

Q4 2023 EARNINGS PRESENTATION

FEBRUARY 8, 2024

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CAUTIONARY NOTE REGARDING 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, our ability to expand our margins, the impact of our footprint optimization activities, statements related to our debt, our capital deployment opportunities, market demand, our enterprise initiatives, our ability to generate free cash flow, and our outlook for the first quarter and full year 2024 (including the related assumptions). 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, 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 large 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 30, 2023, 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 2024. 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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STRONG EXECUTION

- **Delivered double-digit YoY growth in adjusted EBITDA in softening market environment**
- **Adjusted EPS expanded 19% vs. 2022**
- **Net leverage ratio declined by 0.5x while returning $250 million to shareholders via share repurchases**
- **Exited the year with gross margin momentum and line of sight to drive further expansion**

	2023A	YoY Change
Revenue	$3.57B	*1%*
Adjusted EBITDA	$747M	*10%*
Gross Margin	38.1%	*290 bps*
Adjusted EBITDA Margin	20.9%	*180 bps*
Adjusted EPS	$1.36	*19%*
Free Cash Flow Conversion	110%	*55%*
Net Leverage Ratio	2.3x	*(0.5x)*

	Original Guidance	2023A
Adjusted EBITDA	*$700M - $750M*	$747M ✓
Adjusted EPS	*$1.13 - $1.23*	$1.36 ✓ ✓
Free Cash Flow Conversion	*100%*	110% ✓ ✓
Core Revenue Growth	*1% to 5%*	1% ✗

SOLIDLY EXCEEDED INITIAL PROFITABILITY AND FREE CASH FLOW GUIDANCE

Notes: Adjusted EBITDA, Adjusted EBITDA Margin and Core Revenue Growth are non-GAAP measures. See appendix for reconciliations.
Adjusted EPS: Adjusted Net Income per diluted share
Free Cash Flow Conversion: Quarter/LTM Free Cash Flow expressed as a percentage of Quarter/LTM Adjusted Net Income
Net Leverage Ratio: Net Debt (defined as the principal amount of our debt less the carrying amount of cash and cash equivalents) divided by LTM Adjusted EBITDA

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Q4 2023 KEY HIGHLIGHTS

- **Revenue consistent with expectations**
  - Automotive outperformed industrial
  - Normal seasonality
- **Adjusted EBITDA dollars at prior Q4 record**
  - Adjusted EBITDA margin of 21.5%; YoY margin expansion of 290 bps
  - Gross margin exceeded 39%; +440 bps YoY
- **Free cash flow conversion of 158%**
  - Margin expansion supported by disciplined management of trade working capital YoY
  - Trade working capital as % of LTM sales improved 120 bps vs. prior year
- **Net leverage of 2.3x at year-end**
  - Represented 0.5x reduction compared to the prior year period
  - Cash balance exceeded $700 million

GROSS MARGIN EXPANSION DRIVING PROFITABILITY IMPROVEMENT

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Note: Trade Working Capital is measured as Trade Accounts Receivable, Net plus Inventories less Trade Accounts Payable.

Q4 2023 – FINANCIAL PERFORMANCE

$863M

Net Sales

In Line with Expectations

- Automotive slightly positive; industrial decreased
- Replacement channels outperformed first fit

$186M

Adjusted EBITDA

21.5% Adjusted EBITDA margin

- Seasonally strong performance
- Gross margin expansion trend continued

$0.39

Adjusted Earnings per Share

+56% YoY

- Operating income grew 21% YoY; contributed $0.07 per share
- Lower interest expense and other items contributed the balance

ENTERPRISE INITIATIVES DRIVING ACCELERATED MARGIN EXPANSION

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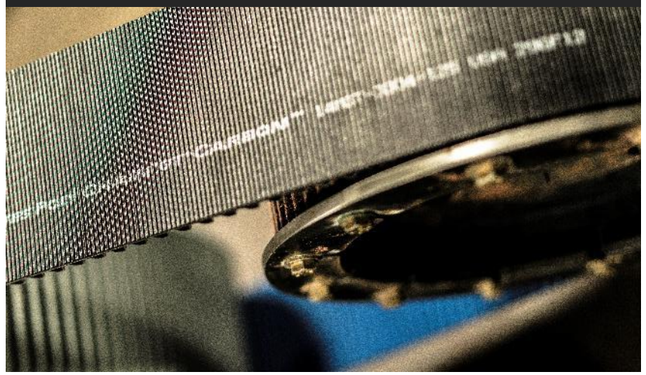
SEGMENT HIGHLIGHTS

