0
Payments of long-term debt	(9.8)	(10.3)
Debt issuance costs paid	(0.3)	(0.3)
Dividends paid to non-controlling interests	—	(14.5)
Other financing activities	(15.3)	(10.3)
Net cash used in financing activities	**(160.4)**	**(127.3)**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	4.4	(12.9)
Net decrease in cash and cash equivalents and restricted cash	**(13.2)**	**(264.6)**
Cash and cash equivalents and restricted cash at the beginning of the period	581.4	660.9
Cash and cash equivalents and restricted cash at the end of the period	**$ 568.2**	**$ 396.3**
Supplemental schedule of cash flow information		
Interest paid	$ 76.6	$ 57.4
Income taxes paid	$ 48.0	$ 68.7
Accrued capital expenditures	$ 1.6	$ 2.5

Non-GAAP Financial Measures

This press release includes certain non-GAAP financial measures, which management believes are useful to investors, securities analysts and other interested parties. Management uses Adjusted EBITDA as its key profitability measure. This is a non-GAAP measure that represents EBITDA before certain items that impact comparison of the performance of our business either period-over-period or with other businesses. We use Adjusted EBITDA as our measure of segment profitability to assess the performance of our businesses, and it is used for total Gates as well because we believe it is important to consider our total profitability on a basis that is consistent with that of our operating segments. Adjusted EBITDA Margin is Adjusted EBITDA for a particular period expressed as a percentage of net sales for that period.

Management uses Adjusted Net Income as an additional measure of profitability. Adjusted Net Income is a non-GAAP measure that represents net income attributable to shareholders before certain items that impact comparison of the performance of our business, either period-over-period or with other businesses.

Core revenue growth is a non-GAAP measure that represents net sales for the period excluding the impacts of movements in foreign currency rates and the first-year impacts of acquisitions and disposals, where applicable. We present core revenue growth because it allows for a meaningful comparison of year-over-year performance without the volatility caused by foreign currency gains or losses, or the incomparability that would be caused by the impact of an acquisition or disposal.

Management uses Free Cash Flow to measure cash generation. Free Cash Flow is a non-GAAP measure that represents net cash provided by operations less capital expenditures. Free Cash Flow Conversion is a measure of Free Cash Flow expressed as a percentage of Adjusted Net Income. We use this metric as a measure of the success of our business in converting Adjusted Net Income into cash.

Management uses Net Leverage as a measure of our liquidity and in assessing the strength of our balance sheet. Net Leverage is a non-GAAP measure that represents the number of times by which net debt (principal amount of debt less cash and cash equivalents) exceeds Adjusted EBITDA for the last twelve months of the applicable period.

These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please see below for a reconciliation of historical non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.

Gates Industrial Corporation plc
Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA
(Unaudited)

(USD in millions)	Three months ended		Six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income from continuing operations	**$ 71.3**	**$ 59.3**	**$ 102.2**	**$ 96.7**
Adjusted for:				
Income tax expense	9.6	12.3	24.9	10.1
Net interest and other expenses	48.2	41.1	89.3	74.3
Depreciation and amortization	54.0	55.8	108.5	110.9
Transaction-related expenses [(1)]	0.6	0.5	0.8	1.3
Asset impairments	—	0.6	—	0.6
Restructuring expenses [(2)]	2.2	3.2	7.7	3.7
Share-based compensation expense	6.8	3.5	16.3	27.6
Inventory impairments and adjustments [(3)] (included in cost of sales)	3.5	3.6	4.1	11.2
Severance expenses (included in cost of sales)	—	—	0.5	—
Severance expenses (included in SG&A)	0.3	0.1	0.9	0.4
Credit loss related to customer bankruptcy (included in SG&A) [(4)]	0.7	—	11.4	—
Cybersecurity incident expenses [(5)]	—	—	5.1	—
Other items not directly related to current operations	0.1	0.1	0.1	0.1
Adjusted EBITDA	**$ 197.3**	**$ 180.1**	**$ 371.8**	**$ 336.9**
Net Sales	$ 936.3	$ 906.8	$ 1,834.0	$ 1,800.2
Adjusted EBITDA Margin	**21.1 %**	**19.9 %**	**20.3 %**	**18.7 %**

(1) Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.

(2) Restructuring expenses represent items qualifying for recognition as such under U.S. GAAP and include costs related to the closure of lines of business, facility closures and consolidations, fundamental organizational rationalizations and non-recurring employee severance related to such actions.

