

Gates®

Ivo Jurek

Chief Executive Officer

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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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GATES AT A GLANCE

COMPANY OVERVIEW

$3.5B
2021 Revenue

$736M
2021 Adj. EBITDA[1]

$295M
2021 Free Cash Flow[2]

22.4%
2021 ROIC[3]

14,000+
Employees

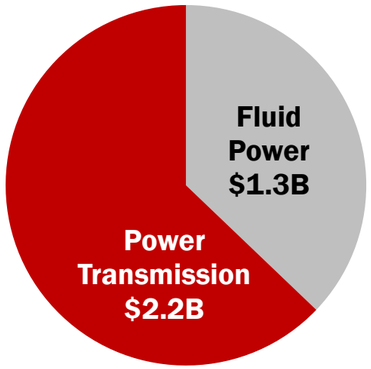
100,000+
Distributor Locations

750+
Engineers

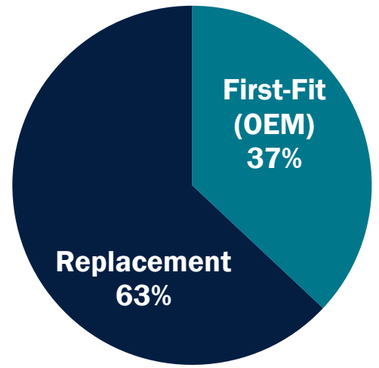
120+
Countries Served

2021 REVENUE BREAKDOWN

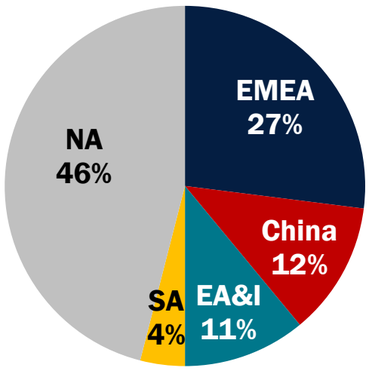
SEGMENT



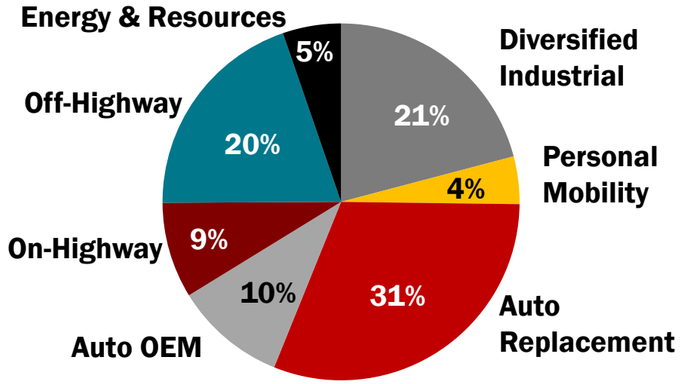
CHANNEL



GEOGRAPHY



END MARKET



PREMIUM INDUSTRIAL COMPANY WITH STRONG GLOBAL PRESENCE AND REPLACEMENT CHANNEL REVENUE MIX

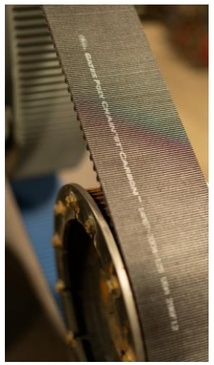
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(1) Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliations
(2) Free Cash Flow: Net Cash Provided by Operations minus Capital Expenditures. This is a non-GAAP measure, see appendix for reconciliation.
(3) ROIC: Tax-effected LTM Adjusted EBIT divided by total assets minus cash, accounts payable, income tax-related assets and intangibles related to 2014 acquisition of Gates

PRODUCT SEGMENTS

POWER TRANSMISSION: $2.2B[1]

#1 GLOBAL MARKET POSITION



PRODUCTS

- Synchronous Belts
- V-Belts, CVT & Micro-V Belts
- TPU Positioning & Conveyance Belts
- Metal Drive Components

- Energy Efficient
- Lightweight
- Clean, Quiet and Safe
- Maintenance Free
- Reliable

Solutions transmitting power in fixed and mobile drives across a wide range of applications and end markets

GROWTH OPPORTUNITIES

- Chain-to-Belt & Belt-to-Belt
- Personal Mobility
- Precision Motion Control & Conveyance

FLUID POWER: $1.3B[1]

TOP-3 GLOBAL MARKET POSITION



PRODUCTS

- Hydraulic Hose, Tubing and Related Components
- Thermal Management Hose
- Industrial Fluid Conveyance Hose
- Oil & Gas Hose

- Leak Free
- Lightweight
- Flexible
- Multi-Application
- Clean and Safe

Solutions serving fixed and mobile fluid conveyance applications across a wide range of end markets

GROWTH OPPORTUNITIES

- Stationary Industrial Applications
- EV Thermal Management
- Geographic Expansion







