

Q1 2024 EARNINGS PRESENTATION

MAY 1, 2024

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This presentation contains, and management may make on our call today, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "trends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. These statements include, but are not limited to, statements related to expectations regarding the performance of the Company's business and financial results, statements regarding industrial activity, our ability to drive shareholder value, and our outlook for the second 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, 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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Q1 2024 KEY HIGHLIGHTS

- **Revenue above midpoint of February guidance**
  - Automotive outperformed industrial; seeing stabilizing trends in certain industrial end markets
  - Global replacement channel revenues up slightly YoY
- **Strong operating performance resulting in Adjusted EBITDA margin of 22%+**
  - Gross margin expanded 210 basis points
  - Strong progress with enterprise initiatives
- **Net leverage ratio improved 0.3x**
  - Net leverage of 2.4x at quarter-end; repaid $100 million of term loan
  - $50 million share repurchase executed
- **Raising full year Adjusted EBITDA guidance**
  - Solid operational start to the year
  - Poised to drive enhanced operating leverage when volumes recover

EXECUTING WELL AND POSITIONING THE BUSINESS FOR AN INDUSTRIAL RECOVERY

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Q1 2024 – FINANCIAL PERFORMANCE

$863M

Net Sales

(3.6%) Core Decline YoY

- Automotive performance fueled replacement channel growth
- Ag and construction impacting Industrial First Fit decline
- Book to bill above 1; order rates improved as the quarter progressed

$196M

Adjusted EBITDA

22.7% Adjusted EBITDA margin

- YoY expansion of 330 bps
- Progress with enterprise initiatives benefited expansion
- Favorable mix

$0.31

Adjusted Earnings per Share[1]

23.4% Growth YoY

- Operating performance contributed ~$0.10 of EPS YoY
- Higher tax expense was approximately $0.03 headwind
- Net interest and Other were a combined $0.01 drag

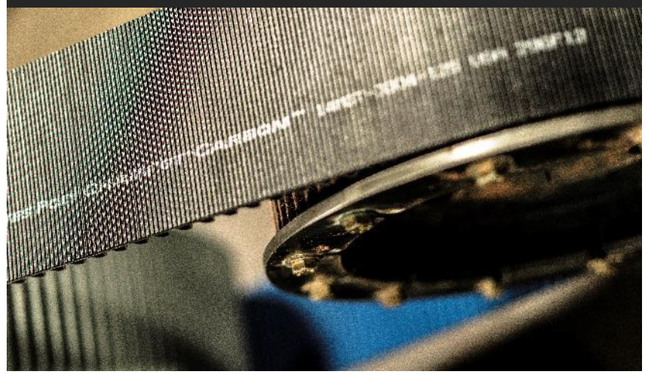
SOLID OPERATIONAL EXECUTION FUELED OPERATING OUTPERFORMANCE

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[1] Adjusted Net Income per diluted share

Q1 2024 – SEGMENT RESULTS

POWER TRANSMISSION



	PERFORMANCE	HIGHLIGHTS
NET SALES	**$533M** *(1.7%) Core YoY*	▪ Replacement up modestly; First Fit down high single digits ▪ Mixed end market growth trends; YoY declines in majority of industrial end markets more than offsetting growth in automotive ▪ Margin expansion driven by enterprise initiatives and relative strength in replacement channels
ADJUSTED EBITDA	**$119M**	
ADJUSTED EBITDA MARGIN	**22.3%** *+270 bps YoY*	

