GATES OVERVIEW

NOVEMBER 7, 2019

GATES INDUSTRIAL CORPORATION

IVO JUREK
CEO

LEGAL DISCLAIMERS

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 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. Such forward-looking statements are subject to various risks and uncertainties.

Forward-looking statements include statements relating to our estimated and projected earnings, margins, costs, expenditures, restructuring program, cash flows, liquidity, de-leveraging plans, growth rates and financial results. 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 in or implied by our forward-looking statements. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those expressed in or implied by our forward-looking statements, including but not limited to the factors described in the section entitled “Item 1A. Risk Factors” of the Company'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”), which include 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 including exchange rate fluctuations; 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; 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 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 Inc. over us, as such factors may be updated from time to time in the Company’s periodic filings with the SEC. 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 periodic filings with the SEC. 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 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. 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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LEADING PROVIDER OF MISSION-CRITICAL POWER TRANSMISSION AND FLUID POWER SOLUTIONS



- GLOBAL LEADER WITH SIGNIFICANT CORE MARKET OPPORTUNITY
- MISSION-CRITICAL PRODUCTS WITH NATURAL REPLACEMENT CYCLES
- PRESENT IN LARGE, DIVERSE SET OF END MARKETS & APPLICATIONS
- SIGNIFICANT INVESTMENTS IN PLACE POSITION THE COMPANY WELL FOR FUTURE GROWTH
- ATTRACTIVE FINANCIAL PROFILE WITH SUBSTANTIAL FREE CASH FLOW GENERATION

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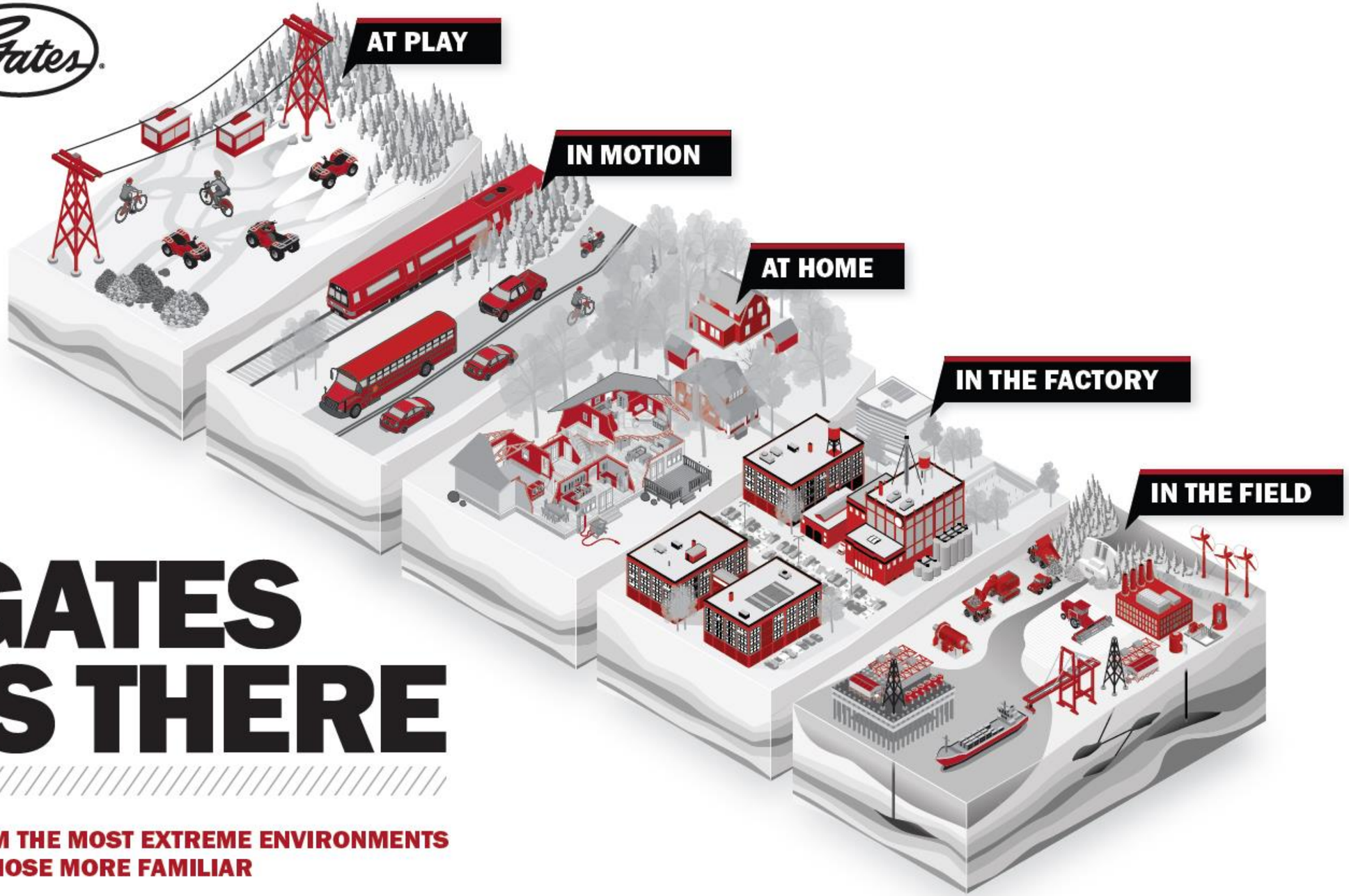