(3) Inventory impairments and adjustments include the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis. The inflationary environment of the prior year period caused LIFO values to drop below First-in, First-out ("FIFO") values because LIFO measurement resulted in inflated costs being matched against sales while current, lower costs are retained in inventories.

(4) On January 31, 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the bankruptcy proceedings, we evaluated our potential risk and exposure relating to our outstanding pre-petition accounts receivable balance from the customer and have recorded an $11.4 million pre-tax charge to reflect our estimated recovery. We will continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.

(5) On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

Gates Industrial Corporation plc
Reconciliation of Net Income Attributable to Shareholders to Adjusted Net Income
(Unaudited)

(USD in millions, except share numbers and per share amounts)	Three months ended		Six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income attributable to shareholders	**$ 64.9**	**$ 53.1**	**$ 91.3**	**$ 84.0**
Adjusted for:				
Loss on disposal of discontinued operations	0.1	0.2	0.4	0.3
Amortization of intangible assets arising from the 2014 acquisition of Gates	29.2	29.1	58.2	58.7
Transaction-related expenses [(1)]	0.6	0.5	0.8	1.3
Asset impairments	—	0.6	—	0.6
Restructuring expenses [(2)]	2.2	3.2	7.7	3.7
Share-based compensation expense	6.8	3.5	16.3	27.6
Inventory impairments and adjustments [(3)] (included in cost of sales)	3.5	3.6	4.1	11.2
Adjustments relating to post-retirement benefits	(0.8)	(1.6)	(1.5)	(3.2)
Financing and other FX related losses	6.0	9.6	7.6	12.1
Credit loss related to customer bankruptcy (included in SG&A) [(4)]	0.7	—	11.4	—
Cybersecurity incident expenses [(5)]	—	—	5.1	—
Other adjustments	(0.8)	(1.6)	(2.6)	(3.7)
Estimated tax effect of the above adjustments	(10.8)	(10.0)	(24.4)	(24.2)
Adjusted Net Income	**$ 101.6**	**$ 90.2**	**$ 174.4**	**$ 168.4**
Diluted weighted-average number of shares outstanding	279,915,448	286,038,818	283,953,084	290,550,618
Adjusted Net Income per diluted share	**$ 0.36**	**$ 0.32**	**$ 0.61**	**$ 0.58**

(1) Transaction-related expenses related primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.

(2) Restructuring expenses represent items qualifying for recognition as such under U.S. GAAP and included costs related to the closure of lines of business, facility closures and consolidations, fundamental organizational rationalizations and non-recurring employee severance related to such actions.

(3) Inventory impairments and adjustments include the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis. The inflationary environment of the prior year period caused LIFO values to drop below First-in, First-out ("FIFO") values because LIFO measurement resulted in inflated costs being matched against sales while current, lower costs are retained in inventories.

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(5) On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

Gates Industrial Corporation plc
Reconciliation of Net Sales to Core Revenue Growth
(Unaudited)

(USD in millions)	Three months ended July 1, 2023		
	Power Transmission	Fluid Power	Total
Net sales for the three months ended July 1, 2023 [(1)]	$ 573.9	$ 362.4	**$ 936.3**
Impact on net sales of movements in currency rates	7.1	(1.6)	**5.5**
Core revenue for the three months ended July 1, 2023	**$ 581.0**	**$ 360.8**	**$ 941.8**
Net sales for the three months ended July 2, 2022	543.0	363.8	**906.8**
Increase (decrease) in net sales on a core basis (core revenue)	**$ 38.0**	**$ (3.0)**	**$ 35.0**
Core revenue growth (decline)	7.0%	(0.8%)	**3.9%**

(USD in millions)	Six months ended July 1, 2023		
	Power Transmission	Fluid Power	Total
Net sales for the year ended July 1, 2023	$ 1,122.0	$ 712.0	**$ 1,834.0**
Impact on net sales of movements in currency rates	32.5	4.1	**36.6**
Core revenue for the year ended July 1, 2023	**$ 1,154.5**	**$ 716.1**	**$ 1,870.6**
Net sales for the year ended July 2, 2022	1,098.6	701.6	**1,800.2**
Increase in net sales on a core basis (core revenue)	**$ 55.9**	**$ 14.5**	**$ 70.4**
Core revenue growth	5.1%	2.1%	**3.9%**

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

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