	NET SALES	ADJ. EBITDA MARGIN	HIGHLIGHTS
POWER TRANSMISSION 	**Q4 2023** **$532.8M** **(4.6%)** *Core Growth* **2023** **$2.19B** **1.7%** *Core Growth*	**Q4 2023** **22.0%** **360 bps** *Δ EBITDA Margin* **2023** **21.0%** **240 bps** *Δ EBITDA Margin*	▪ Solid growth in automotive, energy and construction with improved results in China; Personal Mobility de-stocking continued ▪ Personal Mobility design wins increased almost 20% YoY in 2023 ▪ YoY margin expansion supported by improved operating environment and initial benefits from enterprise initiatives
FLUID POWER 	**Q4 2023** **$330.5M** **(4.7%)** *Core Growth* **2023** **$1.38B** **(0.8%)** *Core Growth*	**Q4 2023** **20.7%** **190 bps** *Δ EBITDA Margin* **2023** **20.8%** **80 bps** *Δ EBITDA Margin*	▪ Industrial down mid-single digits; replacement declined low single digits ▪ Cost management and commercial execution benefitted margin performance ▪ Footprint optimization activities building momentum

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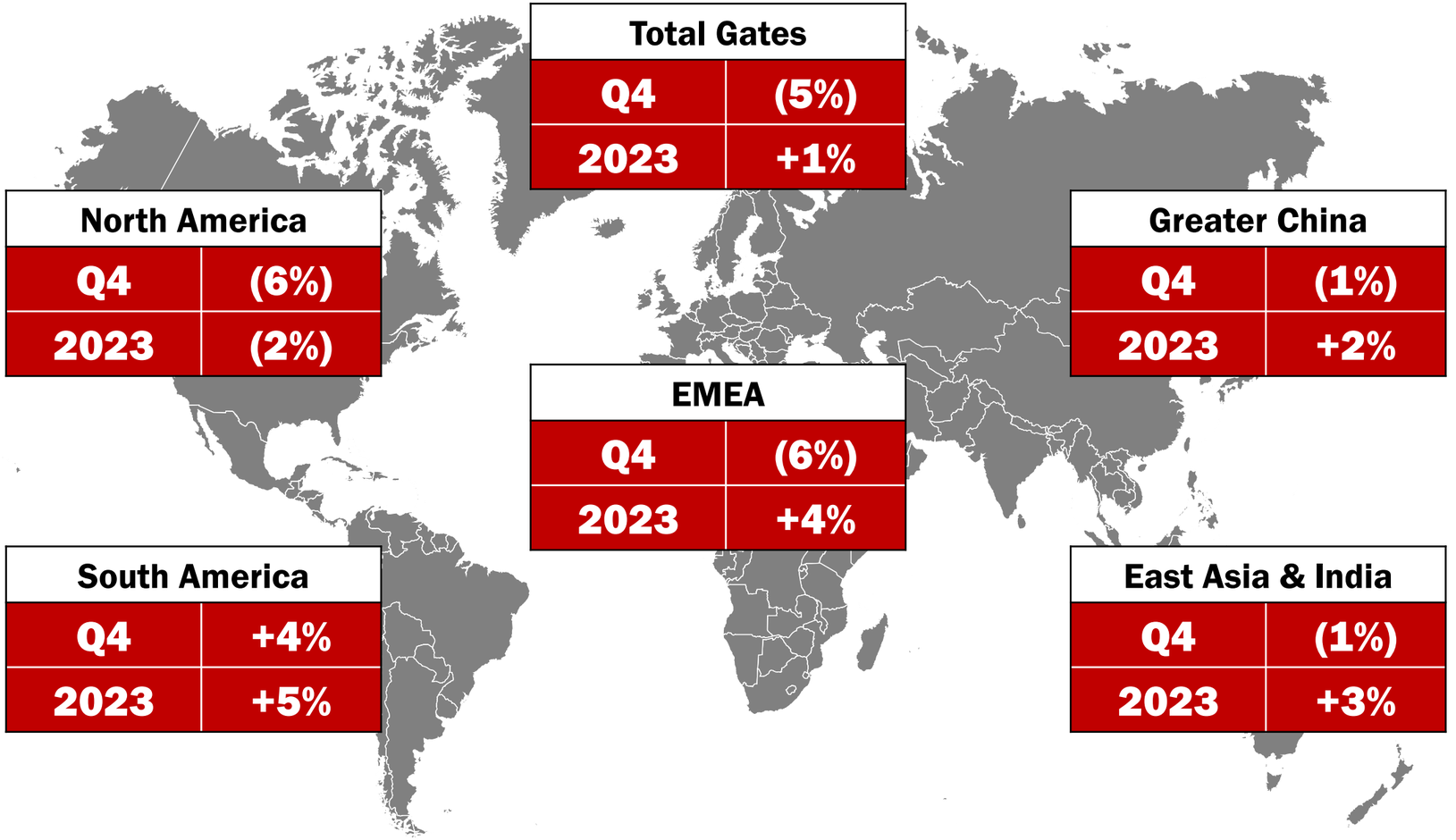
REGIONAL CORE REVENUE PERFORMANCE