GATES IS THERE

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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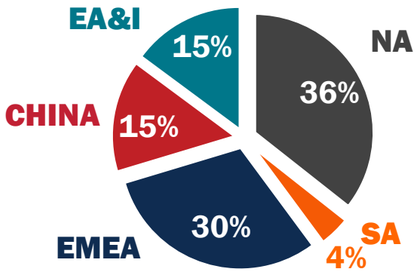
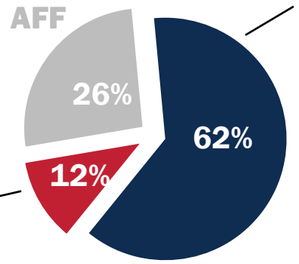
SEGMENT OVERVIEW

POWER TRANSMISSION – $2.1B FY18 REVENUE

BY REGION



BY CHANNEL



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

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



Industrial Async. Belts



Industrial Sync. Belts



Micro-V Belts



Timing Belts



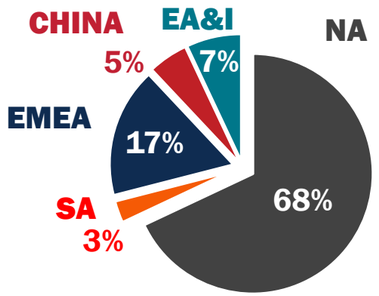
Metals



Kits

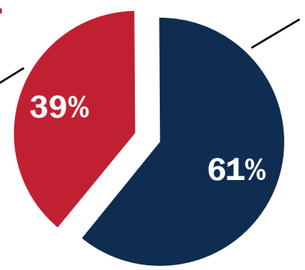
FLUID POWER – $1.2B FY18 REVENUE

BY REGION



BY CHANNEL

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



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



Hydraulic Hose



Hydraulic Tubing



Industrial Hose



Engine Hose



Drilling Hose

BROAD END MARKETS AND APPLICATIONS



Oil & Gas



Auto Repl.



Construction



General Ind./Mfg.



