

DRIVEN BY POSSIBILITY

NOVEMBER 7, 2018

GATES INDUSTRIAL CORPORATION

IVO JUREK
CEO

FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This presentation contains, and management may make on our call today, certain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include all statements that are not historical facts. In some cases you can identify 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. Such forward-looking statements are subject to various risks and uncertainties.

Statements relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risk, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors described in the section entitled “Item 1A. Risk Factors” of Gates’ Annual Report on Form 10-K for the fiscal year ended December 30, 2017, as filed with the Securities and Exchange Commission (the “SEC”) and the following: conditions in the global and regional economy and the major end markets we serve; economic, political and other risks associated with international operations; availability of raw materials at favorable prices and in sufficient quantities; changes in our relationships with, or the financial condition, performance, purchasing power or inventory levels of, key channel partners; competition in all areas of our business; pricing pressures from our customers; continued operation of our manufacturing facilities; our ability to forecast demand or meet significant increases in demand; exchange rate fluctuations; market acceptance of new product introductions and product innovations; our cost-reduction actions; litigation, legal or regulatory proceedings brought against us; enforcement of our intellectual property rights; recalls, product liability claims or product warranties claims; anti-corruption laws and other laws governing our international operations; existing or new laws and regulations that may prohibit, restrict or burden the sale of aftermarket products; our decentralized information technology systems and any interruptions to our computer and IT systems; environmental, health and safety laws and regulations; lives of products used in our end markets as well as the development of replacement markets; our ability to successfully integrate future acquired businesses or assets; our reliance on senior management or key personnel; our ability to maintain and enhance our brand; work stoppages and other labor matters; our investments in joint ventures; liabilities with respect to businesses that we have divested in the past; terrorist acts, conflicts and wars; losses to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events; additional cash contributions we may be required to make to our defined benefit pension plans; the loss or financial instability of any significant customer or customers; changes in legislative, regulatory and legal developments involving taxes and other matters; our substantial leverage; and the significant influence of our majority shareholder, The Blackstone Group L.P., over us, as such factors may be updated from time to time in its periodic filings with the SEC which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in our other periodic filings. Gates undertakes no obligation to update or supplement any forward-looking statements as a result of new information, future events 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 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.

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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LEADING PROVIDER OF MISSION-CRITICAL POWER TRANSMISSION AND FLUID POWER SOLUTIONS



- STRONG BRAND & REPUTATION FORGED OVER 100+ YEARS
- PRESENT IN A LARGE, DIVERSE SET OF END MARKETS & APPLICATIONS
- GLOBAL LEADER WITH SIGNIFICANT CORE MARKET GROWTH OPPORTUNITY
- INTRODUCING INNOVATIVE NEW PRODUCTS FUELED BY MATERIALS SCIENCE
- MISSION-CRITICAL PRODUCTS, FOCUSED ON REPLACEMENT IN DEMANDING APPLICATIONS
- ATTRACTIVE FINANCIAL PROFILE

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FINANCIAL PROFILE & BUSINESS MIX

ATTRACTIVE FINANCIAL PROFILE

MARKET LEADERSHIP

84%

Net Sales From Top-3 Market Positions

FY2017

+

AFTERMARKET PARTICIPATION

63%

Replacement Sales

FY2017

PROFITABILITY

40%

Gross Margin

FY2017

22%

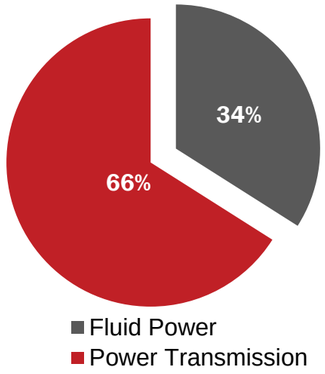
Adjusted EBITDA Margin

FY2017

DIVERSIFIED BUSINESS

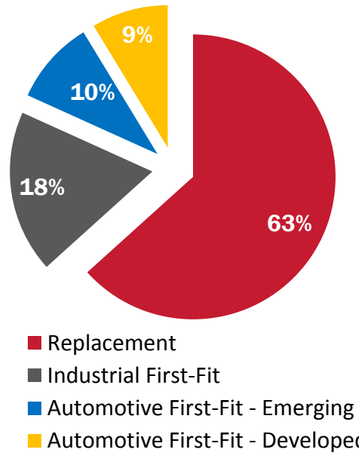
BY PRODUCT

FY2017



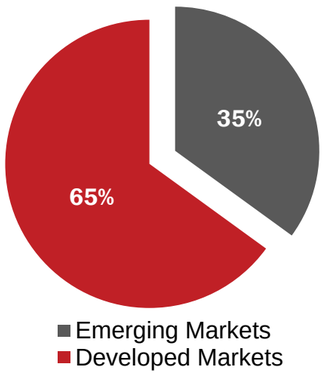
BY END MARKET

FY2017



BY GEOGRAPHY

FY2017



BUSINESS MIX ATTRIBUTES

- High-quality growth with attractive margins
- Large and growing installed base of equipment
- Natural replacement cycles drive recurring revenue
- Breadth of product portfolio provides significant barrier to entry
- First-fit provides route to replacement channel expansion in emerging markets
- Resiliency throughout the cycle

