

DRIVEN BY POSSIBILITY

MARCH 5, 2019

GATES INDUSTRIAL CORPORATION

DAVID NAEMURA
CFO

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This presentation contains, and management may make on our webcast 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 Industrial Corporation plc’s Annual Report on Form 10-K for the fiscal year ended December 29, 2018 as filed with the Securities and Exchange Commission (the “SEC”), any factors discussed in the section entitled “Risk Factors” in any of our subsequently filed SEC filings, 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; insurance coverage of future losses we may incur; lives of products used in our end markets as well as the development of replacement markets; our ability to successfully integrate recent and 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. Investors are urged to consider carefully the disclosure in our 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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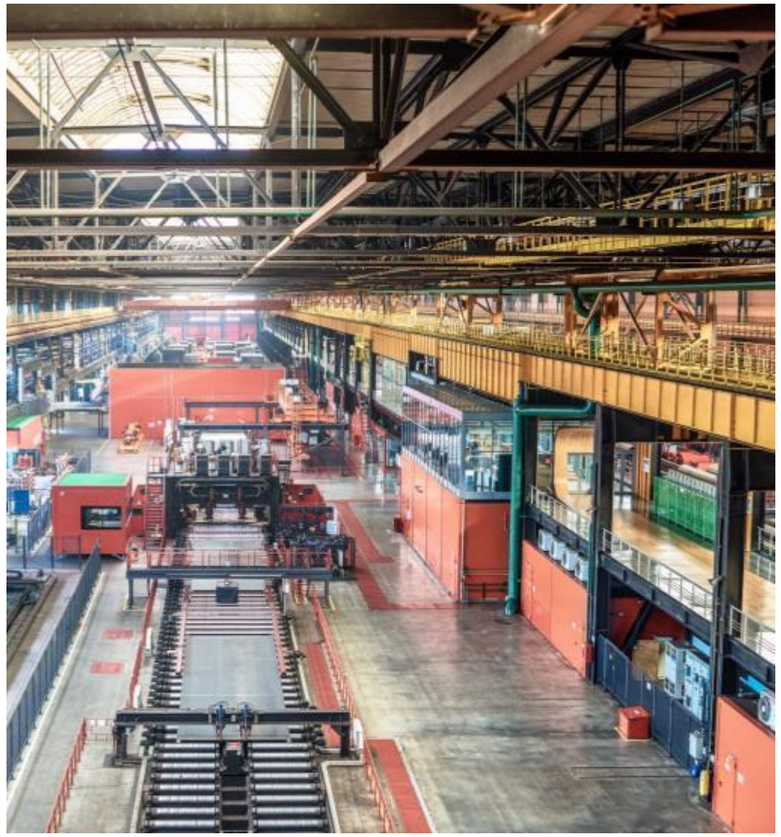
WHAT YOU'LL HEAR TODAY

- OUR BUSINESS MODEL IS FUNDAMENTALLY FOCUSED ON REPLACEMENT CHANNELS
- WE ARE HIGHLY DIVERSIFIED – ACROSS PRODUCTS, END MARKETS, APPLICATIONS AND GEOGRAPHIES
- WE ARE A MARKET LEADER, BUT HAVE A SIGNIFICANT RUNWAY OF ORGANIC GROWTH OPPORTUNITIES
- WE HAVE THE OPPORTUNITY TO FURTHER EXPAND MARGINS



THE CHARACTERISTICS OF OUR BUSINESS RESULT IN A COMPELLING FINANCIAL PROFILE

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ACHIEVE GLOBAL PRODUCT INNOVATION LEADERSHIP AND EXPAND OUR PREMIER POSITION IN OUR CORE POWER TRANSMISSION AND FLUID POWER MARKETS,

WHILE DELIVERING ABOVE-MARKET GROWTH, SUPERIOR PROFITABILITY AND STRONG CASH FLOW GENERATION TO PROVIDE SHAREHOLDERS WITH ATTRACTIVE RETURNS

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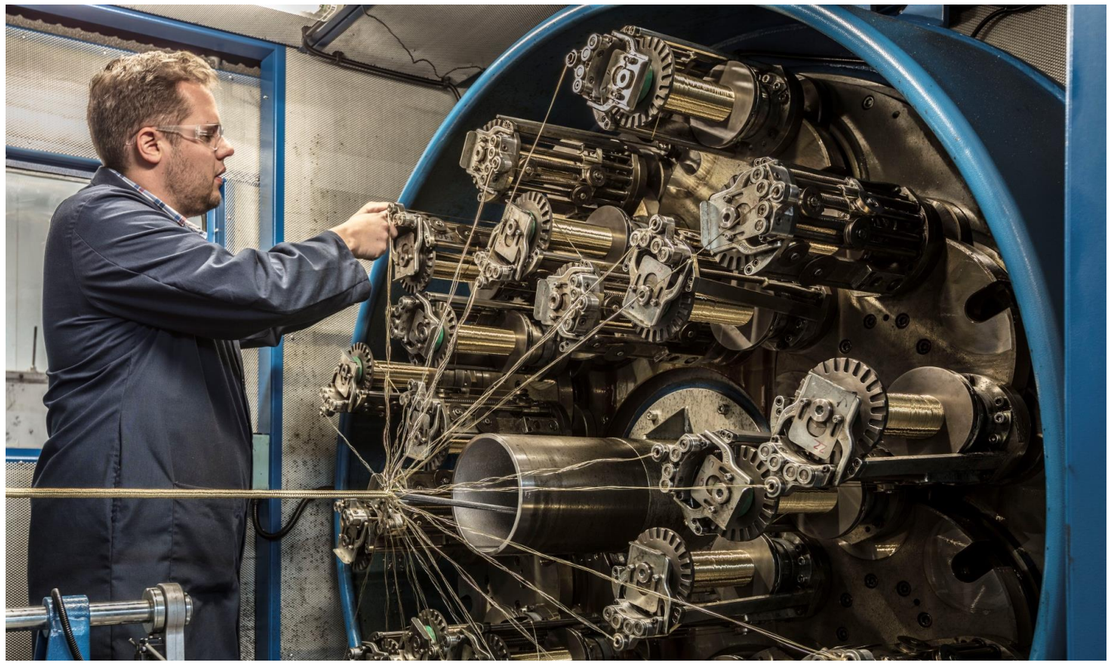
GATES AT A GLANCE