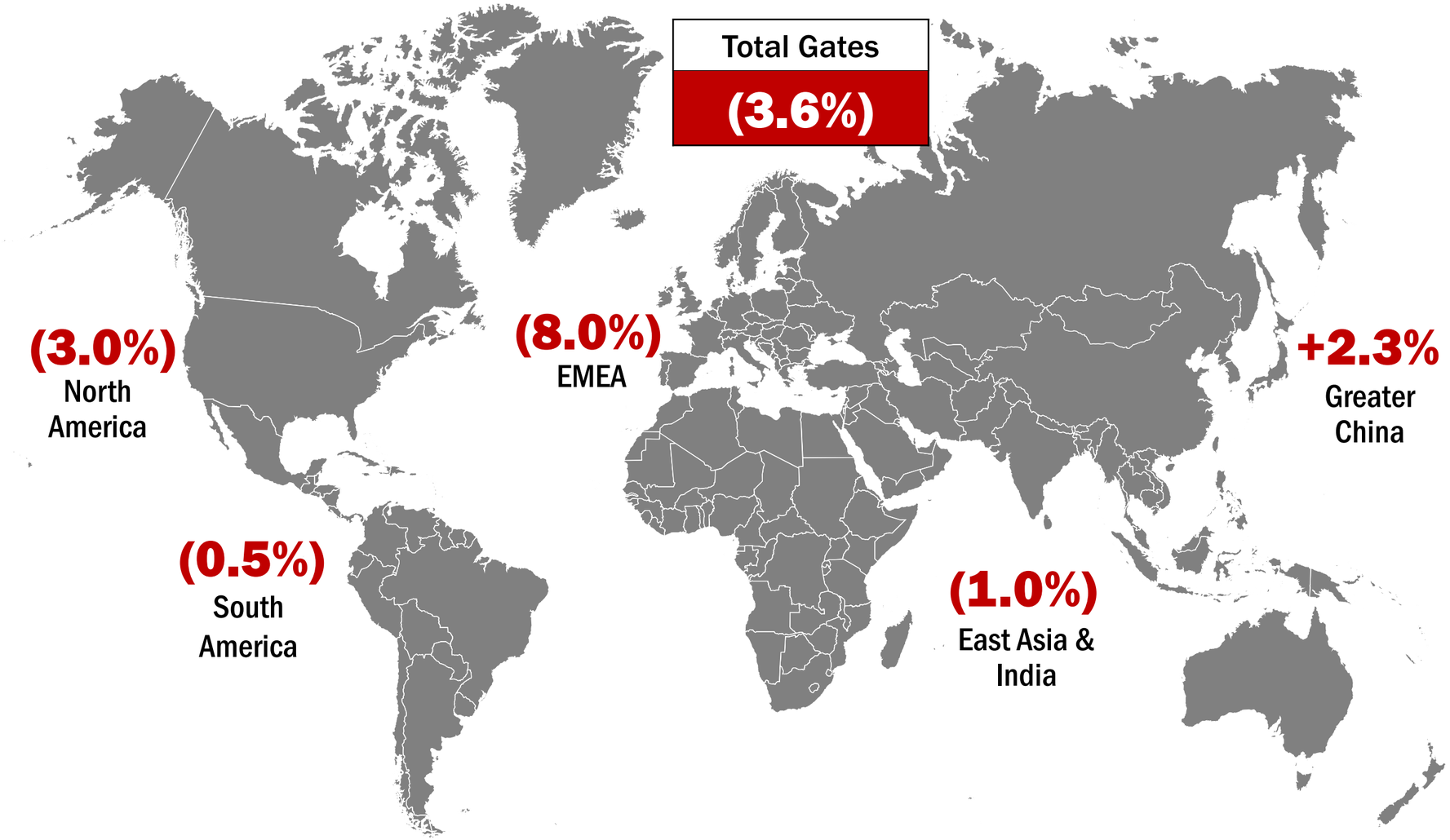
FLUID POWER

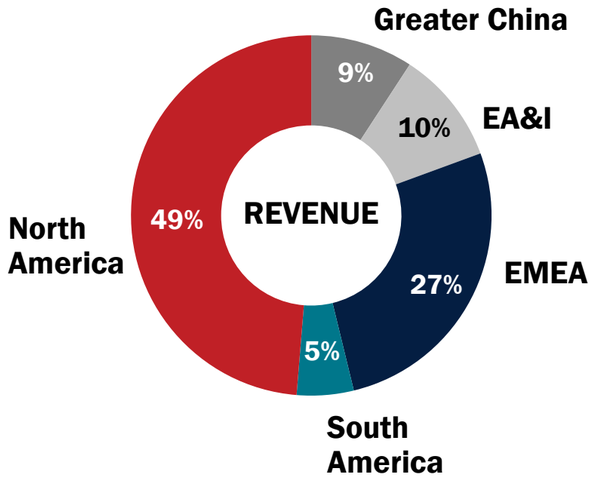


	PERFORMANCE	HIGHLIGHTS
NET SALES	**$330M** *(6.6%) Core YoY*	▪ Double-digit decline in First Fit primarily driven by agriculture; solid automotive replacement growth ▪ Most industrial end markets posted declines ▪ Margin improvement fueled by improved operating performance driven by execution of initiatives as well as healthy growth in the automotive replacement channel