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WELL-ESTABLISHED GLOBAL FOOTPRINT

15,000+ Employees

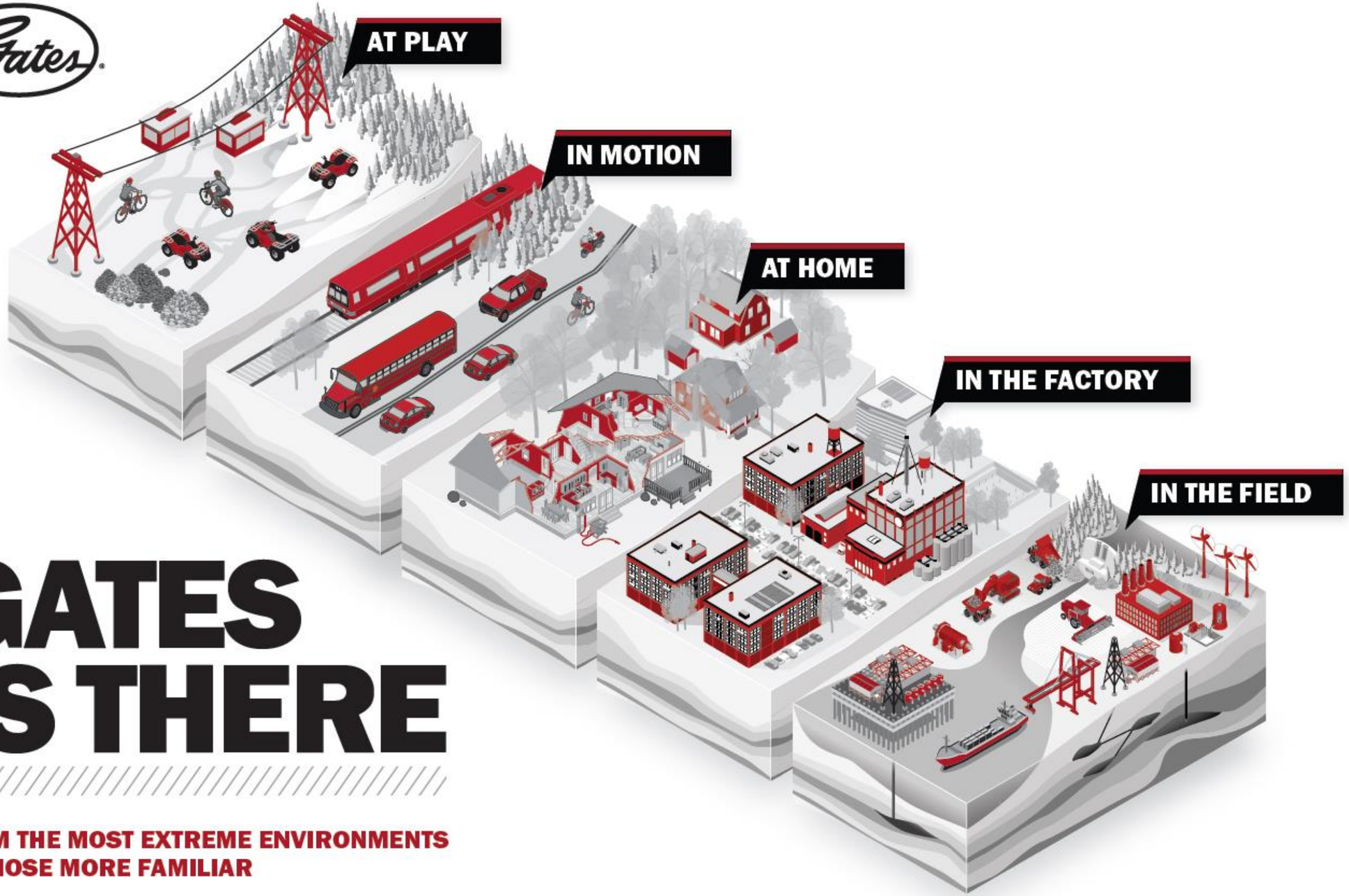
100+ Locations

128 Countries Sold To

- **“In-region, for-region,” manufacturing strategy**
- **Local commercial teams have established long-term relationships with customers**
- **Established channel presence provides global market coverage**



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GATES IS THERE

FROM THE MOST EXTREME ENVIRONMENTS TO THOSE MORE FAMILIAR

AT PLAY
Powering fun and excitement, indoors and out.

IN MOTION
Delivering breakthrough technology solutions that maximize performance.

