

Q3 2023 EARNINGS PRESENTATION

NOVEMBER 3, 2023

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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 our outlook for the fourth quarter and full year 2023, performance of the Company's business and financial results (including margin expansion, operational performance and improvements, cost structures, free cash flow generation, net leverage, balance sheet management and our capital allocation strategy), supply chain initiatives, our operational footprint, our organizational structure, seasonal trends, the operating environment, investment opportunities, our ability to create value for our shareholders, and demand and backlog trends. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks related to changing 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, 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 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 EBITDA Margin, Adjusted Earnings per Share, Net Leverage 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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Q3 2023 KEY HIGHLIGHTS

- **Generated record revenue and adjusted EPS for a third quarter**
  - Core growth performance consistent with guidance midpoint
  - Automotive outperformed industrial markets
- **Adjusted EBITDA margin of 21.7%**
  - YoY expansion of 110 bps
  - Gross margin +330 bps fueled by enterprise initiatives
- **Seasonally strong free cash flow conversion of 95.6%**
  - Strong margin performance coupled with stable working capital YoY
  - Net leverage of 2.6x at quarter-end
- **Raising full year 2023 adjusted EBITDA and adjusted EPS guidance**

GROSS MARGIN EXPANSION DRIVING PROFITABILITY IMPROVEMENTS

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Q3 2023 – FINANCIAL PERFORMANCE

$873M

Net Sales

Core Growth In Line with Expectations

- Broad automotive growth
- Industrial down, with China softer than anticipated
- Replacement markets resilient

$189M

Adjusted EBITDA

21.7% Adjusted EBITDA margin

- Gross margin up 330 bps vs. Q3 2022
- EBITDA margin expansion of 110 bps YoY

$0.35

Adjusted Earnings per Share[(1)]

YoY: Adj. EPS +13%; Op. Income +21%

- Fueled by higher operating income
- Interest expense was $0.02 headwind

STRONG OPERATING RESULTS IN A SPOTTY INDUSTRIAL DEMAND BACKDROP

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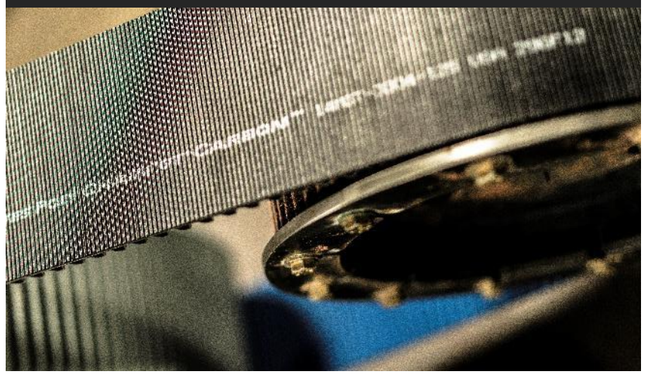
(1) Adjusted Net Income per diluted share

Q3 2023 – SEGMENT RESULTS

POWER TRANSMISSION



PERFORMANCE		HIGHLIGHTS
NET SALES	**$536M** *+1% Core YoY*	▪ Solid automotive growth; China weaker than expected and Mobility de-stocking ▪ Personal Mobility business pipeline robust ▪ Margin expansion driven by operational improvements and normalized business environment compared to the prior year period
ADJUSTED EBITDA	**$116M**	
ADJUSTED EBITDA MARGIN	**21.7%** *+220 bps YoY*	

FLUID POWER



NET SALES	**$337M** *(3%) Core YoY*	▪ Automotive, Energy and On-Highway positive with declines in Construction, Diversified Industrial and Agriculture ▪ Incremental variable comp offsetting gross margin expansion
ADJUSTED EBITDA	**$73M**	
ADJUSTED EBITDA MARGIN	**21.7%** *(70 bps) YoY*	