Agriculture



Auto First Fit



Mining



HD Truck

SIGNIFICANT GROWTH OPPORTUNITIES ACROSS LARGE, FRAGMENTED CORE MARKETS

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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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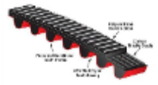
MATERIALS SCIENCE AND PRODUCT INNOVATION

POWER TRANSMISSION

FLUID POWER



Poly Chain Volt



Poly Chain ADV



Poly Chain Extended Length



EMD/QMT Micro-V Family



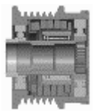
Global Start/Stop Tensioner Family



Accessory Belt Drive Kit, Heavy Duty



Ground Micro-V Family



Alternator Decoupler



Power Grip GT4 Belt

2016

2017

2018

2019



PRO CR1/CR2 Hydraulic Hose



Gen 1 Selective Catalytic Reduction Hose



Clean Master Hose



Multi Master Hose



Modular Engine Hose (Europe)



MXT Hydraulic Hose



API 16C Choke & Kill Hose



Pro1T/Pro2T Hydraulic Hose



ProXT Hydraulic Hose



Smart Crimper

PRO Series Couplings

DEMONSTRATED ABILITY TO UTILIZE MATERIALS SCIENCE TO DRIVE PRODUCT INNOVATION

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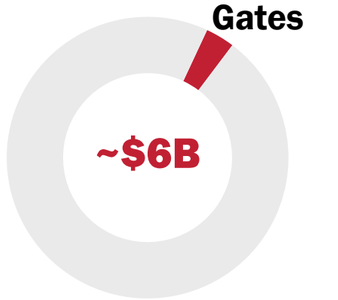
Note: Timeline not to exact scale

ACCELERATING GROWTH
INDUSTRIAL POWER TRANSMISSION

CHAIN-TO-BELT

INDUSTRIAL CHAIN-TO-BELT

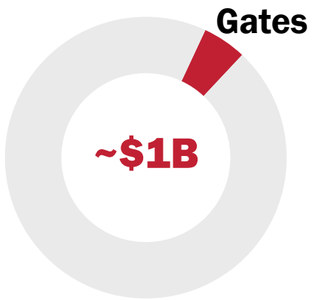


- Diversified end markets
- Opportunity to convert large installed base of drives powered by alternative technologies



- Next-generation rubber synchronous belt launched
- Design wins globally, including in semiconductor, aggregate and material handling applications

PERSONAL MOBILITY

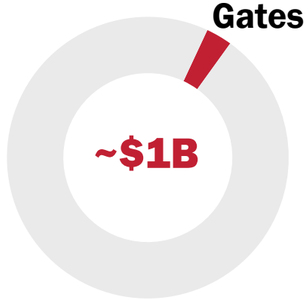


- Bicycles
- Scooters
- Motorcycles
- Market experiencing accelerated trend of electrification



- Recent scooter & motorcycle program wins, primarily in emerging markets
- 4 out of 10 Eurobike Award winners featured Gates Carbon Drive systems

PRECISION MOTION CONTROL



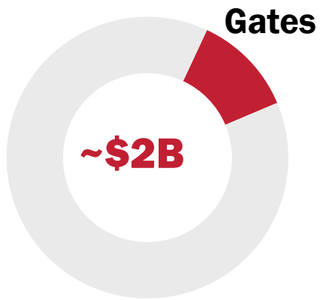
- Warehousing & logistics
- Robotics & industrial automation
- Food processing
- Light manufacturing
- E-commerce contributing to market growth



- Enhanced commercial capabilities executing focused initiatives
- Recent wins in logistics and lift verticals, as well as specialty distribution

BELT-TO-BELT

INDUSTRIAL BELT-TO-BELT



- New products improve competitive positioning
- Conversion opportunities within large installed base



- Targeted commercial initiatives across end markets
- Next-generation product trials underway at key customers

INNOVATING TO CREATE ORGANIC GROWTH OPPORTUNITIES ACROSS THE ENTIRE POWER TRANSMISSION PORTFOLIO

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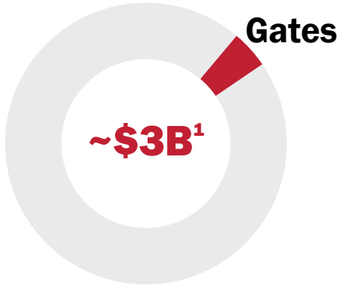
ACCELERATING GROWTH HYDRAULICS