AT HOME
Making life better, easier, and more efficient at home, everyday.

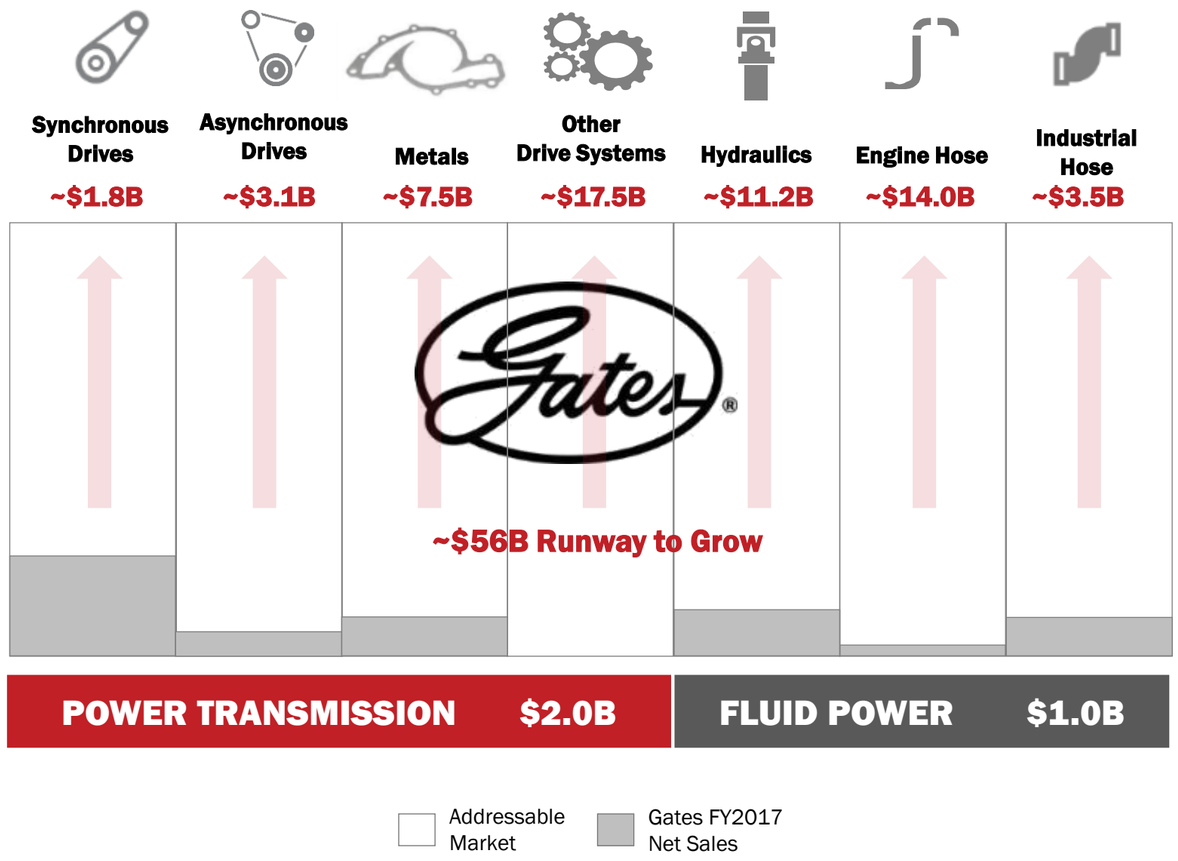
IN THE FACTORY
Enabling manufacturing and automation that's well ahead of the curve.

IN THE FIELD
Performing in the field with total confidence.

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LARGE, UNDERPENETRATED CORE MARKETS PROVIDE SIGNIFICANT GROWTH POTENTIAL

~$59B TOTAL ADDRESSABLE MARKET



STRUCTURALLY ATTRACTIVE MARKETS

ATTRACTIVE MARKET DYNAMICS

- Natural replacement cycles drive recurring revenue
- Replacement markets are larger than first-fit due to sizeable installed base
- Highly engineered products for use in critical, demanding applications, with high cost of downtime
- Products offer strong value proposition compared to alternative technologies
- Preference for brands that represent quality and reliability

DIFFICULT-TO-REPLICATE REPLACEMENT BUSINESS

- Gates has industry-leading product and catalog coverage – difficult to replicate:
  - PT and FP coverage for wide range of industrial and transportation applications
  - Broadest car parc coverage: 99%(1) of North America, Europe and China, representing 70% of the global car parc
- Comprehensive catalogs, product coverage, service levels, inventory optimization and training essential to replacement customers

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(1) Coverage represents core synchronous and Micro-V® belt product lines.