Q4 2023 YoY growth affected by ~250 bps of backlog conversion benefit in Q4 2022



Total Gates	
Q4	(5%)
2023	+1%

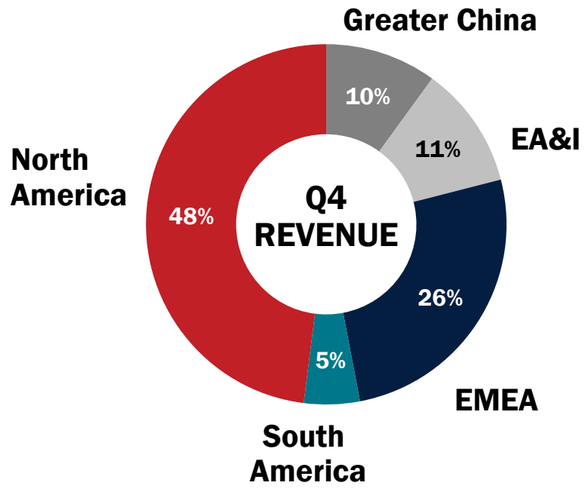
North America	
Q4	(6%)
2023	(2%)

Greater China	
Q4	(1%)
2023	+2%

EMEA	
Q4	(6%)
2023	+4%

South America	
Q4	+4%
2023	+5%

East Asia & India	
Q4	(1%)
2023	+3%



- NA: Performance similar in industrial and automotive
- EMEA: Decline in diversified industrial and off-highway offset growth in automotive and energy
- China: Growth in automotive largely offset declines in industrial