ADJUSTED EBITDA	**$77M**	
ADJUSTED EBITDA MARGIN	**23.2%** *+410 bps YoY*	

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Q1 2024 – REGIONAL CORE REVENUE PERFORMANCE



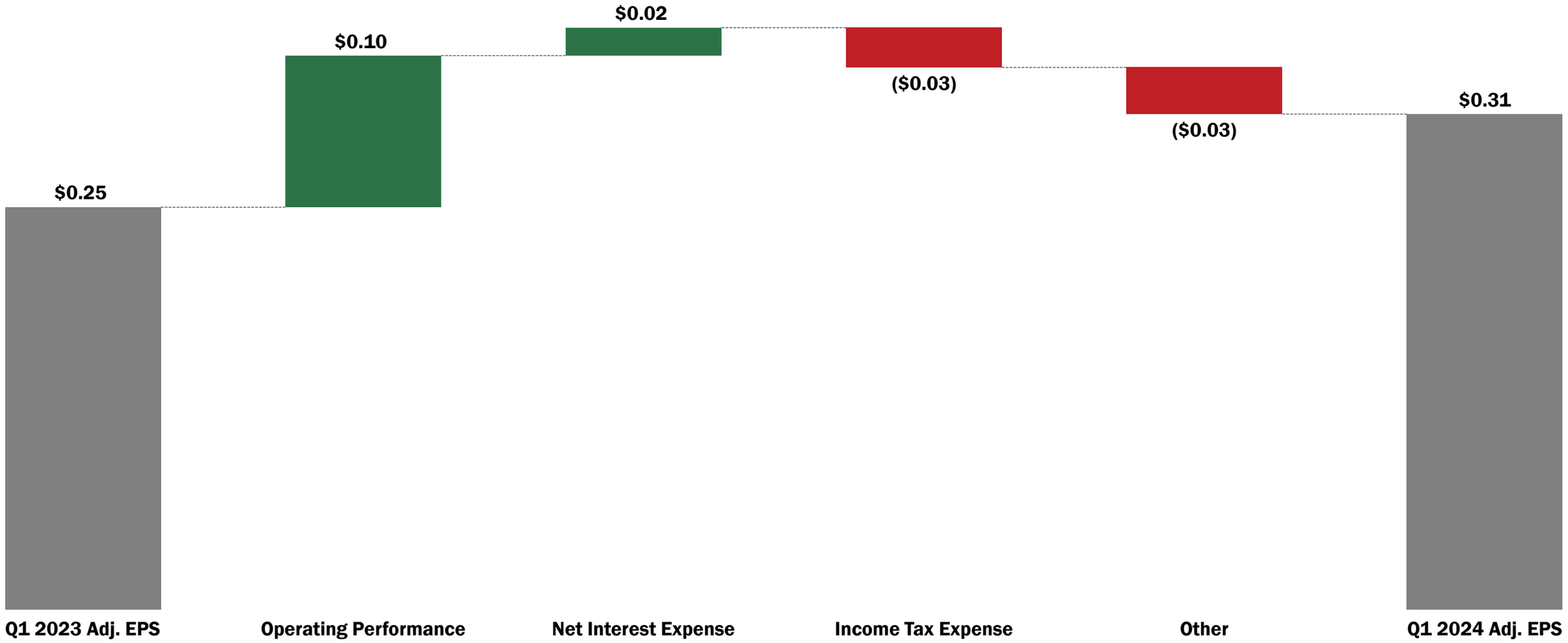


- **NA: Automotive continues to outperform industrial**
- **EMEA: Softer industrial first fit; solid automotive replacement**
- **China: Demand stabilizing; anticipate choppy trends near-term**