GATES SERVES CUSTOMERS THROUGH TWO OPERATING SEGMENTS

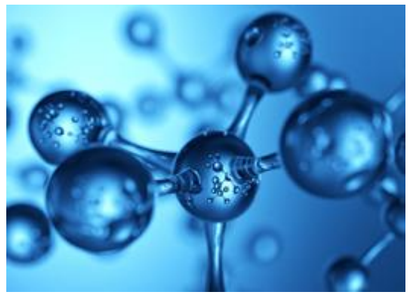
NET SALES
FY2017

	POWER TRANSMISSION $2.0B	FLUID POWER $1.0B
MARKET SIZE	Synchronous Drive Systems Asynchronous Drive Systems Metals Other Drive Systems **PT TAM ~$30B**	Hydraulics Industrial Hose Engine Hose **FP TAM ~$29B**
PRODUCTS	 Synchronous Belts  Asynchronous Belts  Metals  Aftermarket Kits	 Hydraulic Hose & Assemblies  Hydraulic Tubing  Industrial Hose & Assemblies  Engine Hose
APPLICATIONS	 Stationary Drives  Mobile Drives  Personal Mobility  Engine Systems  Vertical Lift	 Stationary Hydraulics  Mobile Hydraulics  Engine Systems  Other Industrial

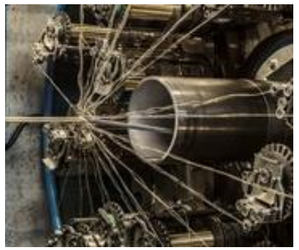
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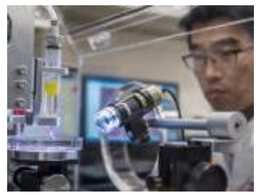
APPLIED MATERIALS SCIENCE
THE FOUNDATION FOR GATES' LEADING PRODUCT PERFORMANCE

	MATERIALS SCIENCE	ENABLING PROCESS ENGINEERING	DIFFERENTIATED PRODUCT PERFORMANCE
FLUID POWER	▪ Next-generation wire reinforcement ▪ Extended range of polymers	▪ Proprietary construction techniques ▪ Compounding and adhesion processes	
POWER TRANSMISSION	▪ High-performance carbon fiber reinforcement ▪ Advanced elastomers and polymers ▪ Metal alloys	▪ Proprietary coating process ▪ Compounding and extrusion processes ▪ Laser welding	▪ ¾"-wide Poly Chain belt able to lift 8,500-lb. skid steer



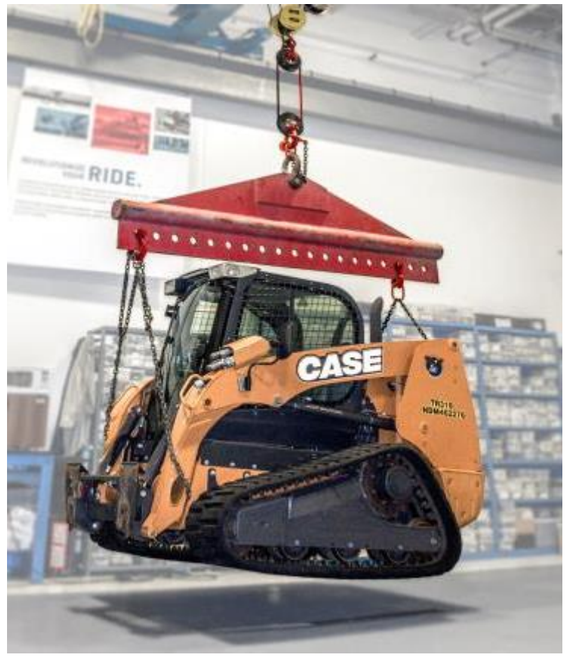












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KEY PRODUCT VALUE PROPOSITIONS

POWER TRANSMISSION



WEIGHT	▪ Belts are lightweight, as much as 50x lighter than a comparable chain
CLEANLINESS	▪ Lubrication attracts dirt and risks contamination – belts require no lubrication
EFFICIENCY	▪ Belt drives have lower friction and higher efficiency
DURABILITY	▪ Belts last 3-4x longer than chain in most applications
SAFETY	▪ Greasy buildup around chains can lead to fire and slip hazards, belt drives are quiet
MAINTENANCE	▪ Chains require constant lubrication and regular re-tensioning – belts do not

INHERENT CHARACTERISTICS OF GATES BELTS OUTPERFORM ALTERNATIVE DRIVE TECHNOLOGIES

FLUID POWER



WEIGHT	▪ Proprietary reinforcement technologies reduce weight by 25%%
FLEXIBILITY	▪ Premium hoses have up to 1/3rd the standard bend radius
LEAK-FREE	▪ Highly engineered hose and coupling solutions designed to be leak free
CORROSION RESISTANCE	▪ TuffCoat Xtreme® offers corrosion resistance 6x the industry standard
ABRASION RESISTANCE	▪ Hose cover technologies outperform alternatives up to 300x
SAFETY	▪ LifeGuard™ sleeve adds enhanced burst protection
MULTI-PURPOSE APPLICATIONS	▪ Reduces inventory needs and provides application flexibility to end users