COMPANY STATS

- Founded 1911
- Countries 30
- Locations 120+
- Employees 15,000+



2018 FINANCIAL STATS

- Revenue $3.3B
- Adjusted EBITDA[1] $0.8B | 22.6% Margin

2018 SEGMENT DATA	REVENUE	% REPL.
Power Transmission	$2.1B	62%
Fluid Power	$1.2B	61%

TWO SCALED, LEADING PRODUCT SEGMENTS WITH SIMILAR BUSINESS CHARACTERISTICS, CUSTOMERS AND END MARKETS

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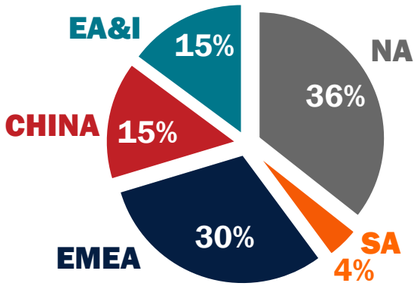
[1] Reconciliations of non-GAAP measures used throughout this presentation can be found in the Appendix

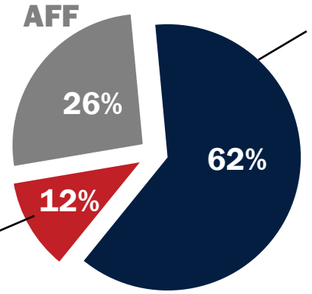
POWER TRANSMISSION – SEGMENT OVERVIEW

2018 PT REVENUE: $2,099M

BY REGION



BY CHANNEL



IND. FIRST-FIT
- Gen. Industrial
- HD Truck
- Agriculture
- Construction

REPLACEMENT
- Automotive
- General Industrial
- HD Truck
- Energy
- Agriculture
- Construction

PRODUCT PORTFOLIO



Micro-V Belts



Timing Belts



Engine Metals



Water Pumps



Kits



Industrial Synchronous Belts



Industrial Asynchronous Belts



Industrial TPU Belts



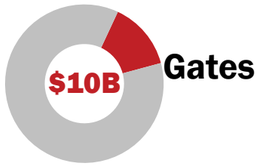
Industrial Metals

SUMMARY

- Leading Global Belt Provider
- Broadest Catalog of Mission-Critical Components
- Replacement Market Focus
- Diverse Customers, Applications and End Markets
- Global Footprint and Channel Coverage
- Unique Belt Drive System Value Propositions

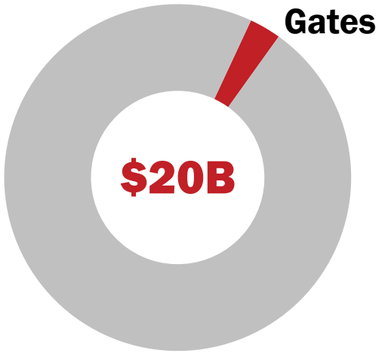
MARKET OPPORTUNITY

- One of Few Scaled Players in a Large, Fragmented **$30B** Addressable Market[1]



Automotive End Market

2x



Industrial End Markets

SIGNIFICANT GROWTH OPPORTUNITIES IN EXISTING MARKETS

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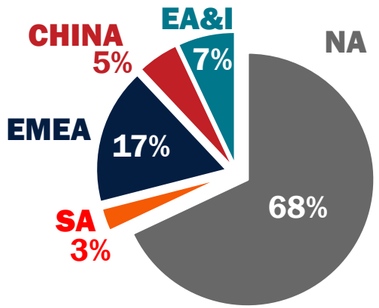
[1] Market sizes referred to throughout this presentation are based on management estimates

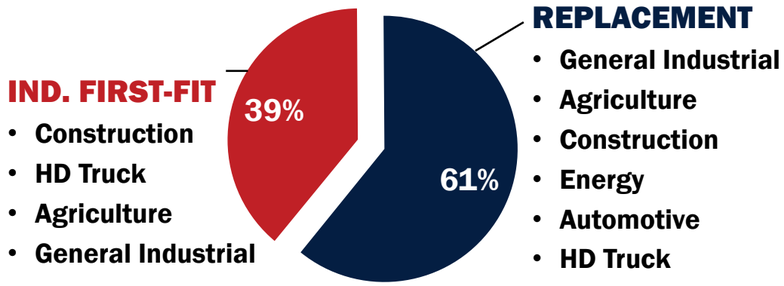
FLUID POWER – SEGMENT OVERVIEW

2018 FP REVENUE: $1,249M

BY REGION



BY CHANNEL



PRODUCTS



Hydraulic Hose and Couplings



Hydraulic Tubing



Industrial Hose and Couplings



Engine Hose



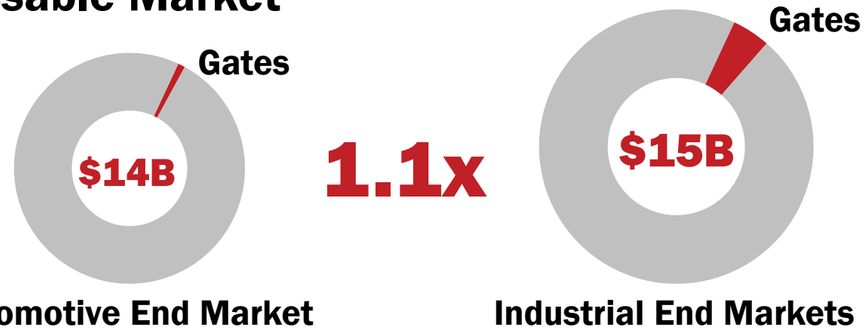
Oil & Gas Drilling Hose

SUMMARY

- Mission-Critical Components for Hydraulic and Fluid Conveyance Applications
- Core Market with Several Avenues for Growth
- Favorable Replacement Dynamics
- Heritage of Product Innovation
- Extending Premium Product Line within Existing Applications