RESULTS CONSISTENT WITH EXPECTATIONS; STIFF GROWTH COMPARISONS IN NORTH AMERICA AND EMEA

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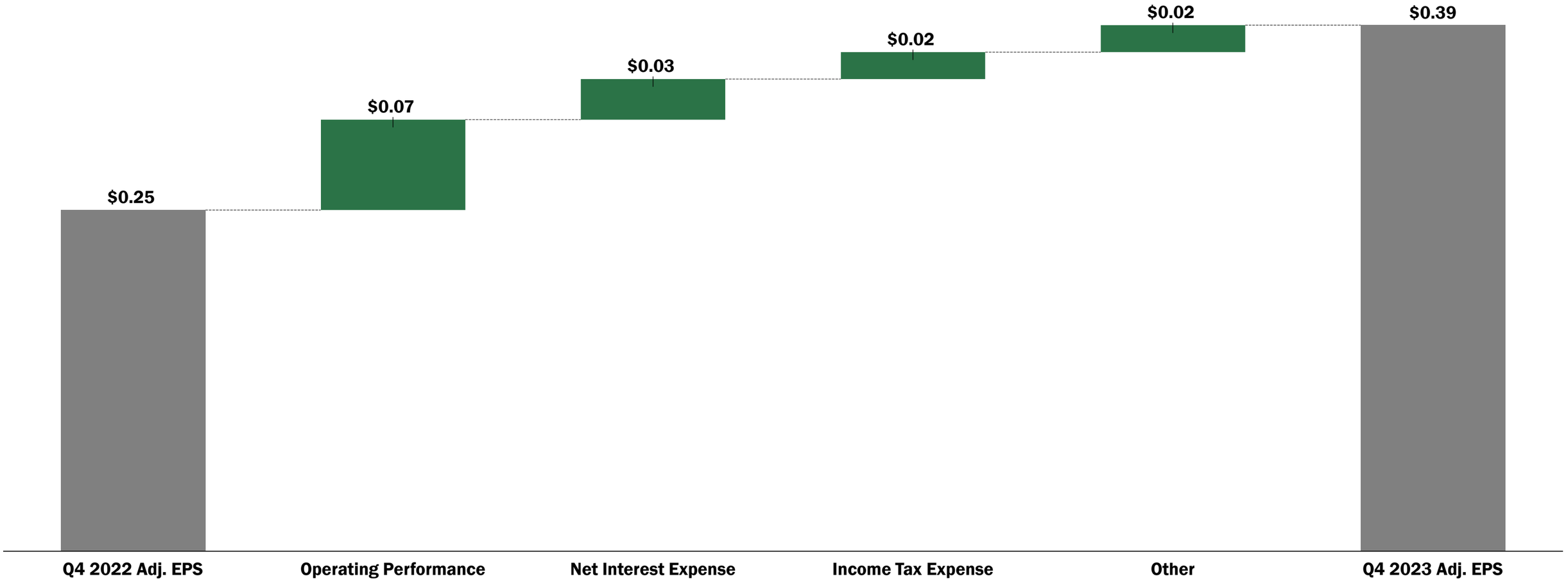
Q4 2023 ADJUSTED EPS WALK



ROBUST INCREASE IN PROFITABILITY AND LOWER NET INTEREST EXPENSE FUELED BULK OF THE INCREASE

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Q4 2023 – CAPITAL EFFICIENCY & CASH FLOW

$165M
Free Cash Flow

158% conversion

- Solid conversion
- YoY improvement in trade working capital

2.3x
Net Leverage

Net leverage ratio down 0.5x YoY

- Represents lowest ratio as a public company
- Continue to evaluate debt reduction opportunities

23.0%
ROIC

Increased 300 basis points YoY

- Strong increase in profitability
- Working capital decrease

CONTINUED PROGRESS TOWARDS ACHIEVING MID-TERM NET LEVERAGE GOAL

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Notes: Free Cash Flow: Net cash provided by (used in) operating activities less capital expenditures
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

2024 OUTLOOK

FULL YEAR 2024				
CORE REVENUE GROWTH	ADJUSTED EBITDA	ADJUSTED EPS	CAPITAL EXPENDITURES	FREE CASH FLOW CONVERSION
(3%) – 1%	$725M – $785M	$1.28 – $1.43	~$100M	90%+

KEY ASSUMPTIONS/CONSIDERATIONS

- 1H revenue decline YoY followed by recovery in 2H
- Adjusted EBITDA reflects:
  - Lower industrial mix
  - Gradually increasing contribution from enterprise initiatives
- <100% FCF Conversion due to capex catch up

Q1 ESTIMATES

- Revenues: $840M - $880M
  - Core decline of ~5% YoY
  - Industrial de-stocking continues
- Adjusted EBITDA margin
  - +40 bps to +80 bps YoY