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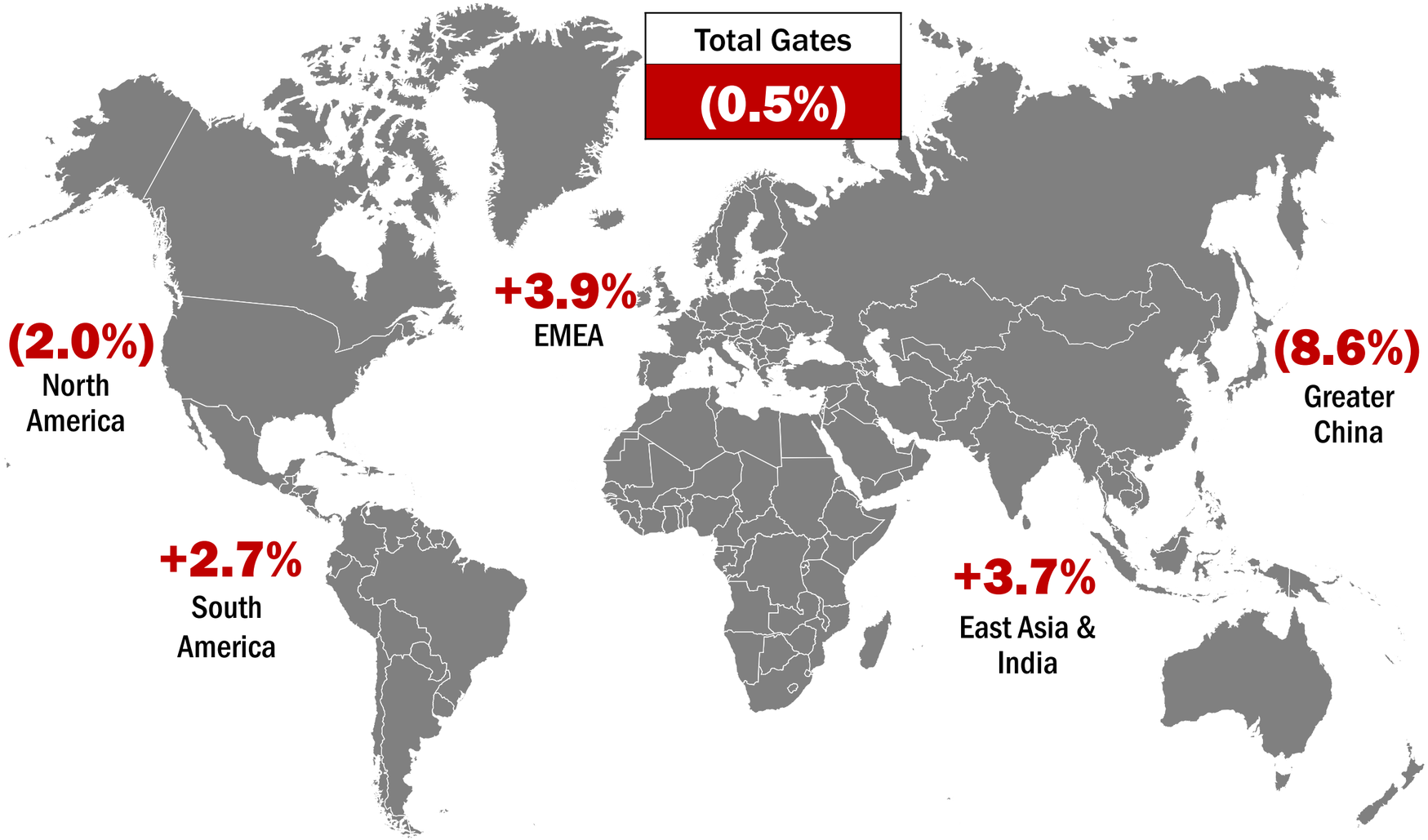
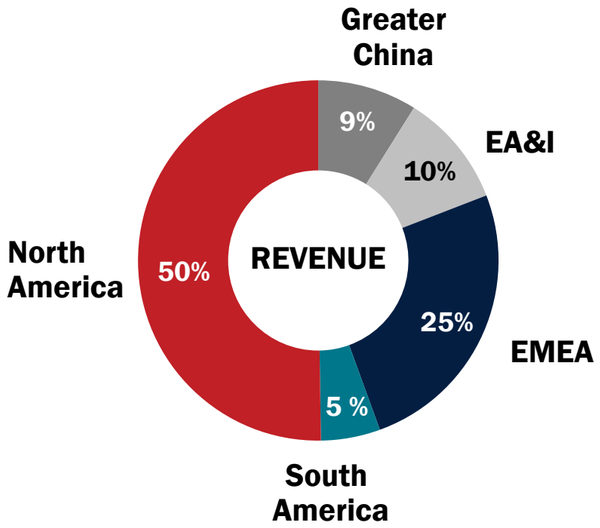
Q3 2023 – REGIONAL CORE REVENUE PERFORMANCE