MARKET OPPORTUNITY

- One of Few Scaled Players in a Large, Fragmented **$29B** Addressable Market



Automotive End Market

Industrial End Markets

LEADER IN A HIGHLY FRAGMENTED MARKET WITH OPPORTUNITY TO GROW ACROSS PRODUCT LINES, REGIONS AND END MARKETS

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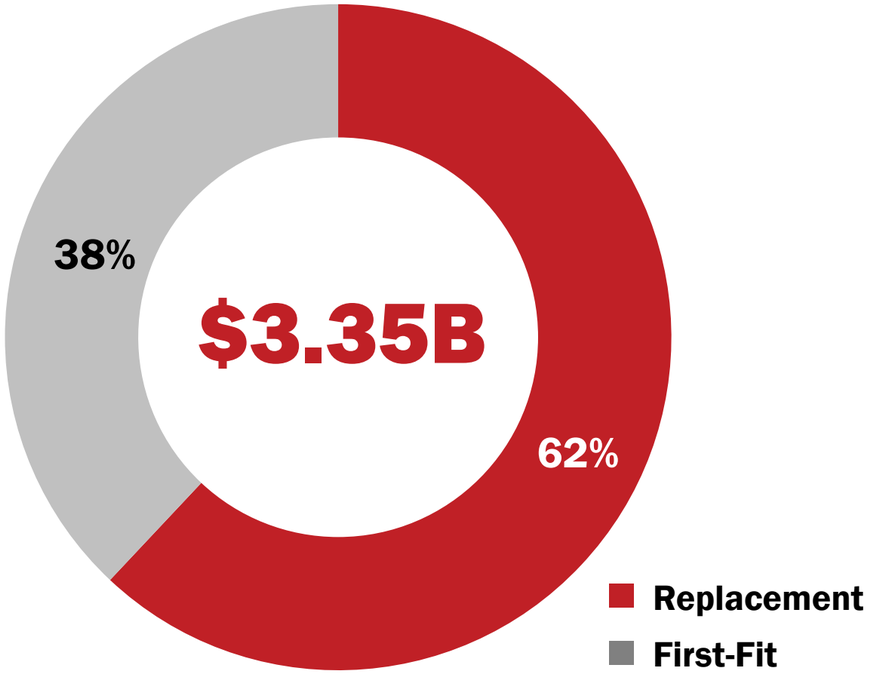
STRONG REPLACEMENT CHANNEL PRESENCE

PORTFOLIO UNITED BY COMMON BUSINESS MODEL

- **Mission-Critical Products**
  - Cost of Gates' products insignificant vs. cost of application downtime
- **Replacement-Driven Revenue Stream**
  - Normal wear and tear results in natural, often preventive, maintenance intervals
- **Difficult to Replicate**
  - Extensive, longstanding global channel presence
  - Broad product coverage across wide range of applications



BENEFITS

- **Reduced Revenue Volatility**
- **Well-Positioned to Offset Inflation**
- **Higher Margins Enable Reinvestment**







WE MANUFACTURE MISSION-CRITICAL, ENGINEERED WEAR PARTS WHOSE COST IS INSIGNIFICANT RELATIVE TO COST OF DOWNTIME

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DIVERSIFIED END MARKETS

Largest ← END MARKET EXPOSURE → Smallest

REPLACEMENT CHANNELS

Industrial End Markets 36%



General Ind. / Mfg.



Construction



Agriculture



Oil & Gas



HD Truck



Mining

Automotive End Market 26%



Developed



Emerging

FIRST-FIT

Industrial End Markets 22%



Construction



Agriculture



HD Truck



General Ind.