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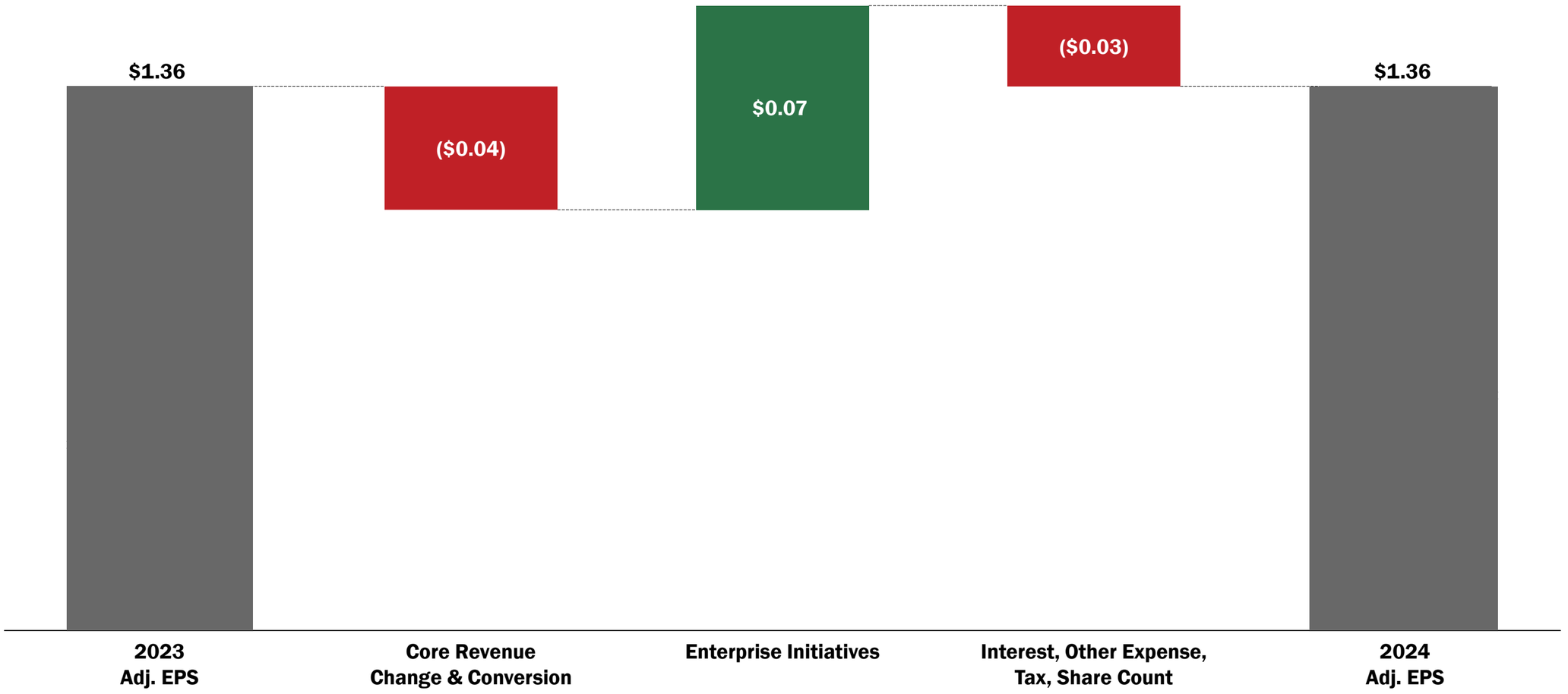
BRIDGE TO 2024 ADJUSTED EPS MIDPOINT



BUILDING MOMENTUM IN ENTERPRISE INITIATIVES OFFSETTING HEADWINDS

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SUMMARY THOUGHTS

- **Strong finish to the year**
  - Delivered solid margin expansion in a softer demand environment
  - Exited the year with operations normalized
  - Strong free cash flow conversion fueled accelerated balance sheet improvement
  - Demonstrating resiliency of asset base and business model
- **Focused on self-help opportunities in 2024**
  - Mixed end market demand coupled with normalizing supply chain impacting 1H demand
  - Progressing enterprise initiatives to drive structural business improvements and investing in our business
  - Anticipate solid free cash flow generation
  - $100 million share repurchase authorization approved; evaluating debt reduction alternatives

POSITIONING THE BUSINESS FOR MEANINGFUL MARGIN EXPANSION AS VOLUMES RECOVER

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CAPITAL MARKETS DAY REMINDER