Note: Figures don't add due to rounding.

- **NA: Weaker industrial offset solid auto performance**
- **EMEA: Growth supported by auto and energy/construction**
- **China: Positive auto replacement and on-highway; weak industrial**

REPLACEMENT REVENUES GREW GLOBALLY; AUTOMOTIVE REMAINS BROADLY HEALTHY

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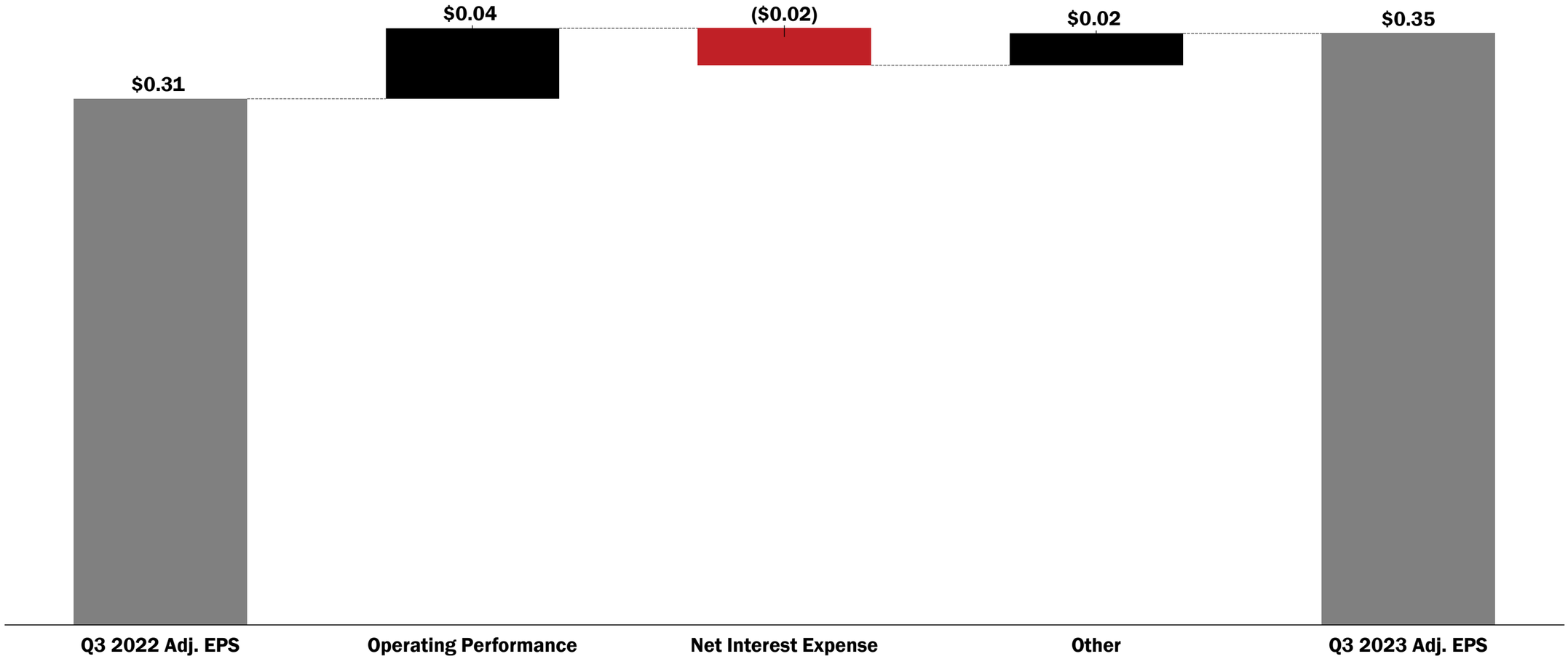
Q3 2023 ADJUSTED EPS WALK