GEOGRAPHIC EXPANSION

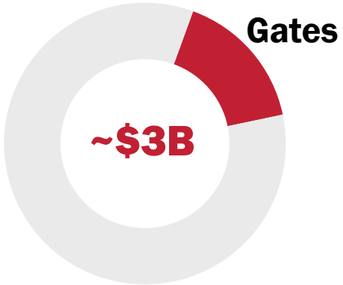


- Significantly underpenetrated in large international core markets



- Highly efficient new facilities online and fully operational
- Leveraging new products, existing customers and channel presence to drive organic growth

EXTEND PREMIUM PERFORMANCE

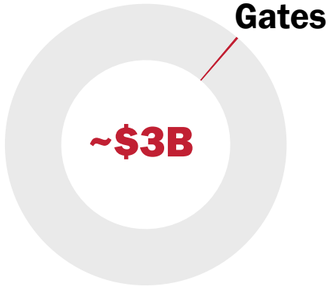


- Innovative new products driving differentiated competitive position

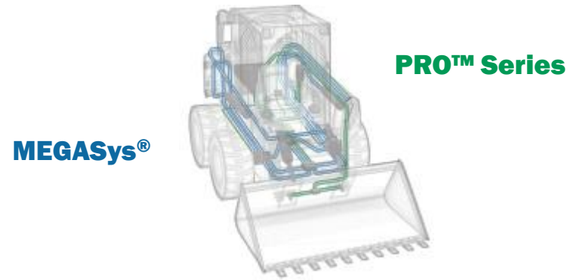


- MXT fully launched globally in both first-fit and replacement channels
- Key wins across end markets, with particular success in mobile applications

BROADEN APPLICATION COVERAGE



- Enhanced innovation capabilities enabling broadened product portfolio to increase addressable market



- Launched broad family of PRO Series hoses and couplings in 2019
- Global wins across first-fit and replacement channels

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

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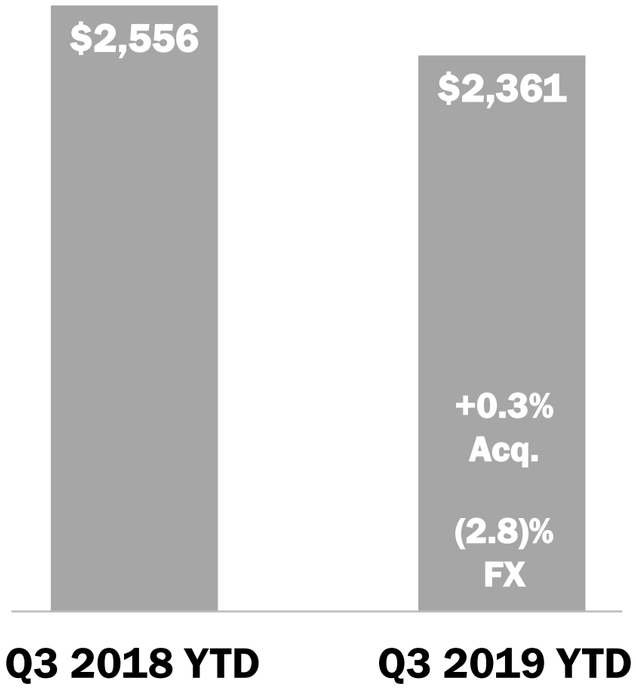
[1] Greater China and EMEA