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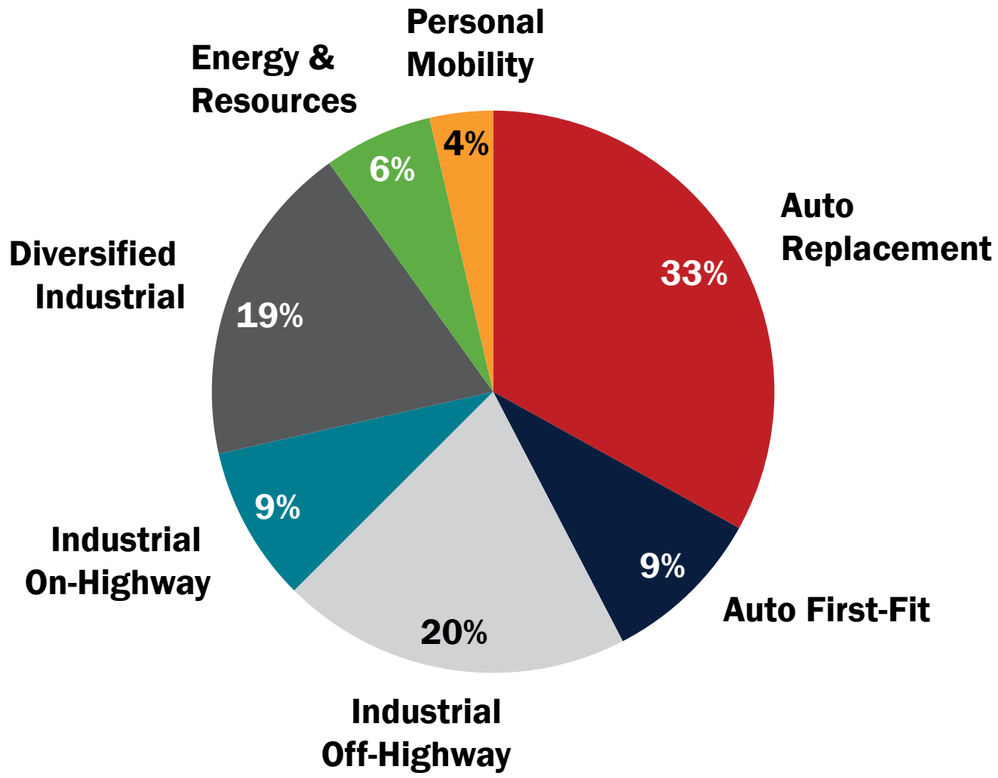
APPENDIX

UNDERLYING 2024 MARKET GROWTH EXPECTATIONS

FY 2023 SALES SPLITS



2024 Underlying Market Expectations	
Automotive Replacement	+
Automotive First-Fit	○
Industrial Off-Highway	−
Industrial On-Highway	−
Diversified Industrial	−
Energy & Resources	+
Personal Mobility	−

+++ HSD/DD ++ MSD + LSD ○ Flat

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Q4 2023 ADJUSTED EPS – SUMMARY WALK

Q4 2022	**$0.25**	
OPERATING PERFORMANCE	0.07	Improved operating performance from pricing and margin improvement
NET INTEREST EXPENSE	0.03	Lower interest expense combined with higher interest income on cash and short-term investment
INCOME TAX EXPENSE	0.02	Incremental benefit from tax initiatives
OTHER	0.02	Share count impact
Q4 2023	**$0.39**	

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RECONCILIATIONS – CORE REVENUE GROWTH

(USD in millions)	Power Transmission	Fluid Power	Q4 2023
Reconciliation of Core Revenue Growth			
Net sales for the quarter ended December 30, 2023 [1]	**$ 532.8**	**$ 330.5**	**$ 863.3**
Impact on net sales of movements in currency rates	(5.8)	(5.7)	(11.5)
Core revenue for the quarter ended December 30, 2023	**$ 527.0**	**$ 324.8**	**$ 851.8**
Net sales for the quarter ended December 31, 2022	552.6	340.7	893.3
Decrease in net sales on a core basis (core revenue)	**$ (25.6)**	**$ (15.9)**	**$ (41.5)**
Core revenue decline	**(4.6%)**	**(4.7%)**	**(4.6%)**