GATES FLUID POWER SOLUTIONS DELIVER BEST-IN-CLASS PERFORMANCE

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POWER TRANSMISSION KEY GROWTH INITIATIVES

INDUSTRIAL CHAIN-TO-BELT

- **Mobile and stationary drive applications in industrial, logistics and other heavy-duty applications**
- **Recent wins**
  - Initial sites at lumber, asphalt and aggregate producers in each region
- **New Product Development**
  - Improved manufacturing process for high-performance synchronous belts
  - Advanced rubber synchronous belt designs

INDUSTRIAL BELT-TO-BELT

- **Mobile and stationary drive applications across several industries**
- **Recent wins**
  - Initial site at a major global refinery company and telescoping docking system supplier in EMEA
- **New Product Development**
  - Implementing new, advanced constructions across V-belt portfolios

PERSONAL MOBILITY

- **Rear drives for 2-wheelers and other consumer mobility applications**
- **Recent wins**
  - Several bike share manufacturers, an Asian motorcycle manufacturer and a startup electric scooter company
- **New Product Development**
  - New products for power sports markets, as well as for scooter and bicycle applications

AUTOMOTIVE AFTERMARKET

- **Accessory drive systems (ABDS) for automobile, truck, bus and heavy-duty vehicles**
- **Recent wins**
  - Launching EXTEND™ series of Micro-V® belts in emerging markets in 4Q 2018
- **New Product Development**
  - Next generation Micro-V platform with improved flexibility, lighter weight
  - Ability to tailor the platform to meet different customer performance requirements









FOCUSED COMMERCIAL INITIATIVES AND NEW PRODUCT DEVELOPMENT

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FLUID POWER KEY GROWTH INITIATIVES

LAUNCHING NEW TECHNOLOGY PLATFORMS

PRO Series Hose and Couplings

- Meets industry standards
- Allows Gates Hose-Coupling interface to satisfy different customer performance requirements

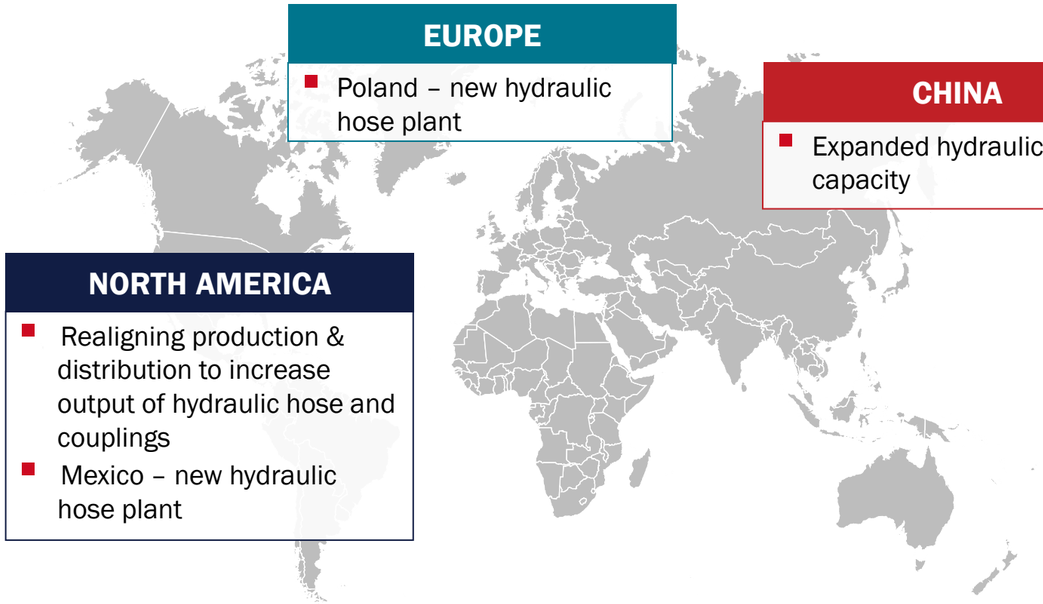


MXT Next-Generation Hydraulic Hose

- Lightweight
- More flexible – 40% easier to bend
- Covers multiple industry standards to simplify hose selection and reduce customer inventory



EXPANDING GLOBAL FOOTPRINT



- Hydraulics capacity expansions coming online now and ramping through mid-2019
- Investing in global commercial footprint, as well as tools to further enhance demand generation capabilities

INVESTING ACROSS THE HYDRAULICS PORTFOLIO

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INORGANIC ACCELERATION OF GROWTH