ORDER RATES STEADILY IMPROVED IN THE QUARTER; BOOK TO BILL SOLIDLY ABOVE 1

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Q1 2024 ADJUSTED EPS WALK



STRONG PROFITABILITY IMPROVEMENT PARTIALLY OFFSET BY HIGHER TAX AND OTHER ITEMS

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Q1 2024 – CAPITAL EFFICIENCY & CASH FLOW

($39M)
Free Cash Flow

Consistent with expectations & follows normal seasonality

- Normal seasonal performance
- Working capital as % of LTM sales declined approximately 50 basis points YoY

2.4x
Net Leverage

Improving trend continues

- Improved 0.3x YoY
- Received one notch ratings upgrade from S&P; Moody's upgrade subsequent to quarter-end

23.1%
ROIC

ROIC strengthened

- Increased 300 bps YoY
- Higher profitability fueled improvement

BALANCE SHEET AND RETURNS ON CAPITAL CONTINUE TO GET BETTER

Notes: Free Cash Flow: Net cash provided by (used in) operating activities less capital expenditures
Free Cash Flow Conversion: LTM Free Cash Flow (Net Cash Provided by Operations minus capital expenditures) expressed as a percentage of LTM Adjusted Net Income
Net Leverage: Net Debt (defined as the principal amount of our debt less the carrying amount of cash and cash equivalents) divided by LTM Adjusted EBITDA
ROIC: Tax-effected LTM Adjusted EBIT divided by total assets minus cash, accounts payable, income tax-related assets and intangibles related to 2014 acquisition of Gates

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UPDATED 2024 GUIDANCE

	PRIOR 2024	UPDATED 2024	B/W (Midpoint)
CORE REVENUE GROWTH	(3%) to +1%	(3%) to +1%	No Change
ADJUSTED EBITDA	$725M – $785M	$745M – $805M	+$20M
ADJUSTED EPS	$1.28 – $1.43	$1.28 – $1.43	No Change
CAPITAL EXPENDITURES	~$100M	~$100M	No Change
FREE CASH FLOW CONVERSION	90%+	90%+	No Change