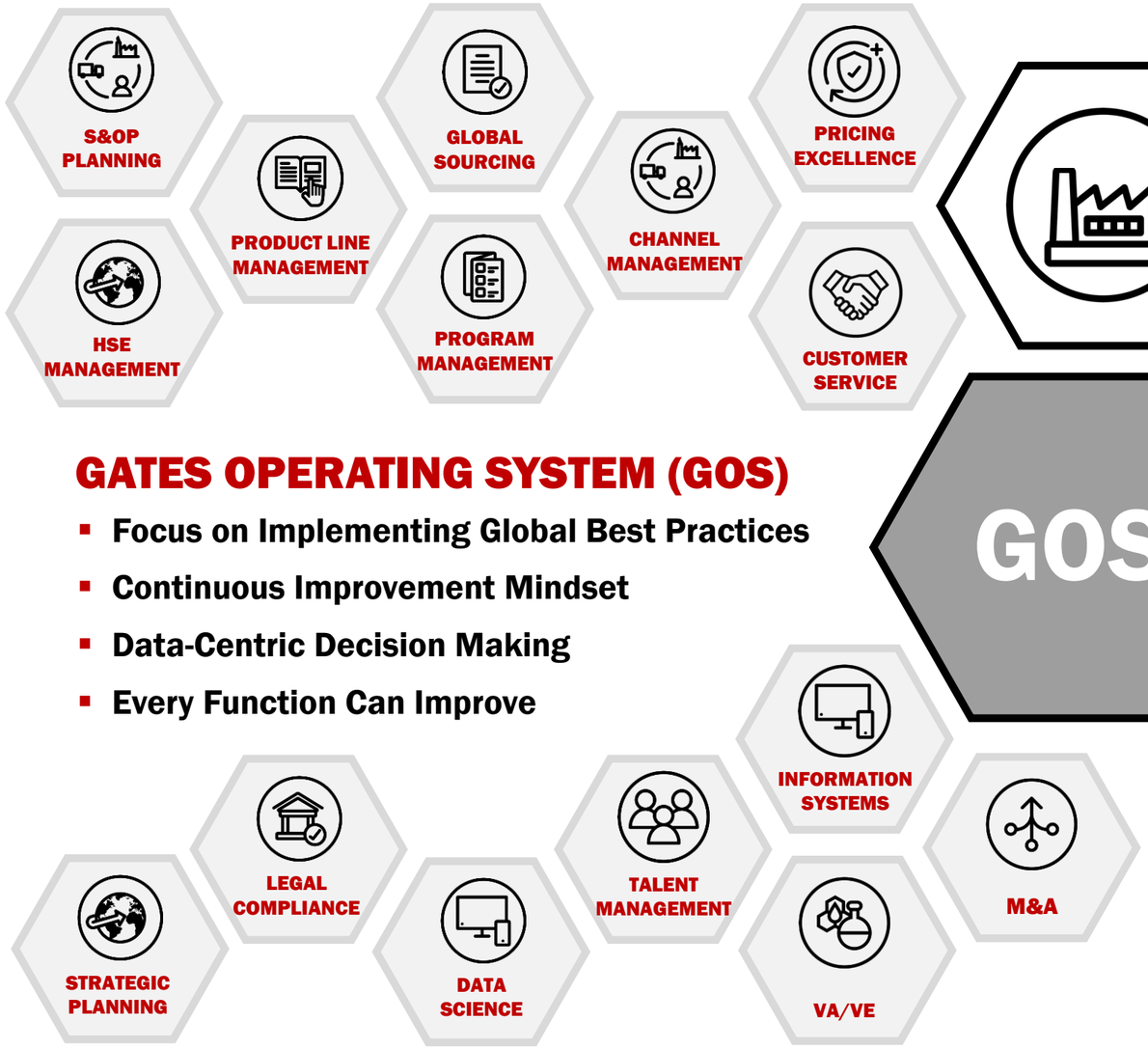



TWO GLOBAL SEGMENTS OF SCALE FOCUSED ON MISSION-CRITICAL, REPLACEMENT COMPONENTS FOR DIVERSE APPLICATIONS

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(1) FY2021 Net Sales

GATES OPERATING SYSTEM



GATES OPERATING SYSTEM (GOS)

- Focus on Implementing Global Best Practices
- Continuous Improvement Mindset
- Data-Centric Decision Making
- Every Function Can Improve

GATES PRODUCTION SYSTEM

- Prioritizes the health and safety of employees globally
- Ensures products exceed industry standards

GATES ECO-INNOVATION™

- Delivers improved product performance
- Minimizes energy and water consumption
- Reduces waste and GHG emissions

GATES COMPLEXITY REDUCTION

- Simplifies global process architecture
- Eliminates inefficiencies and improves production
- Optimizes product mix

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INVESTMENT HIGHLIGHTS

ATTRACTIVE BUSINESS FUNDAMENTALS

Mission-Critical Applications
Cost of downtime significantly greater than the cost of our products