Q3 2019 YTD FINANCIAL PERFORMANCE

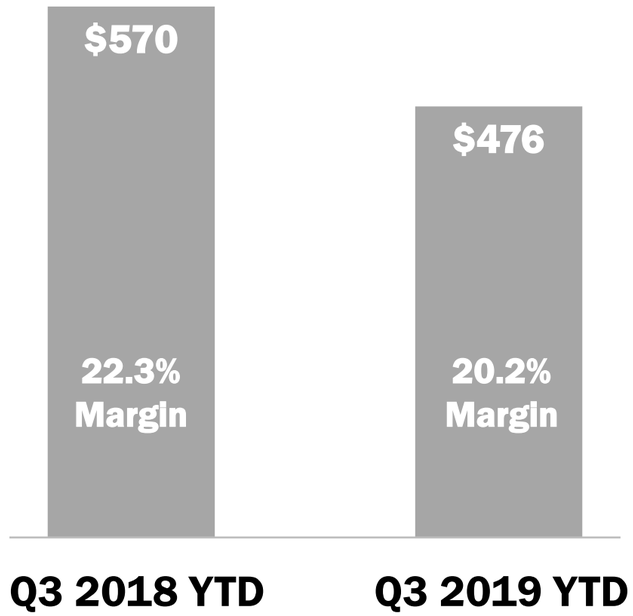
USD in millions

NET SALES



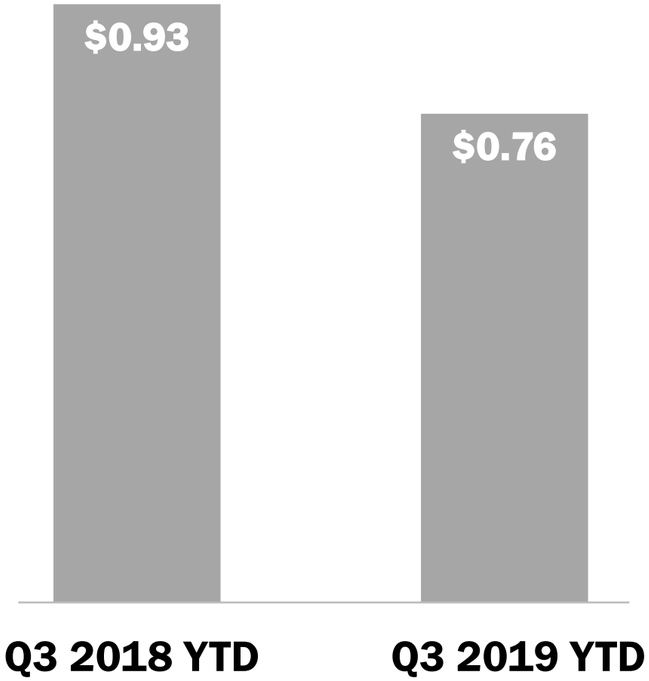
5.1% core decline, driven by softer demand environment

ADJUSTED EBITDA



210 bps decline, driven by lower volumes

ADJUSTED EPS[1]



Adjusted EPS decline driven by lower operating performance

ACCELERATING RESTRUCTURING TO ADDRESS LOWER DEMAND ENVIRONMENT

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[1] Adjusted Net Income per diluted share

RESTRUCTURING PROGRAM

(USD in millions)	FY 2019	FY 2020	FY 2021
Estimated Restructuring Costs	$(10)	$(30)	$(20)
Target Savings	1	20	40
Net	**$(9)**	**$(10)**	**$20**

- Plan to spend approximately $60M over 3 years
- Expect annualized savings of $40M by FY 2021
- Targeting actions in three categories
  - Footprint optimization / fixed cost reduction
  - Functional globalization
  - Establishment of shared-service centers
- Cash payback expected in < 2 years