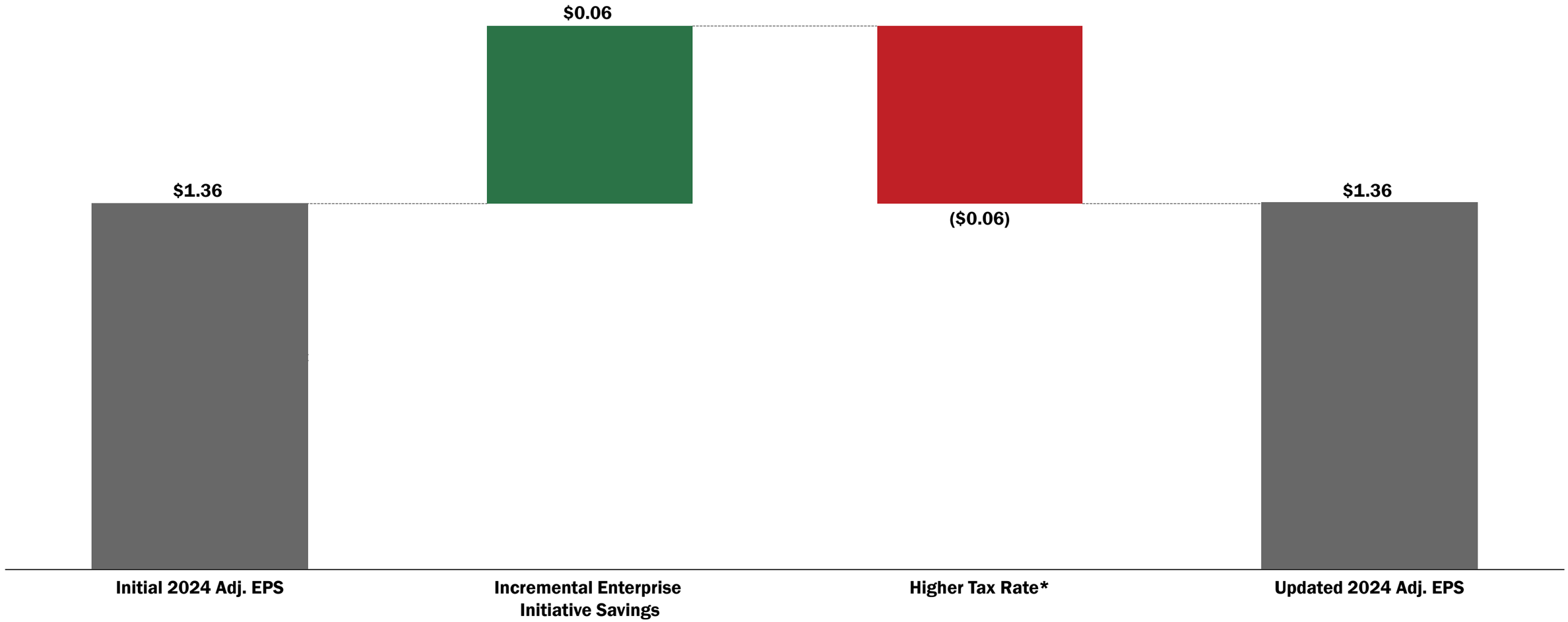
Q2 COMMENTARY

- **Revenues: $880M - $910M**
  - Core revenue decrease of ~3.5% YoY at midpoint
- **Adjusted EBITDA Margin: Up 75 bps YoY at midpoint**
  - Continue to drive margin expansion in lower volume environment

EPS BENEFIT FROM HIGHER FULL YEAR ADJUSTED EBITDA OFFSET BY A HIGHER TAX RATE

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UPDATED WALK TO 2024 ADJUSTED EPS MIDPOINT



*Tax rate expected to be 200 to 300 basis points higher than initial expectation.

BUILDING MOMENTUM IN ENTERPRISE INITIATIVES OFFSETTING TAX RATE HEADWIND

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SUMMARY THOUGHTS

- **Solid start to 2024**
  - Executing on enterprise initiatives
  - Encouraging signs that industrial activity has stabilized
  - Taking pragmatic view of how the year unfolds
- **Delivering on commitments to shareholders**
  - Lowered gross debt and repurchased shares in Q1
  - Committed to execution of mid-term objectives
  - Optionality aperture widening

SEVERAL INITIATIVES IN PLACE EXPECTED TO DRIVE MEANINGFUL SHAREHOLDER VALUE

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Gates

APPENDIX

Q1 2024 ADJUSTED EPS – SUMMARY WALK

Q1 2023	**$0.25**	
OPERATING PERFORMANCE	0.10	Margin improvement supported by pricing, initiatives and favorable mix
NET INTEREST EXPENSE	0.02	Lower interest expense combined with higher interest income on cash and short-term investment
INCOME TAX EXPENSE	(0.03)	Discrete tax items
OTHER	(0.03)	Non-repeat of certain items realized in Q1 2023 and higher non-controlling interest partially offset by reduced share count
Q1 2024	**$0.31**	

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RECONCILIATIONS – CORE REVENUE GROWTH

(USD in millions)

Reconciliation of Core Revenue Growth

	Power Transmission	Fluid Power	Q1 2024
Net sales for the quarter ended March 30, 2024 [1]	**$ 532.8**	**$ 329.8**	**$ 862.6**
Impact on net sales of movements in currency rates	5.9	(3.1)	2.8
Core revenue for the quarter ended March 30, 2024	**$ 538.7**	**$ 326.7**	**$ 865.4**
Net sales for the quarter ended April 1, 2023	548.1	349.6	897.7
Decrease in net sales on a core basis (core revenue)	**$ (9.4)**	**$ (22.9)**	**$ (32.3)**
Core revenue decline	**(1.7%)**	**(6.6%)**	**(3.6%)**

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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 & NET LEVERAGE