Automotive End Market 16%



Emerging

→ *China*

~4%

Total Sales



Developed

→ *US*

~2%

Total Sales

FY2018 Revenue

- **Industrial & Mfg. Activity**
- **Construction**
- **Commodities**

- **Age of Fleet (7-12 yrs)**
- **Miles Driven**

- **Construction, Ag**
- **Commodities**
- **Freight**
- **Industrial Activity**

- **Production**
- **Selective Participation**

WELL-BALANCED, DIVERSIFIED BUSINESS ACROSS CHANNELS, END MARKETS AND APPLICATIONS

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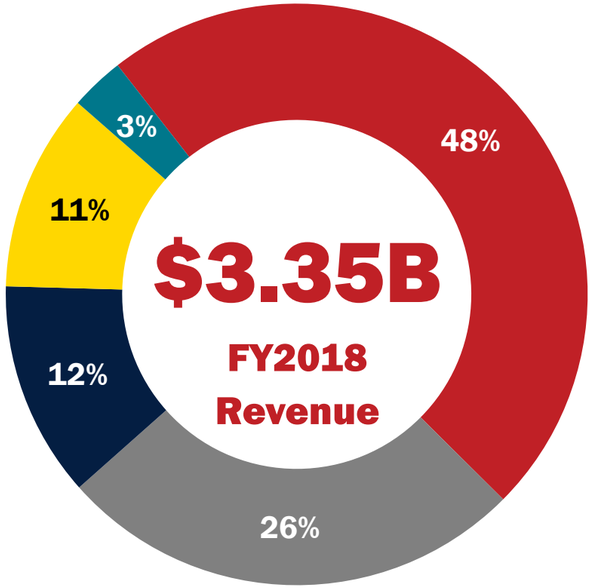
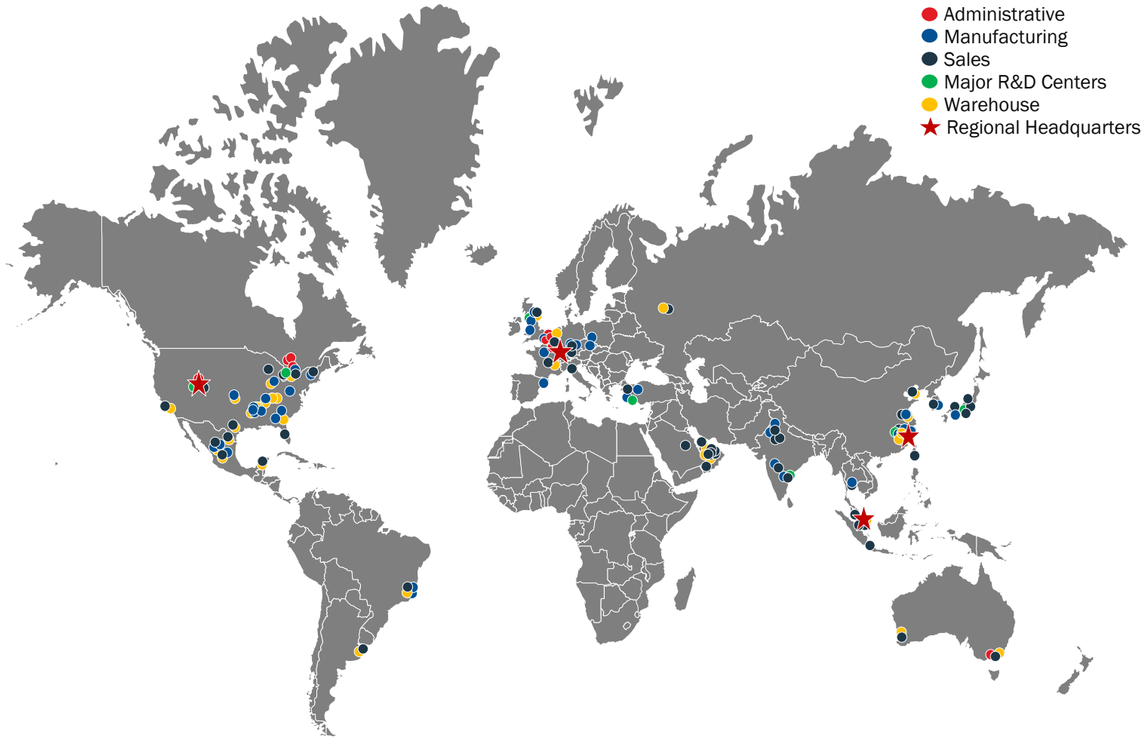
DIVERSIFIED GEOGRAPHIES

GEOGRAPHIC DIVERSITY



- North America
- East Asia & India
- South America
- Europe, Middle East & Africa
- Greater China

GLOBAL PRESENCE



- Over 120 Locations Globally
- Strong Regional Teams in Place
- In-Region, For-Region Operating Strategy

HIGHLY DIVERSIFIED BUSINESS ACROSS GEOGRAPHIES WITH WELL-ESTABLISHED LOCAL FOOTPRINT AND CHANNEL PRESENCE

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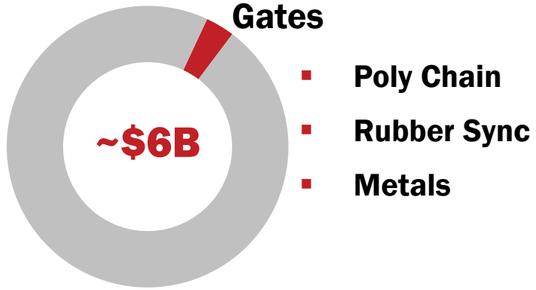
INDUSTRIAL POWER TRANSMISSION OPPORTUNITIES

CHAIN-TO-BELT

INDUSTRIAL CHAIN-TO-BELT

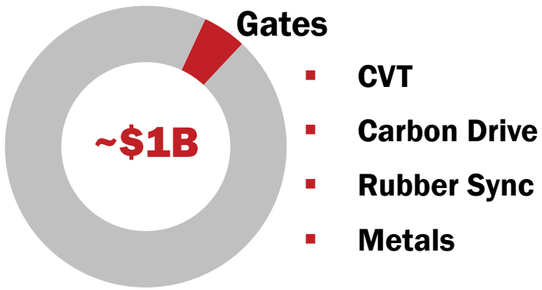


- Poly Chain
- Rubber Sync
- Metals



- Diversified End Markets
- Industrial Drives Across Numerous Applications
- Mobile & Stationary

PERSONAL MOBILITY

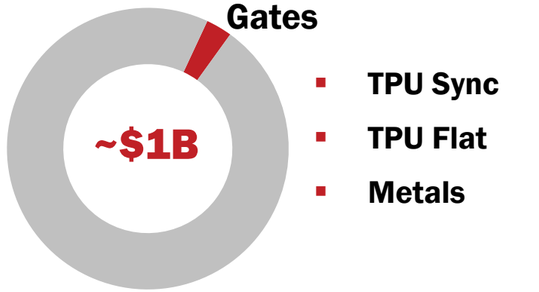


- CVT
- Carbon Drive
- Rubber Sync
- Metals



- Bicycles, eBikes, Scooters & Motorcycles
- Emerging Market Mobility
- Mature Market Recreation