RESTRUCTURING PROGRAM EXPECTED TO GENERATE ANNUALIZED SAVINGS OF $40M

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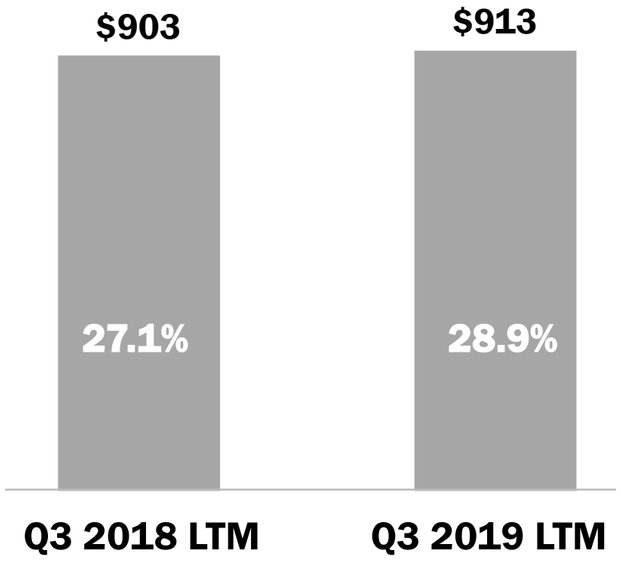
BALANCE SHEET AND LIQUIDITY

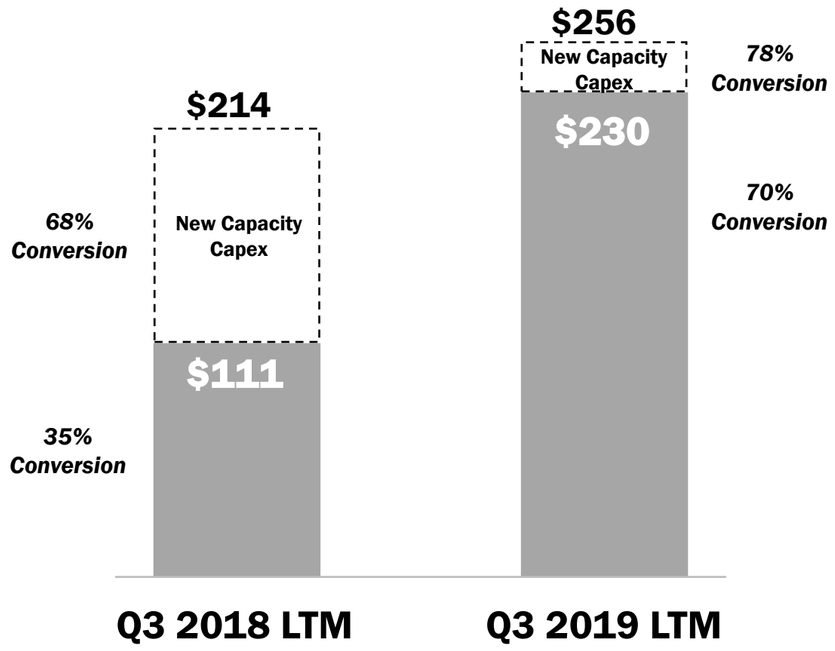
USD in millions, except multiple data

TRADE WORKING CAPITAL



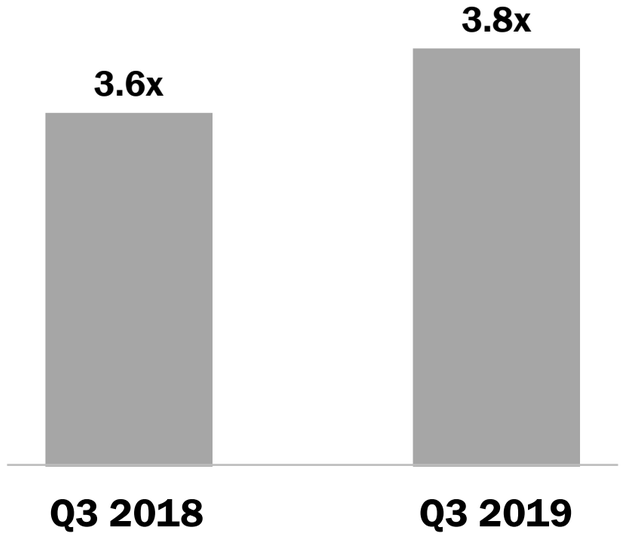
Focusing on inventory reductions

FREE CASH FLOW



Improving Free Cash Flow conversion

NET LEVERAGE



Leverage impacted by lower operating results

INCREASED FREE CASH FLOW DESPITE WEAKER DEMAND ENVIRONMENT

Note: Trade Working Capital: Trade Accounts Receivable plus Inventory minus Trade Accounts Payable
LTM Free Cash Flow: Net Cash Provided by Operations minus capital expenditures; Free Cash Flow Conversion shown as % of Adjusted Net Income
Leverage: Net Debt divided by LTM Adjusted EBITDA