STRONGER PROFITABILITY WAS PRIMARY DRIVER OF YEAR-OVER-YEAR GROWTH

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Q3 2023 – CAPITAL EFFICIENCY & CASH FLOW

$90M
Free Cash Flow

95.6% conversion

- Higher adjusted EBITDA margin rate coupled with moderating trade working capital
- Includes $11M YoY increase in cash interest
- LTM FCF conversion = 138.2%

2.6x
Net Leverage

Net leverage ratio down 0.6x YoY

- Paid down ABL revolver balance
- Amended 2029 term loan; 50 bps reduction in spread

21.6%
ROIC

ROIC expanded 360 basis points YoY

- Significant YoY profit increase
- Working capital stable; prudent capex spend

ON PACE TO EXIT THE YEAR AT 2.5X NET LEVERAGE

Notes: Free Cash Flow: Net cash provided by (used in) operating activities less capital expenditures
Free Cash Flow Conversion: Quarter/LTM Free Cash Flow expressed as a percentage of Quarter/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

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UPDATED 2023 GUIDANCE

	PRIOR 2023	UPDATED 2023	B/W (Midpoint)
CORE REVENUE GROWTH	0 to +2%	0 to +2%	No Change
ADJUSTED EBITDA	$710M – $740M	$725M – $735M	+$5M
ADJUSTED EPS	$1.18 – $1.24	$1.22 – $1.28	+$0.04
CAPITAL EXPENDITURES	<$100M	<$85M	Lower
FREE CASH FLOW CONVERSION	100%+	100%+	No Change

Q4 COMMENTARY

- **Revenues: $855M - $885M**
  - Core revenue decrease of ~4% YoY at midpoint – YoY core growth comparison of +16%
- **Adjusted EBITDA Margin: Up ~85bp YoY at midpoint**
  - Gross margin expansion partially offset by higher SG&A

2023 ADJUSTED EBITDA MARGIN EXPANSION ON PACE TO NICELY OUTPERFORM INITIAL GUIDANCE

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SUMMARY THOUGHTS

- **Focused execution driving improved performance in more challenging growth environment**
  - Strong operational performance fueling gross margin expansion
  - Advancing supply chain initiatives to improve service, productivity and working capital management
  - Continue to assess restructuring opportunities to optimize operational footprint and streamline organizational structure
- **Year-end balance sheet improvement on track**
  - Well positioned to reduce net leverage ratio to 2.5x at year-end
  - Balanced capital deployment strategy; debt reduction opportunities near-term
  - Internal capital deployment opportunities to accelerate growth and business efficiencies

SOLID PROGRESS MADE ON MARGIN AND FINANCIAL LEVERAGE METRICS; MORE OPPORTUNITY AHEAD

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Gates

APPENDIX

Q3 2023 ADJUSTED EPS – SUMMARY WALK

Q3 2022	**$0.31**	
OPERATING PERFORMANCE	0.04	Improved operating performance from pricing and margin improvement
NET INTEREST EXPENSE	(0.02)	Higher interest rates
OTHER	0.02	Primarily share count impact
Q3 2023	**$0.35**	

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RECONCILIATIONS – CORE REVENUE GROWTH

(USD in millions)	Power Transmission	Fluid Power	Q3 2023
Reconciliation of Core Revenue Growth			
Net sales for the quarter ended September 30, 2023 [1]	**$ 536.4**	**$ 336.5**	**$ 872.9**
Impact on net sales of movements in currency rates	(7.8)	(8.4)	(16.2)
Core revenue for the quarter ended September 30, 2023	**$ 528.6**	**$ 328.1**	**$ 856.7**
Net sales for the quarter ended October 1, 2022	522.5	338.2	860.7
Increase (decrease) in net sales on a core basis (core revenue)	**$ 6.1**	**$ (10.1)**	**$ (4.0)**
Core revenue growth (decline)	**1.2%**	**(3.0%)**	**(0.5%)**