COMPANY	DESCRIPTION	SELECTED PRODUCTS	M&A PRIORITIES MET
techflow flexibles *Date of Acquisition: June 2017*	▪ Integrated operation supplying high-pressure hose, couplings and assemblies to the oil and gas industry ▪ Combined portfolio provides near complete coverage of high-performance products for land and off-shore applications	 **API 7K Mud & Cement Hose**  **Choke & Kill Hose**	**INDUSTRIAL PRODUCT LINE EXPANSION** **VERTICAL INTEGRATION** **GEOGRAPHIC EXPANSION** **REPLACEMENT PORTFOLIO BREADTH**
ATLAS HYDRAULICS INC. *Date of Acquisition: October 2017*	▪ Specializes in the design, manufacture and supply of hydraulic tubing and hose/tube assemblies ▪ Manufacturing capabilities and product portfolio complement Gates' existing fluid power product line offering	 **Hydraulic Hose/Tube Assemblies**  **Hydraulic Adapters**  **Hydraulic Manifolds**	**VERTICAL INTEGRATION** **INDUSTRIAL PRODUCT LINE EXPANSION**
RAPRO *Date of Acquisition: April 2018*	▪ Engineers, manufactures and distributes high quality molded and branched hoses ▪ Comprehensive aftermarket portfolio with extensive coverage across a variety of applications	 **Branched Engine Hose**  **Molded Engine Hose**	**GEOGRAPHIC EXPANSION** **REPLACEMENT PORTFOLIO BREADTH**

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ATTRACTIVE FINANCIAL PROFILE

60%+

REPLACEMENT SALES

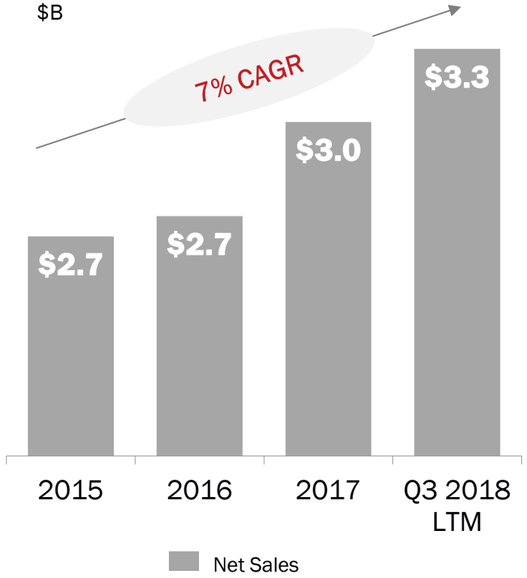
40%+

GROSS MARGIN

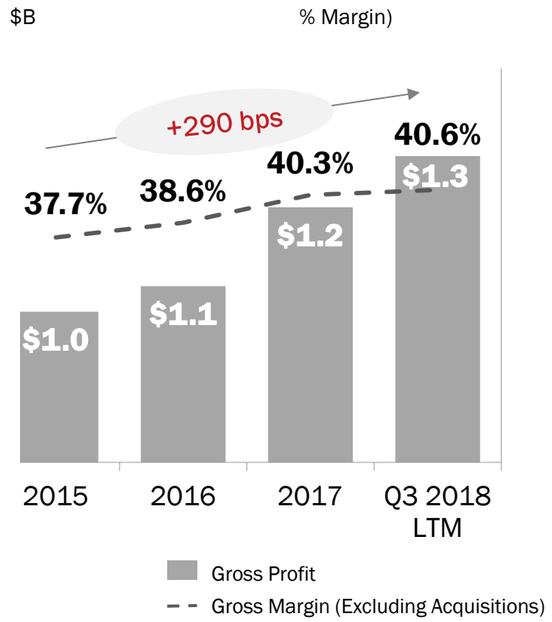
22%+

ADJUSTED EBITDA MARGIN

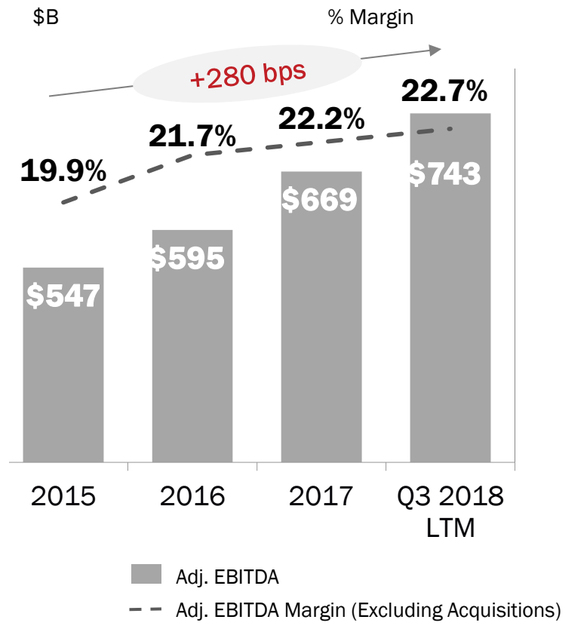
NET SALES



GROSS PROFIT



ADJUSTED EBITDA



Note: 40%+ Gross Margin and 22%+ Adjusted EBITDA Margin apply to 2017 & last-twelve-month period ended Q3 2018, and exclude the impact of acquisitions