(USD in millions)	Q1 2024	Q1 2023	LTM Q1 2024	LTM Q1 2023
Reconciliation to Adjusted EBITDA				
Net Income from Continuing Operations	**$ 46.2**	**$ 30.9**	**$ 272.3**	**$ 236.4**
Adjusted for:				
Income tax expense	34.5	15.3	47.5	32.4
Net interest and other expenses	36.0	41.1	172.2	134.1
Depreciation and amortization	54.6	54.5	217.6	216.6
Transaction-related expenses	0.4	0.2	2.4	1.5
Asset impairments	-	-	0.1	1.1
Restructuring expenses	1.2	5.5	7.3	14.5
Share-based compensation expense	8.6	9.5	26.5	29.7
Inventory impairments and adjustments [1] (included in cost of sales)	13.9	0.6	20.7	13.9
Severance expenses (included in cost of sales)	-	0.5	(0.1)	1.3
Severance expenses (included in SG&A)	0.1	0.6	0.5	0.8
Credit loss related to customer bankruptcty (included in SG&A) [2]	0.1	10.7	0.8	10.7
Cybersecurity incident expenses [3]	-	5.1	0.1	5.1
Other items not directly related to current operations	-	-	0.2	0.2
Adjusted EBITDA	**$ 195.6**	**$ 174.5**	**$ 768.1**	**$ 698.3**
Adjusted EBITDA margin				
Net Sales	$ 862.6	$ 897.7	$ 3,535.1	$ 3,558.5
Adjusted EBITDA	$ 195.6	$ 174.5	$ 768.1	$ 698.3
Adjusted EBITDA margin	**22.7%**	**19.4%**	**21.7%**	**19.6%**
Reconciliation to Net Leverage				
Total principal amount of debt			$ 2,367.0	$ 2,486.5
Less: Cash and cash equivalents			(522.2)	(594.9)
Net Debt			**$ 1,844.8**	**$ 1,891.6**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)			**2.4 x**	**2.7 x**

(1) During the three and twelve months ended March 30, 2024, inventory impairments and adjustments included $13.9 million and $20.2 million, respectively, for the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis.

(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 the pre-tax charge to reflect our estimated recovery. Based on further developments in the bankruptcy proceedings, we recorded an additional $0.1 million pre-tax charge during the three months ended March 30, 2024. We will 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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Q1 2024 SEGMENT ADJUSTED EBITDA MARGIN

(USD in millions)

Reconciliation to Adjusted EBITDA Margin and Incremental Margin

	QTD Q1 2024	QTD Q1 2023	Change
Power Transmission Net Sales	$ 532.8	$ 548.1	$ (15.3)
Power Transmission Adjusted EBITDA	$ 119.0	$ 107.7	$ 11.3
Adjusted EBITDA Margin	**22.3%**	**19.6%**	**270 bps**
Fluid Power Net Sales	$ 329.8	$ 349.6	$ (19.8)
Fluid Power Adjusted EBITDA	$ 76.6	$ 66.8	$ 9.8
Adjusted EBITDA Margin	**23.2%**	**19.1%**	**410 bps**
Total Net Sales	$ 862.6	$ 897.7	$ (35.1)
Total Adjusted EBITDA	$ 195.6	$ 174.5	$ 21.1
Adjusted EBITDA Margin	**22.7%**	**19.4%**	**330 bps**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q1 2024	Q1 2023	LTM Q1 2024	LTM Q1 2023
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 40.0**	**$ 26.4**	**$ 246.5**	**$ 216.3**
Adjusted for:				
Loss on the disposal of discontinued operations	0.1	0.3	0.4	0.6
Amortization of intangible assets arising from the 2014 acquisition of Gates	29.1	29.0	116.3	115.0
Transaction-related expenses	0.4	0.2	2.4	1.5
Asset impairments	-	-	0.1	1.1
Restructuring expenses	1.2	5.5	7.3	14.5
Share-based compensation expense	8.6	9.5	26.5	29.7
Inventory impairments and adjustments (1) (included in cost of sales)	13.9	0.6	20.7	13.9
Adjustments relating to post-retirement benefits	(0.7)	(0.7)	(3.0)	(5.6)
Financing and other FX related losses (gains)	1.5	1.6	26.7	(8.8)
One-time deferred tax benefit from unrecognized tax benefit (2)	-	-	(12.3)	(26.4)
One-time tax benefit from changes in realizability of certain deferred tax assets (3)	3.4	-	3.4	-
Credit loss related to customer bankruptcy (included in SG&A) (4)	0.1	10.7	0.8	10.7
Cybersecurity incident expenses (5)	-	5.1	0.1	5.1
Other adjustments	(1.7)	(1.8)	(4.6)	(5.9)
Estimated tax effect of the above adjustments	(12.4)	(13.6)	(46.9)	(38.1)
Adjusted Net Income	**$ 83.5**	**$ 72.8**	**$ 384.4**	**$ 323.6**
Diluted weighted average number of shares outstanding	267,435,531	287,878,415		
Adjusted Net Income per diluted share	**$ 0.31**	**$ 0.25**		