(USD in millions)	Power Transmission	Fluid Power	FY 2023
Reconciliation of Core Revenue Growth			
Net sales for the year ended December 30, 2023 [1]	**$ 2,191.2**	**$ 1,379.0**	**$ 3,570.2**
Impact on net sales of movements in currency rates	18.9	(10.0)	8.9
Core revenue for the year ended December 30, 2023	**$ 2,210.1**	**$ 1,369.0**	**$ 3,579.1**
Net sales for the year ended December 31, 2022	2,173.7	1,380.5	3,554.2
Increase (decrease) in net sales on a core basis (core revenue)	**$ 36.4**	**$ (11.5)**	**$ 24.9**
Core revenue growth (decline)	**1.7%**	**(0.8%)**	**0.7%**

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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 2023	Q4 2022	FY 2023	FY 2022
Reconciliation to Adjusted EBITDA				
Net Income from Continuing Operations	**$ 69.2**	**$ 90.2**	**$ 257.0**	**$ 242.9**
Adjusted for:				
Income tax expense (benefit)	2.4	(6.6)	28.3	14.9
Net interest and other expenses	48.7	15.5	177.3	126.2
Depreciation and amortization	55.0	53.1	217.5	217.2
Transaction-related expenses	0.1	0.1	2.2	2.1
Asset impairments	-	-	0.1	1.1
Restructuring expenses	1.3	1.1	11.6	9.5
Share-based compensation expense	7.8	9.5	27.4	44.3
Inventory impairments and adjustments [1] (included in cost of sales)	1.1	2.2	7.4	20.9
Severance expenses (included in cost of sales)	-	0.8	0.4	0.8
Severance expenses (included in SG&A)	0.1	0.1	1.0	0.5
Credit loss related to customer bankruptcty (included in SG&A) [2]	-	-	11.4	-
Cybersecurity incident expenses [3]	0.1	-	5.2	-
Other items not directly related to current operations	-	-	0.2	0.2
Adjusted EBITDA	**$ 185.8**	**$ 166.0**	**$ 747.0**	**$ 680.6**
Adjusted EBITDA margin				
Net Sales	$ 863.3	$ 893.3	$ 3,570.2	$ 3,554.2
Adjusted EBITDA	$ 185.8	$ 166.0	$ 747.0	$ 680.6
Adjusted EBITDA margin	**21.5%**	**18.6%**	**20.9%**	**19.1%**
Reconciliation to Net Leverage				
Total principal amount of debt			$ 2,471.9	$ 2,491.4
Less: Cash and cash equivalents			(720.6)	(578.4)
Net Debt			**$ 1,751.3**	**$ 1,913.0**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)			**2.3 x**	**2.8 x**

(1) During the three months and year ended December 30, 2023, inventory impairments and adjustments included $1.1 million and $7.3 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 year ended December 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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RECONCILIATIONS – SEGMENT ADJUSTED EBITDA MARGIN

(USD in millions)