(USD in millions)	Power Transmission	Fluid Power	YTD Q3 2023
Reconciliation of Core Revenue Growth			
Net sales for the nine months ended September 30, 2023 [1]	**$ 1,658.4**	**$ 1,048.5**	**$ 2,706.9**
Impact on net sales of movements in currency rates	24.7	(4.3)	20.4
Core revenue for the nine months ended September 30, 2023	**$ 1,683.1**	**$ 1,044.2**	**$ 2,727.3**
Net sales for the nine months ended October 1, 2022	1,621.1	1,039.8	2,660.9
Increase in net sales on a core basis (core revenue)	**$ 62.0**	**$ 4.4**	**$ 66.4**
Core revenue growth	**3.8%**	**0.4%**	**2.5%**

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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)	Q3 2023	Q3 2022	LTM Q3 2023	LTM Q3 2022
Reconciliation to Adjusted EBITDA				
Net Income from Continuing Operations	**$ 85.6**	**$ 56.0**	**$ 278.0**	**$ 223.9**
Adjusted for:				
Income tax expense (benefit)	1.0	11.4	19.3	(7.9)
Net interest and other expenses	39.3	36.4	144.1	144.8
Depreciation and amortization	54.0	53.2	215.6	219.3
Transaction-related expenses	1.3	0.7	2.2	2.9
Asset impairments	0.1	0.5	0.1	1.7
Restructuring expenses	2.6	4.7	11.4	7.3
Share-based compensation expense	3.3	7.2	29.1	40.9
Inventory impairments and adjustments [1] (included in cost of sales)	2.2	7.5	8.5	20.0
Severance expenses (included in cost of sales)	(0.1)	-	1.2	-
Severance expenses (included in SG&A)	-	-	1.0	0.6
Credit loss related to customer bankruptcty (included in SG&A) [2]	-	-	11.4	-
Cybersecurity incident expenses [3]	-	-	5.1	-
Other items not directly related to current operations	0.1	0.1	0.2	0.7
Adjusted EBITDA	**$ 189.4**	**$ 177.7**	**$ 727.2**	**$ 654.2**
Adjusted EBITDA margin				
Net Sales	$ 872.9	$ 860.7	$ 3,600.2	$ 3,476.5
Adjusted EBITDA	$ 189.4	$ 177.7	$ 727.2	$ 654.2
Adjusted EBITDA margin	**21.7%**	**20.6%**	**20.2%**	**18.8%**
Reconciliation to Net Leverage				
Total principal amount of debt			$ 2,476.8	$ 2,513.7
Less: Cash and cash equivalents			(556.8)	(395.3)
Net Debt			**$ 1,920.0**	**$ 2,118.4**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)			**2.6 x**	**3.2 x**

(1) During the three and twelve months ended September 30, 2023, inventory impairments and adjustments included $2.1 million and $7.2 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 resulted in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.

(2) 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 recorded a $11.4 million pre-tax charge for the twelve months ended September 30, 2023, to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.

(3) 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.

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Q3 2023 SEGMENT ADJUSTED EBITDA & MARGIN

(USD in millions)