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2019 OUTLOOK

USD in millions	
Core Revenue Growth	**(5.0)% – (7.0)%**
Adjusted EBITDA	**$590 – $630**
Capital Expenditures	**~$110**
Free Cash Flow Conversion	**> 80%**

MAINTAINING FULL YEAR GUIDANCE

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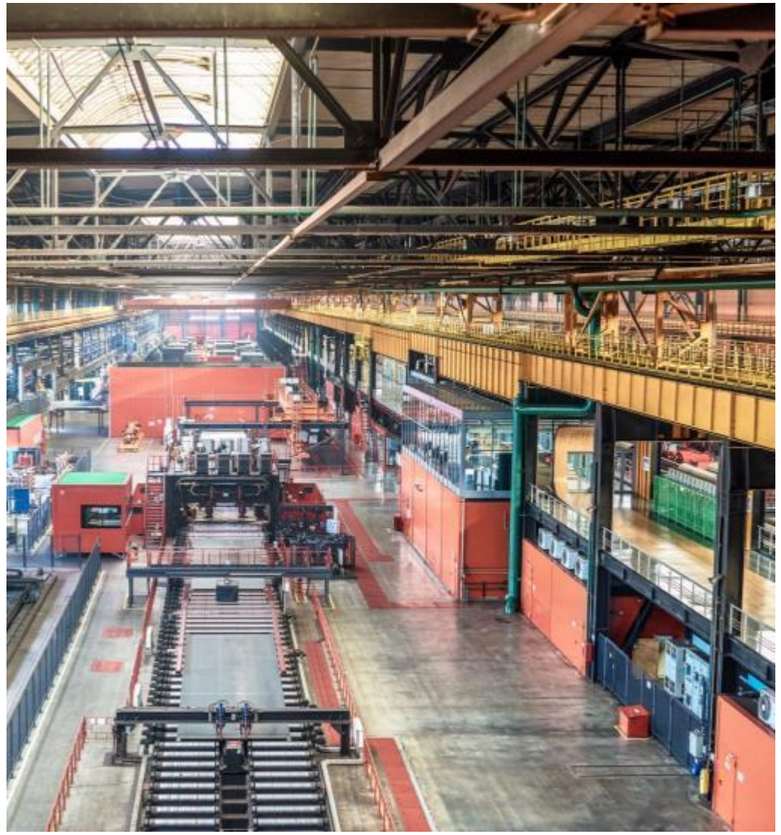
INVESTMENT HIGHLIGHTS

- **WE ARE A MARKET LEADER, BUT HAVE SIGNIFICANT RUNWAY OF ORGANIC GROWTH OPPORTUNITIES**
- **WE MANUFACTURE MISSION-CRITICAL COMPONENTS WITH RECURRING REPLACEMENT CYCLES**
- **WE ARE MANAGING THOSE ITEMS UNDER OUR CONTROL AND TAKING ACTIONS TO ADDRESS THE PRESENT END MARKET ENVIRONMENT**
- **WE GENERATE A SUBSTANTIAL AMOUNT OF FREE CASH FLOW**