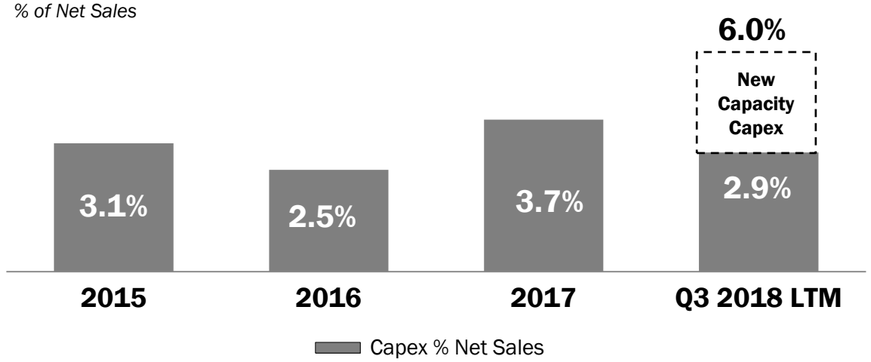
DEMONSTRATED ABILITY TO GROW REVENUE AND EXPAND MARGINS

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STRONG CASH FLOW GENERATION

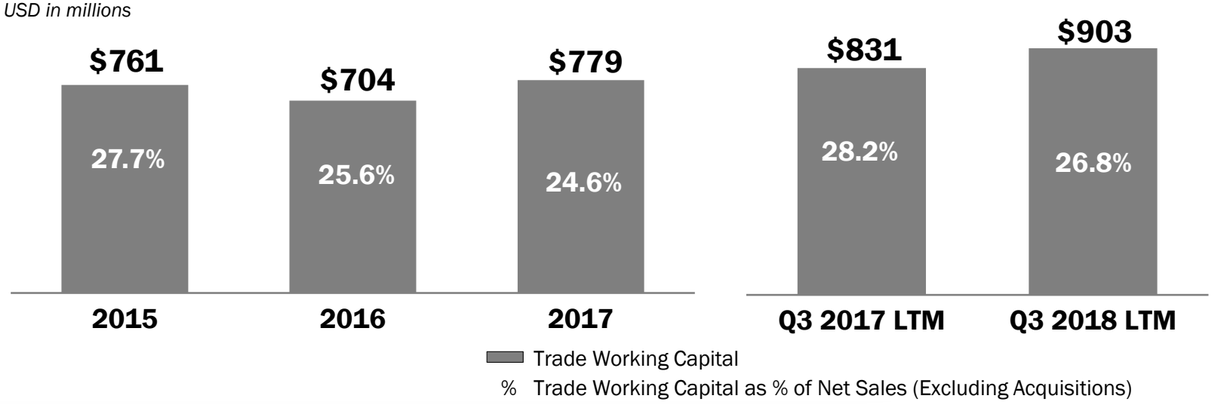
CAPITAL EXPENDITURES

% of Net Sales



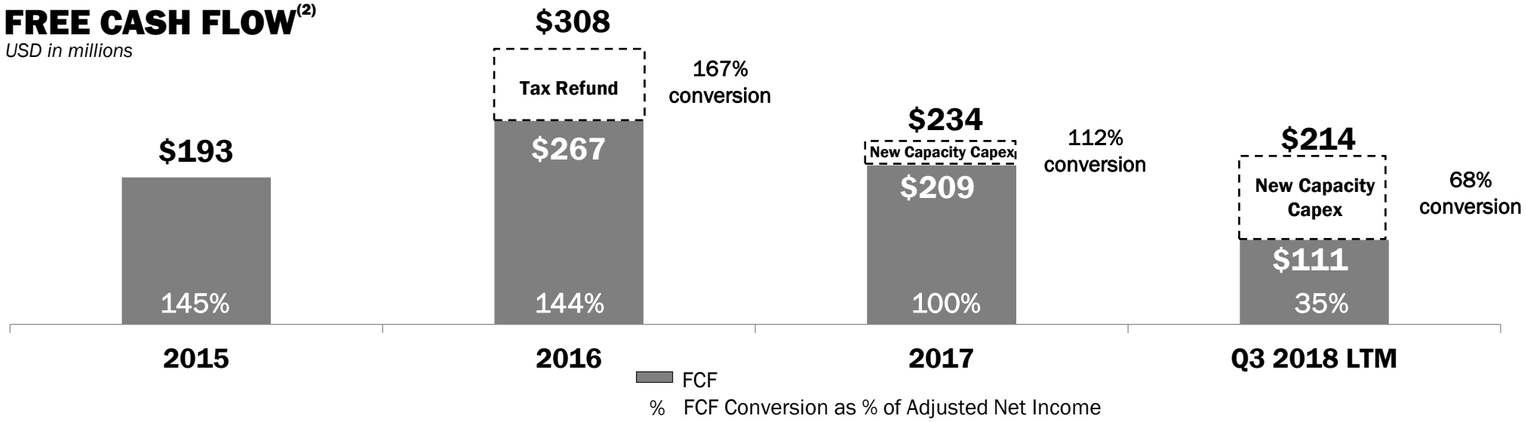
TRADE WORKING CAPITAL[1]