Reconciliation to Adjusted EBITDA Margin and Incremental Margin

	Q3 2023	Q3 2022	Change
Power Transmission Net Sales	$ 536.4	$ 522.5	$ 13.9
Power Transmission Adjusted EBITDA	$ 116.5	$ 101.9	$ 14.6
Adjusted EBITDA Margin	**21.7%**	**19.5%**	**220 bps**
Fluid Power Net Sales	$ 336.5	$ 338.2	$ (1.7)
Fluid Power Adjusted EBITDA	$ 72.9	$ 75.8	$ (2.9)
Adjusted EBITDA Margin	**21.7%**	**22.4%**	**(70) bps**
Total Net Sales	$ 872.9	$ 860.7	$ 12.2
Total Adjusted EBITDA	$ 189.4	$ 177.7	$ 11.7
Adjusted EBITDA Margin	**21.7%**	**20.6%**	**110 bps**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q3 2023	Q3 2022	LTM Q3 2023	LTM Q3 2022
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 78.7**	**$ 51.9**	**$ 254.9**	**$ 198.6**
Adjusted for:				
Loss on the disposal of discontinued operations	0.1	-	0.6	0.4
Amortization of intangible assets arising from the 2014 acquisition of Gates	29.1	28.4	115.8	116.9
Transaction-related expenses	1.3	0.7	2.2	2.9
Asset impairments	0.1	0.5	0.1	1.7
Restructuring expenses	2.6	4.7	11.4	7.3
Share-based compensation expense	3.3	7.2	29.1	40.9
Inventory impairments and adjustments (1) (included in cost of sales)	2.2	7.5	8.5	20.0
Adjustments relating to post-retirement benefits	(0.7)	(1.6)	(3.9)	(5.9)
Financing and other FX related losses (gains)	2.5	4.0	(13.9)	18.6
One-time deferred tax benefit from unrecognized tax benefit (2)	(12.3)	-	(38.7)	-
Credit loss related to customer bankruptcy (included in SG&A) (3)	-	-	11.4	-
Cybersecurity incident expenses (4)	-	-	5.1	-
Other adjustments	(1.9)	(2.2)	(4.8)	(7.5)
Estimated tax effect of the above adjustments	(10.4)	(11.7)	(37.6)	(43.4)
Adjusted Net Income	**$ 94.6**	**$ 89.4**	**$ 340.2**	**$ 350.5**
Diluted weighted average number of shares outstanding	267,835,011	285,174,344		
Adjusted Net Income per diluted share	**$ 0.35**	**$ 0.31**		

(1) During the three and twelve months ended September 30, 2023, inventory impairments and adjustments included $2.1 million and $7.2 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 resulted in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.

(2) During the three and twelve months ended September 30, 2023, a one-time deferred tax benefit from unrecognized tax benefits included $12.3 million and $38.7 million, respectively, due to the lapsed statute of limitations being recognized.

(3) 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 recorded a $11.4 million pre-tax charge for the twelve months ended September 30, 2023, to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.

(4) 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.

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RECONCILIATIONS – FREE CASH FLOW & FREE CASH FLOW CONVERSION

(USD in millions)	Q3 2023	Q3 2022	LTM Q3 2023	LTM Q3 2022
Reconciliation of Free Cash Flow				
Net Cash Provided By Operating Activities	$ 107.8	$ 100.6	$ 538.7	$ 187.7
Capital Expenditures [1]	(17.4)	(27.6)	(68.5)	(88.7)
Free Cash Flow	**$ 90.4**	**$ 73.0**	**$ 470.2**	**$ 99.0**

(USD in millions)	Q3 2023	Q3 2022	LTM Q3 2023	LTM Q3 2022
Reconciliation of Free Cash Flow Conversion				
Free Cash Flow	$ 90.4	$ 73.0	$ 470.2	$ 99.0
Adjusted Net Income	$ 94.6	$ 89.4	$ 340.2	$ 350.5
Free Cash Flow Conversion	**95.6%**	**81.7%**	**138.2%**	**28.2%**

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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 2023	Q3 2022
Return On Invested Capital (ROIC)		
LTM Adjusted EBITDA	**$ 727.2**	**$ 654.2**
LTM Total depreciation and amortization	(215.6)	(219.3)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	115.8	116.9
LTM Adjusted EBIT	**627.4**	**551.8**
Notional tax at 25%	(156.9)	(138.0)
LTM Tax-effected Adjusted EBIT	**$ 470.5**	**$ 413.8**
Total Assets	$ 7,109.3	$ 7,038.7
Adjusted for:		
Cash	(556.8)	(395.3)
Taxes receivable	(65.1)	(77.5)
Deferred tax assets	(607.8)	(531.2)
Prepaid taxes	(11.4)	(13.4)
Accounts payable	(441.1)	(453.2)
Intangibles arising from the acquisition of Gates	(3,248.3)	(3,265.7)
Invested Capital	**$ 2,178.8**	**$ 2,302.4**
Return On Invested Capital	**21.6%**	**18.0%**

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