(1) During the three and twelve months ended March 30, 2024, inventory impairments and adjustments included $13.9 million and $20.2 million, respectively, for the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis.

(2) During the twelve months ended March 30, 2024, a one-time deferred tax benefit from unrecognized tax benefits included $12.3 million due to the lapsed statute of limitations being recognized.

(3) During the three months ended March 30, 2024, a one-time tax benefit of $3.4 million was recognized due to changes in the realizability of certain deferred tax assets related to Blackstone ownership change.

(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 recorded the pre-tax charge to reflect our estimated recovery. Based on further developments in the bankruptcy proceedings, we recorded an additional $0.1 million pre-tax charge during the three months ended March 30, 2024. 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.

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RECONCILIATIONS – FREE CASH FLOW & FREE CASH FLOW CONVERSION

(USD in millions)	Q1 2024	Q1 2023	LTM Q1 2024	LTM Q1 2023
Reconciliation of Free Cash Flow				
Net Cash (Used in) Provided By Operating Activities	$ (21.0)	$ 52.5	$ 407.5	$ 423.7
Capital Expenditures [1]	(18.1)	(14.6)	(74.9)	(83.6)
Free Cash Flow	**$ (39.1)**	**$ 37.9**	**$ 332.6**	**$ 340.1**

(USD in millions)	Q1 2024	Q1 2023	LTM Q1 2024	LTM Q1 2023
Reconciliation of Free Cash Flow Conversion				
Free Cash Flow	$ (39.1)	$ 37.9	$ 332.6	$ 340.1
Adjusted Net Income	$ 83.5	$ 72.8	$ 384.4	$ 323.6
Free Cash Flow Conversion	**(46.8%)**	**52.1%**	**86.5%**	**105.1%**

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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) & WORKING CAPITAL AS A % OF LTM SALES

(USD in millions)	LTM Q1 2024	LTM Q1 2023
Return On Invested Capital (ROIC)		
LTM Adjusted EBITDA	**$ 768.1**	**$ 698.3**
LTM Total depreciation and amortization	(217.6)	(216.6)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	116.3	115.0
LTM Adjusted EBIT	**666.8**	**596.7**
Notional tax at 25%	(166.7)	(149.2)
LTM Tax-effected Adjusted EBIT	**$ 500.1**	**$ 447.5**
Total Assets	$ 7,045.9	$ 7,282.4
Adjusted for:		
Cash	(522.2)	(594.9)
Taxes receivable	(62.5)	(41.3)
Deferred tax assets	(607.4)	(607.2)
Prepaid taxes	(14.0)	(11.4)
Accounts payable	(451.4)	(452.1)
Intangibles arising from the acquisition of Gates	(3,222.0)	(3,348.2)
Invested Capital	**$ 2,166.4**	**$ 2,227.3**
Return On Invested Capital	**23.1%**	**20.1%**
Trade Working Capital		
LTM Sales	**$ 3,535.1**	**$ 3,558.5**
Trade Working Capital	1,023.5	1,047.2
Percent of LTM Sales	**28.95%**	**29.43%**
Change YoY	**(48) bps**	

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