Reconciliation to Adjusted EBITDA Margin

	QTD Q4 2023	QTD Q4 2022	Change	FY 2023	FY 2022	Change
Power Transmission Net Sales	$ 532.8	$ 552.6	$ (19.8)	$ 2,191.2	$ 2,173.7	$ 17.5
Power Transmission Adjusted EBITDA	$ 117.4	$ 101.9	$ 15.5	$ 460.6	$ 404.0	$ 56.6
Adjusted EBITDA Margin	**22.0%**	**18.4%**	**360 bps**	**21.0%**	**18.6%**	**240 bps**
Fluid Power Net Sales	$ 330.5	$ 340.7	$ (10.2)	$ 1,379.0	$ 1,380.5	$ (1.5)
Fluid Power Adjusted EBITDA	$ 68.4	$ 64.1	$ 4.3	$ 286.4	$ 276.6	$ 9.8
Adjusted EBITDA Margin	**20.7%**	**18.8%**	**190 bps**	**20.8%**	**20.0%**	**80 bps**
Total Net Sales	$ 863.3	$ 893.3	$ (30.0)	$ 3,570.2	$ 3,554.2	$ 16.0
Total Adjusted EBITDA	$ 185.8	$ 166.0	$ 19.8	$ 747.0	$ 680.6	$ 66.4
Adjusted EBITDA Margin	**21.5%**	**18.6%**	**290 bps**	**20.9%**	**19.1%**	**180 bps**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q4 2023	Q4 2022	FY 2023	FY 2022
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 62.9**	**$ 84.9**	**$ 232.9**	**$ 220.8**
Adjusted for:				
Loss on the disposal of discontinued operations	0.1	0.1	0.6	0.4
Amortization of intangible assets arising from the 2014 acquisition of Gates	28.9	28.5	116.2	115.6
Transaction-related expenses	0.1	0.1	2.2	2.1
Asset impairments	-	-	0.1	1.1
Restructuring expenses	1.3	1.1	11.6	9.5
Share-based compensation expense	7.8	9.5	27.4	44.3
Inventory impairments and adjustments [(1)] (included in cost of sales)	1.1	2.2	7.4	20.9
Adjustments relating to post-retirement benefits	(0.8)	(1.7)	(3.0)	(6.5)
Financing and other FX related losses (gains)	16.7	(24.0)	26.8	(7.9)
One-time deferred tax benefit from unrecognized tax benefit [(2)]	-	(26.4)	(12.3)	(26.4)
Credit loss related to customer bankruptcy (included in SG&A) [(3)]	-	-	11.4	-
Cybersecurity incident expenses [(4)]	0.1	-	5.2	-
Other adjustments	(0.2)	(0.3)	(4.7)	(6.2)
Estimated tax effect of the above adjustments	(13.3)	(2.8)	(48.1)	(38.7)
Adjusted Net Income	**$ 104.7**	**$ 71.2**	**$ 373.7**	**$ 329.0**
Diluted weighted average number of shares outstanding	267,523,754	284,912,127	275,648,328	287,586,210
Adjusted Net Income per diluted share	**$ 0.39**	**$ 0.25**	**$ 1.36**	**$ 1.14**

(1) During the three months and year ended December 30, 2023, inventory impairments and adjustments included $1.1 million and $7.3 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 year ended December 30, 2023, a one-time deferred tax benefit from unrecognized tax benefits included $12.3 million 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 year ended December 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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Reconciliation of Free Cash Flow				
Net Cash Provided By Operating Activities	$ 189.3	$ 247.0	$ 481.0	$ 265.8
Capital Expenditures [1]	(24.2)	(21.3)	(71.4)	(87.0)
Free Cash Flow	**$ 165.1**	**$ 225.7**	**$ 409.6**	**$ 178.8**

(USD in millions)	Q4 2023	Q4 2022	FY 2023	FY 2022
Reconciliation of Free Cash Flow Conversion				
Free Cash Flow	$ 165.1	$ 225.7	$ 409.6	$ 178.8
Adjusted Net Income	$ 104.7	$ 71.2	$ 373.7	$ 329.0
Free Cash Flow Conversion	**157.7%**	**317.0%**	**109.6%**	**54.3%**

[1] Capital expenditures represent purchases of property, plant and equipment and purchases of intangible assets.

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RECONCILIATIONS – RETURN ON INVESTED CAPITAL (ROIC)

(USD in millions)	LTM Q4 2023	LTM Q4 2022
Return On Invested Capital (ROIC)		
LTM Adjusted EBITDA	**$ 747.0**	**$ 680.6**
LTM Total depreciation and amortization	(217.5)	(217.2)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	116.2	115.6
LTM Adjusted EBIT	**645.7**	**579.0**
Notional tax at 25%	(161.4)	(144.8)
LTM Tax-effected Adjusted EBIT	**$ 484.3**	**$ 434.2**
Total Assets	$ 7,254.5	$ 7,191.6
Adjusted for:		
Cash	(720.6)	(578.4)
Taxes receivable	(48.9)	(28.1)
Deferred tax assets	(622.4)	(600.3)
Prepaid taxes	(14.0)	(11.4)
Accounts payable	(457.7)	(469.6)
Intangibles arising from the acquisition of Gates	(3,289.2)	(3,335.1)
Invested Capital	**$ 2,101.7**	**$ 2,168.7**
Return On Invested Capital	**23.0%**	**20.0%**

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