USD in millions



FREE CASH FLOW[2]

USD in millions



(1) Trade Working Capital defined as Trade Accounts Receivable plus Inventory minus Trade Accounts Payable.
(2) Free Cash Flow (FCF) defined as cash flow from operations less capex; FCF conversion calculated as a percentage of Adjusted Net Income.

GENERATING STRONG CASH CONVERSION WHILE INVESTING IN GROWTH

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2018 OUTLOOK

USD in millions	2018 Range
Revenue Growth	10.0% – 12.0%
Core Revenue Growth	6.0% – 7.0%
Adjusted EBITDA	$745 – $765
Capital Expenditures	~$180

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LONG-TERM FINANCIAL POLICY

LONG-TERM TARGETS

5%+ Organic Sales Growth

23%+ Adj. EBITDA Margin

100%+ Free Cash Flow Conversion

BUSINESS GROWTH



Continue investing in organic growth initiatives

M&A



Maintain flexibility to pursue additional strategic acquisitions

LEVERAGE



Targeting medium-term net leverage of < 3.0x

DIVIDENDS / SHARE REPURCHASE



No current plans to pay dividends or repurchase stock

FOCUS ON DELEVERAGING THE BUSINESS, WHILE CONTINUING TO INVEST IN GROWTH

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SUMMARY



- **Diversified, replacement-focused business**
- **Critical products, cost of which is insignificant relative to cost of application downtime**
- **Large, underserved core markets offer long-term, sustainable growth opportunity**
- **Applied materials science expertise differentiates and expands product portfolio**
- **Attractive financial profile:**
  - 60%+ sales from replacement channels
  - 40%+ gross margin
  - 22% Adjusted EBITDA margin
- **Experienced management team with proven public company track record**

APPENDIX

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RECONCILIATIONS – ADJUSTED EBITDA

(USD in millions)	Q3 2018	Q3 2017	LTM Q3 2018	LTM Q3 2017
Reconciliation to Adjusted EBITDA				
Net income from continuing operations	**$ 67.0**	**$ 18.1**	**$ 318.9**	**$ 59.1**
Adjusted for:				
Income tax expense (benefit)	7.2	15.9	(75.0)	38.9
Net interest and other expenses	43.6	65.9	225.0	276.1
Depreciation and amortization	53.7	52.0	217.3	210.4
Transaction-related expenses	0.2	7.2	13.0	11.7
Impairment of intangibles and other assets	0.2	-	3.4	1.8
Restructuring expense	1.2	2.4	12.3	11.7
Share-based compensation	2.3	1.2	8.0	3.8
Sponsor fees (included in other operating expenses)	1.9	1.5	8.1	6.1
Inventory impairments and adjustments (included in cost of sales)	-	-	3.1	21.3
Other adjustments	3.9	(0.1)	8.9	3.1
Adjusted EBITDA	**$ 181.2**	**$ 164.1**	**$ 743.0**	**$ 644.0**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions)	Q3 2018	Q3 2017	LTM Q3 2018	LTM Q3 2017
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 59.9**	**$ 13.2**	**$ 288.5**	**$ 42.4**
Adjusted for:				
Loss (gain) on disposal of discontinued operations	0.3	(0.1)	0.1	(8.7)
Amortization of intangible assets arising from the 2014 acquisition of Gates	29.9	30.2	121.0	125.0
Transaction-related expenses	0.2	7.2	13.0	11.7
Impairment of intangibles and other assets	0.2	-	3.4	1.4
Restructuring expense	1.2	2.4	12.3	11.7
Share-based compensation	2.3	1.2	8.0	3.8
Sponsor fees (included in other operating expenses)	1.9	1.5	8.1	6.1
Inventory impairments and adjustments (included in cost of sales)	-	-	3.1	21.3
Adjustments relating to post-retirement benefits	0.8	(2.7)	4.3	2.2
Premium on redemption of long-term debt	-	-	27.0	-
Financing-related FX losses	4.3	14.8	3.2	45.2
One-time deferred tax benefit from U.S. tax reform	-	-	(118.2)	-
Other adjustments	0.7	(2.6)	(3.0)	(7.2)
Estimated tax effect of the above adjustments	(11.1)	(7.2)	(56.4)	(38.7)
Adjusted Net Income	**$ 90.6**	**$ 57.9**	**$ 314.4**	**$ 216.2**

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