PRECISION MOTION CONTROL



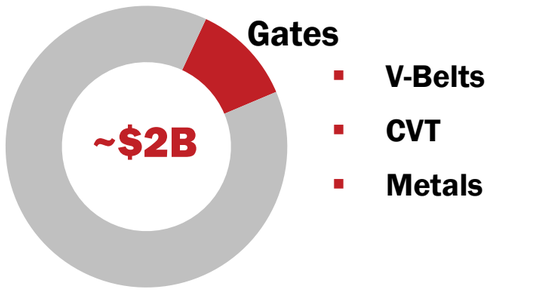
- TPU Sync
- TPU Flat
- Metals



- Warehousing & Logistics
- Robotics & Industrial Automation
- Food Processing & Light Manufacturing

BELT-TO-BELT

INDUSTRIAL BELT-TO-BELT



- V-Belts
- CVT
- Metals



- Established Channels & Customers
- Wide Variety of Mobile and Stationary Drives
- Ag, Construction, Gen. Industrial

ESTABLISHED BASE BUSINESS PROVIDES PLATFORM TO PENETRATE LARGE, FRAGMENTED CORE MARKETS

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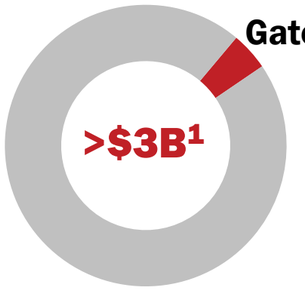
INDUSTRIAL HYDRAULICS OPPORTUNITIES

GEOGRAPHIC EXPANSION

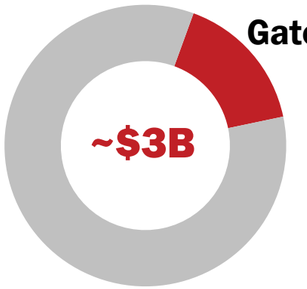


- Hydraulic Hoses
- Hydraulic Couplings



- Reinforcing In-Region, For-Region Strategy in Europe and China with Recent Investments[1]

EXTEND PREMIUM PERFORMANCE

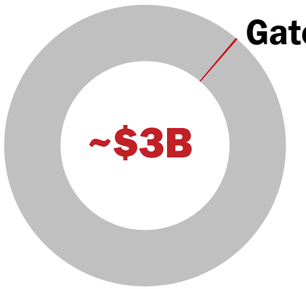


- MEGASys® Hoses
- MegaCrimp® Couplings

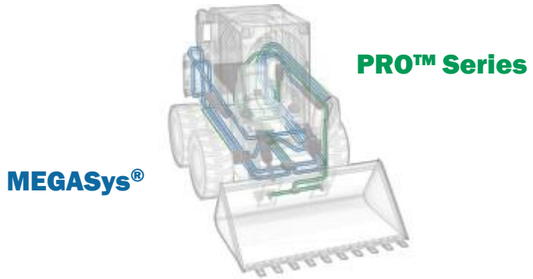


- Launching “X” Series Products with Further Performance Differentiation
  - Weight
  - Flexibility
  - Size

BROADEN APPLICATION COVERAGE



- PRO™ Series Hoses
- PRO™ Series Couplings



- Application-Specific Products
- More than Doubles Addressable Market Opportunity

SIGNIFICANT RUNWAY TO EXPAND SHARE IN UNDERPENETRATED REGIONS AND EXTEND PRODUCT PORTFOLIO TO COVER BROADER APPLICATION REQUIREMENTS

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[1] Greater China and EMEA

WINNING THROUGH INNOVATION

PRODUCT DESIGN

MATERIALS SCIENCE

PROCESS ENGINEERING



SHARE GAINS IN EXISTING MARKETS

Commercial Excellence | Geographic Expansion

TECHNOLOGICAL DISRUPTION

Chain-to-Belt | Hydraulics Innovations | Belt-to-Belt

INCREASE OPERATIONAL EFFICIENCY

Process Innovation | Gates Operating System | Digital Front End

- Deep Understanding of Customer Applications
- Revitalized Innovation and R&D Capabilities
- Product Roadmaps in Place to Refresh Entire Portfolio
- Targeting 25%+ New Product Vitality[1]