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Gates

APPENDIX

RECONCILIATIONS – ADJUSTED EBITDA

(USD in millions)	Q3 2019 YTD	Q3 2018 YTD	LTM Q3 2019	LTM Q3 2018
Reconciliation to Adjusted EBITDA				
Net income from continuing operations	**$ 669.3**	**$ 189.3**	**$ 751.7**	**$ 318.9**
Adjusted for:				
Income tax (benefit) expense	(497.8)	30.4	(496.4)	(75.0)
Net interest and other expenses	107.3	157.3	143.3	225.0
Depreciation and amortization	167.4	163.3	222.6	217.3
Transaction-related expenses	0.7	6.2	1.2	13.0
Impairment of intangibles and other assets	0.7	0.6	0.7	3.4
Restructuring expenses	3.9	3.2	7.1	12.3
Share-based compensation expense	10.5	5.5	11.0	8.0
Sponsor fees (included in other operating expenses)	4.9	5.9	7.0	8.1
Inventory impairments and adjustments (included in cost of sales)	1.3	1.1	1.7	4.3
Duplicate expenses incurred on facility relocation	-	4.6	0.6	4.6
Severance-related expenses (included in cost of sales)	3.0	-	4.7	-
Other adjustments	4.7	2.6	6.5	3.1
Adjusted EBITDA	**$ 475.9**	**$ 570.0**	**$ 661.7**	**$ 743.0**

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RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions, except share numbers and per share amounts)	Q3 2019 YTD	Q3 2018 YTD	LTM Q3 2019	LTM Q3 2018
Reconciliation to Adjusted Net Income				
Net Income Attributable to Shareholders	**$ 670.7**	**$ 169.7**	**$ 746.3**	**$ 288.5**
Adjusted for:				
Loss on disposal of discontinued operations	0.6	0.7	0.5	0.1
Amortization of intangible assets arising from the 2014 acquisition of Gates	88.8	90.8	118.3	121.0
Transaction-related expenses	0.7	6.2	1.2	13.0
Impairment of intangibles and other assets	0.7	0.6	0.7	3.4
Restructuring expenses	3.9	3.2	7.1	12.3
Share-based compensation expense	10.5	5.5	11.0	8.0
Sponsor fees (included in other operating expenses)	4.9	5.9	7.0	8.1
Inventory impairments and adjustments (included in cost of sales)	1.3	1.1	1.7	4.3
Adjustments relating to post-retirement benefits	(2.6)	2.4	(1.9)	4.3
Premium on redemption of long-term debt	-	27.0	-	27.0
Financing-related FX (gains) losses	(1.0)	(8.5)	(1.3)	3.2
One-time deferred tax benefit from U.S. tax reform	-	-	-	(118.2)
One-time net tax benefit	(513.0)	-	(513.0)	-
One-time non-controlling interest adjustment	(15.0)	-	(15.0)	-
Other adjustments	1.4	(1.1)	3.3	(4.2)
Estimated tax effect of the above adjustments	(29.1)	(29.2)	(38.2)	(56.4)
Adjusted Net Income	**$ 222.8**	**$ 274.3**	**$ 327.7**	**$ 314.4**
Diluted weighted average number of shares outstanding	291,666,931	293,456,224		
Adjusted Net Income per diluted share	**$ 0.76**	**$ 0.93**		

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RECONCILIATIONS – FREE CASH FLOW AND FREE CASH FLOW CONVERSION

(USD in millions)	Q3 2019	Q3 2018	LTM Q3 2019	LTM Q3 2018
Reconciliation of Free Cash Flow				
Cash Provided by Operations	$ 81.4	$ 48.4	$ 316.4	$ 312.3
Capital Expenditures [1]	(16.4)	(40.7)	(86.3)	(201.3)
Free Cash Flow	**$ 65.0**	**$ 7.7**	**$ 230.1**	**$ 111.0**

(USD in millions)	LTM Q3 2019	LTM Q3 2018
Reconciliation of Free Cash Flow Conversion		
Free Cash Flow	$ 230.1	$ 111.0
Adjusted Net Income	$ 327.7	$ 314.4
Free Cash Flow Conversion	**70.2%**	**35.3%**

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(1) Capital expenditures represent purchases of property, plant and equipment and purchases of intangible assets.