Natural Replacement Cycles
Drive recurring revenues

Highly Engineered Industrial Components
Opportunity to differentiate with Technology & Quality

ABOVE-MARKET GROWTH

- Secular Tailwinds supporting all end markets
- Eco-Innovation™ expanding market opportunity
- Growth Initiatives delivering results
- M&A as a growth accelerator

PREMIUM FINANCIAL PROFILE

- Track Record of growing topline, expanding margins, growing EPS and strong free cash flow
- Solid Balance Sheet
- Capital Allocation Flexibility

GTES ESG FRAMEWORK

- G – Governance
- T – Technology
- E – Environment
- S – Stewardship

VALUATION OPPORTUNITY

- Top-Tier Operating Performance
- Discount to Premium Industrials

DRIVEN BY POSSIBILITY™

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Gates
Q&A
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RECONCILIATIONS – ADJUSTED EBITDA AND NET LEVERAGE

(USD in millions)	FY 2021	FY 2020	FY 2019
Reconciliation to Adjusted EBITDA			
Net Income from Continuing Operations	**$ 331.3**	**$ 90.3**	**$ 694.7**
Adjusted for:			
Income tax expense (benefit)	18.4	(19.3)	(495.9)
Net interest and other expenses	134.4	140.1	148.0
Depreciation and amortization	222.6	218.6	222.2
Transaction-related expenses	3.7	5.2	2.6
Asset impairments	0.6	5.2	0.7
Restructuring expenses	7.4	37.3	6.0
Share-based compensation expense	24.6	19.8	15.0
Sponsor fees (included in other operating expenses)	-	1.9	6.5
Inventory impairments and adjustments (included in cost of sales)	1.4	1.4	1.2
Severance expenses (included in cost of sales)	-	1.0	4.0
Other primarily severance expenses (included in SG&A)	0.5	8.0	3.4
Other items not directly related to current operations [1]	(9.1)	(2.9)	2.6
Adjusted EBITDA	**$ 735.8**	**$ 506.6**	**$ 611.0**
Adjusted EBITDA margin			
Net Sales	$ 3,474.4	$ 2,793.0	$ 3,087.1
Adjusted EBITDA	$ 735.8	$ 506.6	$ 611.0
Adjusted EBITDA margin	**21.2%**	**18.1%**	**19.8%**
Reconciliation to Net Leverage			
Total principal amount of debt	$ 2,579.2	$ 2,720.8	$ 2,985.0
Less: Cash and cash equivalents	(658.2)	(521.4)	(635.3)
Net debt	**$ 1,921.0**	**$ 2,199.4**	**$ 2,349.7**
Net Leverage (Net Debt divided by LTM Adjusted EBITDA)	**2.6 x**	**4.3 x**	**3.8 x**

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(1) During the year ended January 1, 2022, other items not directly related to current operations included a $9.3 million net gain on the sale of a purchase option on a building that we lease in Europe.

RECONCILIATIONS – FREE CASH FLOW AND FREE CASH FLOW CONVERSION

(USD in millions)	FY 2021	FY 2020	FY 2019
Reconciliation of Free Cash Flow			
Net Cash Provided By Operating Activities	$ 382.4	$ 309.0	$ 348.9
Capital Expenditures [1]	(87.0)	(67.4)	(83.1)
Free Cash Flow	**$ 295.4**	**$ 241.6**	**$ 265.8**

(USD in millions)	FY 2021	FY 2020	FY 2019
Reconciliation of Free Cash Flow Conversion			
Free Cash Flow	$ 295.4	$ 241.6	$ 265.8
Adjusted Net Income	$ 408.1	$ 204.5	$ 279.3
Free Cash Flow Conversion	**72.4%**	**118.1%**	**95.2%**

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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)

(USD in millions)	FY 2021	FY 2020	FY 2019
Return On Invested Capital (ROIC)			
LTM Adjusted EBITDA	**$ 735.8**	**$ 506.6**	**$ 611.0**
LTM Total depreciation and amortization	(222.6)	(218.6)	(222.2)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	120.3	117.5	118.2
LTM Adjusted EBIT	**633.5**	**405.5**	**507.0**
Notional tax at 25%	(158.4)	(101.4)	(126.8)
LTM Tax-effected Adjusted EBIT	**$ 475.1**	**$ 304.1**	**$ 380.2**
Total Assets	$ 7,533.0	$ 7,426.3	$ 7,411.3
Adjusted for:			
Cash	(658.2)	(521.4)	(635.3)
Taxes receivable	(34.8)	(55.1)	(45.1)
Deferred tax assets	(639.3)	(672.6)	(587.1)
Prepaid taxes	(13.4)	(4.7)	(21.2)
Accounts payable	(506.6)	(417.4)	(374.7)
Intangibles arising from the acquisition of Gates	(3,557.7)	(3,755.7)	(3,788.8)
Invested Capital	**$ 2,123.0**	**$ 1,999.4**	**$ 1,959.1**
Return On Invested Capital	**22.4%**	**15.2%**	**19.4%**

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