NEW PRODUCT INNOVATION FOCUSED ON BRINGING DISRUPTIVE TECHNOLOGIES TO MARKET

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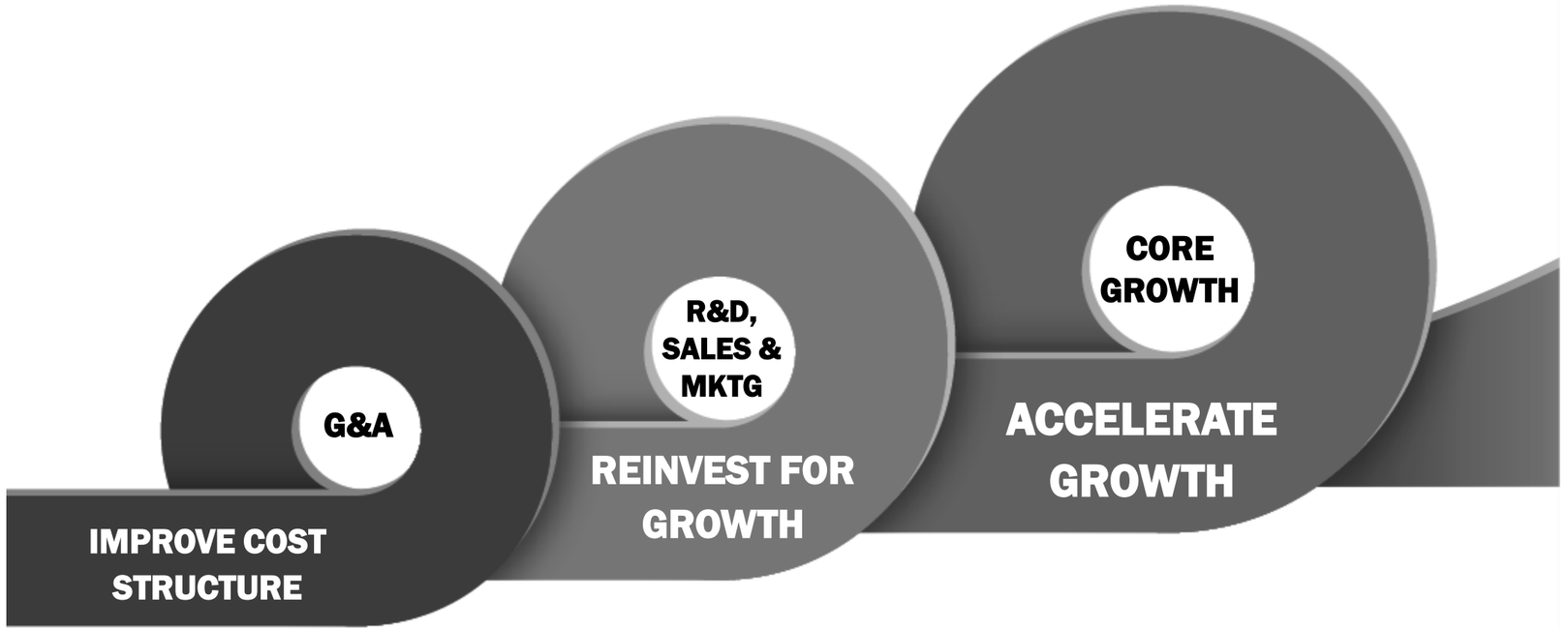
[1] New Product Vitality = % of total revenues from products launched within the past 5 years

GATES VALUE CREATION PLAYBOOK



EPS GROWTH

CASH GENERATION

COMPOUNDING RETURNS

- **Principles of Gates Operating System are foundational across the organization**
  - Efficiency improvements across functions
  - Gates Production System driving manufacturing productivity
- **Inorganic opportunities to accelerate growth**

EXPANDING MARGINS TO REINVEST IN THE BUSINESS AND CREATE VALUE FOR SHAREHOLDERS

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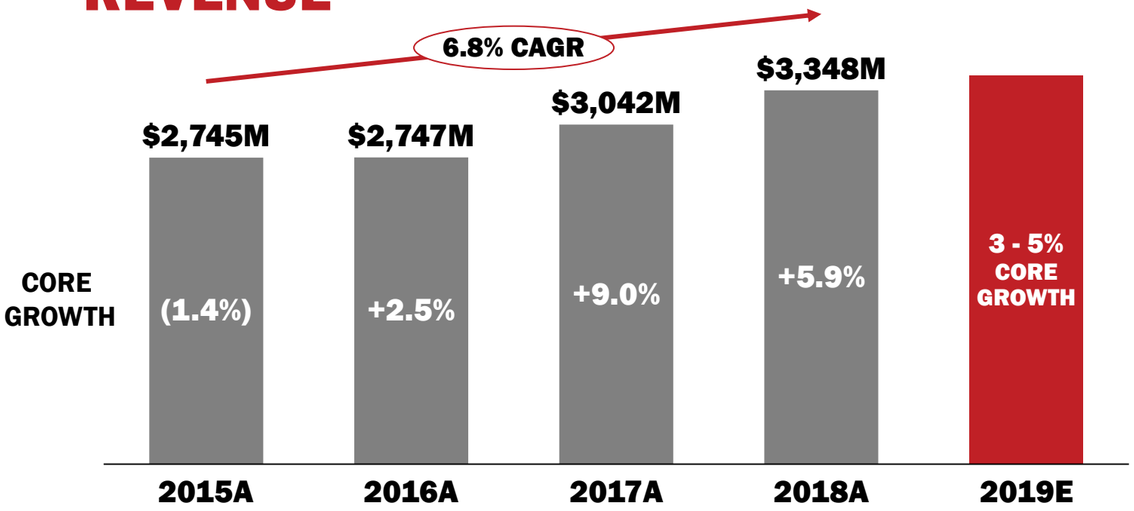
CONSISTENT CORE GROWTH

TRACK RECORD

- 6.8% total revenue CAGR (’15-’18)
- Consistent market share gain driven by product innovation and breadth of channel presence
- Focus on emerging market penetration

REVENUE



LONG-TERM PLAN TARGETS

- Maintain >60% replacement channel mix
- Achieve >60% industrial end market exposure

KEY INITIATIVES

- **Chain-to-belt**
  - Industrial chain-to-belt conversion
  - Focused TPU commercial execution
  - Personal mobility market penetration
- **Hydraulics expansion**
- **Emerging markets**

MAINTAIN SUSTAINABLE AND PROFITABLE LONG-TERM GROWTH PROFILE

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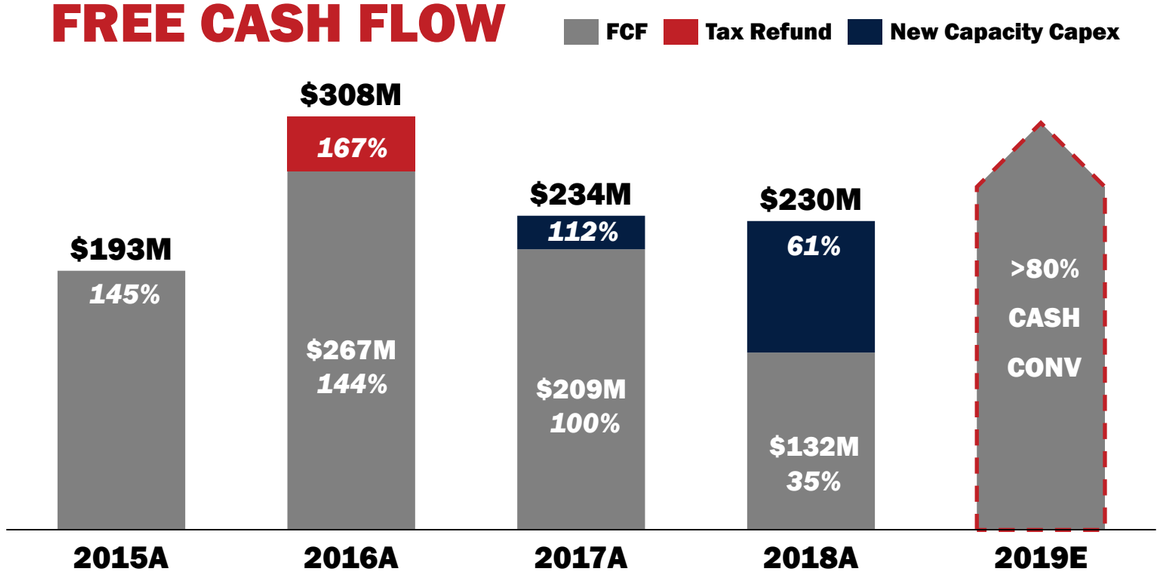
STRONG CASH GENERATION

TRACK RECORD

- Strong Free Cash Flow driven by solid margins and working capital improvements
- Solid Free Cash Flow generation through the 2015-2016 industrial downturn

FREE CASH FLOW



LONG-TERM PLAN TARGETS

- 100% Free Cash Flow conversion
- 25-50 bps of working capital improvement per year

KEY INITIATIVES

- Continue the trend of expanding Adjusted EBITDA margin
- Operating efficiency to reduce working capital requirements
- Tax efficiency to lower tax cash requirement
- Return to more normalized levels of capex spending as a percentage of sales

STRONG FREE CASH FLOW GENERATION WITH PATH TOWARDS 100% CONVERSION LEVELS

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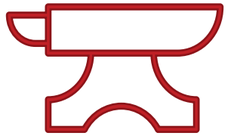
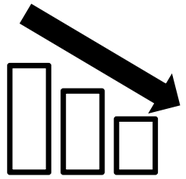
DISCIPLINED CAPITAL DEPLOYMENT

ORGANIC GROWTH



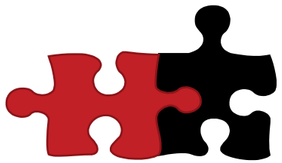
- Continue investing in capacity – capex returning to ~3% of sales
- Prioritize capital projects with high return on invested capital

DELEVERAGING



- Achieve net leverage of < 3.0x
- Flexibility on continued debt pay down

M&A



- Utilize M&A to accelerate organic strategies
- Focus on deals with high value creation

DIVIDENDS / SHARE BUYBACK



- Near-term focus on deleveraging, organic growth and M&A
- Optionality increases once leverage falls < 3.0x

BALANCING DEBT REDUCTION WHILE INVESTING FOR GROWTH

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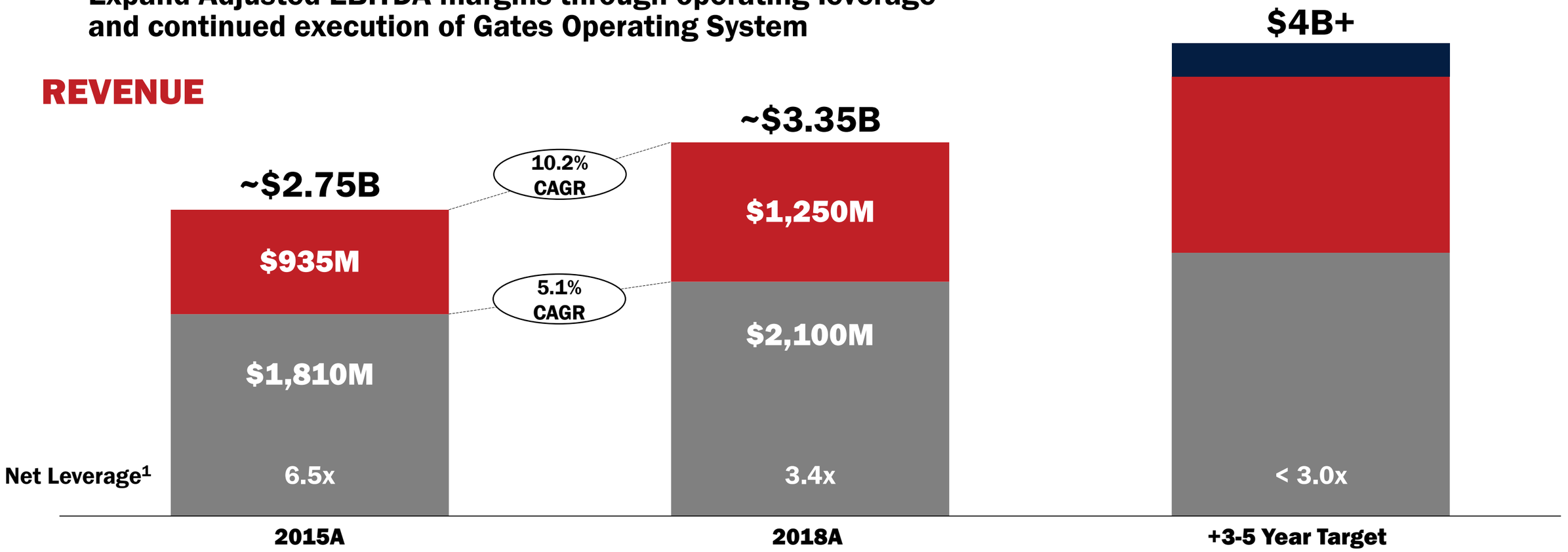
LONG-TERM TARGET – SUPERIOR PROFITABLE GROWTH

- Achieve growth through key organic initiatives and share gains
- Expand Adjusted EBITDA margins through operating leverage and continued execution of Gates Operating System

REVENUE



3-5 YEAR TARGETS:	$4B+ REVENUE	24%+ ADJ. EBITDA MARGIN	20%+ ROIC[2]

[1] Net Leverage calculated as principal value of debt divided by Adjusted EBITDA

[2] Tax-Effected Adjusted EBIT / (Total Assets – Cash – A/P – Intangibles from 2014 Acquisition of Gates)

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GATES INVESTMENT HIGHLIGHTS

- Replacement Market Focus
- Large, Diverse Industrial End Markets
- Market Leader with Broad Footprint, Product Portfolio and Channel Coverage
- Disruptive Innovation Drives Above-Market Growth
- Refined Commercial Capabilities and Focus
- Continued Opportunity for Margin Expansion
- Attractive Financial Profile
- Strong Team in Place with Track Record of Execution

ORGANIC PORTFOLIO TRANSFORMATION IN LARGE, UNDERPENETRATED CORE MARKETS DRIVEN BY INNOVATION

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Q&A

A REPUTATION BUILT OVER 100+ YEARS

GLOBALLY RECOGNIZED

WELL KNOWN ACROSS INDUSTRIAL SEGMENTS

STANDS FOR QUALITY AND RELIABILITY

OVER A CENTURY OF MARKET-LEADING INNOVATION

A CULTURE DRIVEN BY PRIDE AND POSSIBILITY

APPENDIX

RECONCILIATIONS – ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

(USD in millions)	FY 2018	FY 2017	FY 2016	FY 2015
Reconciliation to Adjusted EBITDA				
Net income from continuing operations	**$ 271.7**	**$ 182.0**	**$ 71.9**	**$ 50.9**
Adjusted for:				
Income tax expense (benefit)	31.8	(72.5)	21.1	(9.2)
Net interest and other expenses	193.3	293.4	212.3	147.7
Depreciation and amortization	218.5	212.2	240.8	269.9
Transaction-related expenses	6.7	18.1	0.4	0.7
Impairment of intangibles and other assets	0.6	2.8	3.2	51.1
Restructuring expense	6.4	17.4	11.4	15.6
Share-based compensation	6.0	5.4	4.2	4.3
Sponsor fees (included in other operating expenses)	8.0	6.7	6.1	7.0
Inventory impairments and adjustments (included in cost of sales)	1.5	3.2	20.7	9.6
Duplicate expenses incurred on facility relocation	5.2	-	-	-
Severance-related expenses (included in cost of sales)	1.7	-	-	-
Other adjustments	4.4	0.4	2.8	(0.4)
Adjusted EBITDA	**$ 755.8**	**$ 669.1**	**$ 594.9**	**$ 547.2**
Adjusted EBITDA margin				
Net Sales	$ 3,347.6	$ 3,041.7	$ 2,747.0	$ 2,745.1
Adjusted EBITDA	$ 755.8	$ 669.1	$ 594.9	$ 547.2
Adjusted EBITDA margin	**22.6%**	**22.0%**	**21.7%**	**19.9%**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions)	FY 2018	FY 2017	FY 2016	FY2015
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 245.3**	**$ 151.3**	**$ 57.7**	**$ 24.9**
Adjusted for:				
Loss (gain) on disposal of discontinued operations	0.6	(0.7)	(12.4)	-
Amortization of intangible assets arising from the 2014 acquisition of Gates	120.3	124.2	141.9	158.5
Transaction-related expenses	6.7	18.1	0.4	0.7
Impairment of intangibles and other assets	0.6	2.8	3.2	51.1
Restructuring expense	6.4	17.4	11.4	15.6
Share-based compensation	6.0	5.4	4.2	4.3
Sponsor fees (included in other operating expenses)	8.0	6.7	6.1	7.0
Inventory impairments and adjustments (included in cost of sales)	1.5	3.2	20.7	9.6
Adjustments relating to post-retirement benefits	3.1	2.5	6.4	4.8
Premium on redemption of long-term debt	27.0	-	-	-
Financing-related FX (gains) losses	(8.8)	61.2	(7.6)	(62.8)
One-time deferred tax benefit from U.S. tax reform	-	(118.2)	-	-
Other adjustments	0.8	(10.5)	(8.1)	(10.9)
Estimated tax effect of the above adjustments	(38.3)	(53.9)	(38.9)	(70.0)
Adjusted Net Income	**$ 379.2**	**$ 209.5**	**$ 185.0**	**$ 132.8**

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RECONCILIATIONS – FREE CASH FLOW AND FREE CASH FLOW CONVERSION

(USD in millions)	FY 2018	FY 2017	FY 2016	FY 2015
Reconciliation of Free Cash Flow and Free Cash Flow Conversion				
Net Cash Provided by Operations	$ 313.5	$ 319.9	$ 376.7	$ 278.6
Capital Expenditures[1]	(182.7)	(111.1)	(68.1)	(85.8)
Free Cash Flow	**$ 130.8**	**$ 208.8**	**$ 308.6**	**$ 192.8**
Adjusted Net Income	$ 379.2	$ 209.5	$ 185.0	$ 132.8
Free Cash Flow Conversion	**34.5%**	**99.7%**	**166.8%**	**145.2%**

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

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