Gardner Denver
Q2 2018 Earnings Presentation

August 02, 2018

Replay Information

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- Conference ID: #10122501
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Disclaimer

Forward-Looking Statements

During the course of this presentation, we may make “forward-looking statements” within the meaning of the US federal securities laws. In fact, all statements made during this presentation other than statements of historical fact are forward-looking statements. Words such as “expects,” “anticipates,” “believes,” “estimates,” “plans,” “intends,” “projects” and “indicates” and variations of such words or similar expressions are intended to identify forward-looking statements. Although they reflect our current expectations, these statements are not guarantees of future performance, and actual results may differ materially from what is expressed in or indicated by these forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in such forward-looking statements, including those risks and uncertainties described under the section titled “Risk Factors” in our most recent annual report on form 10-K filed with the Securities and Exchange Commission (“SEC”), which risks and uncertainties may be updated from time to time in our periodic filings with the SEC (accessible on the SEC’s website at www.sec.gov). Forward-looking statements speak only as of the date the statements are made. The Company does not undertake to update any forward-looking statements as a result of future developments or new information, except as required by law.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures designed to supplement, and not substitute, the financial information presented in accordance with generally accepted accounting principles in the United States of America because management believes such measures are useful to investors. The reconciliation of those measures to the most comparable GAAP measures is detailed in Gardner Denver’s press release for the second quarter of 2018, which is available at http://investors.gardnerdenver.com, together with this presentation.

Agenda

- Highlights
- Q2 2018 Financial Performance
- Segment Highlights
- Full Year 2018 Guidance & Summary
- Q&A

Q2 Highlights

Solid performance across all three segments and continued execution of our value-creation strategy

Strong Execution	• Revenue of $668M, **up 15%** versus prior year • Adjusted EBITDA of $162M**, up 22%** versus prior year • Adj EBITDA margin of **24.2%**, an improvement of **140 basis points** versus PY
Improving Leverage Profile	• Free cash flow generation of $124M, **up $111M** versus prior year, including **530 bps improvement** in working capital as % of sales • Net debt to LTM Adjusted EBITDA ratio **improved to 2.4x**… 0.4x turn improvement since Q1'18 • Balancing capital allocation priorities: **$105M debt repayment,** authorization for **$250M share repurchase program,** & **accretive acquisitions**
Favorable Outlook	• **Raising** 2018 Adjusted EBITDA guidance to **$690M to $705M** • Targeting year-end net debt to Adjusted EBITDA ratio of **~2.0x**[1]

A premier industrial company with leading brands, mission-critical technologies, and diverse end market exposure

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[1] Excluding the impact of any potential future acquisitions or share repurchase activity

Our Strategy

Deploy Talent

Engagement initiative driving **500+ bps improvement** in Net Working Capital in Q2 2018

Expand Margins

Accelerate Growth

Allocate Capital Effectively

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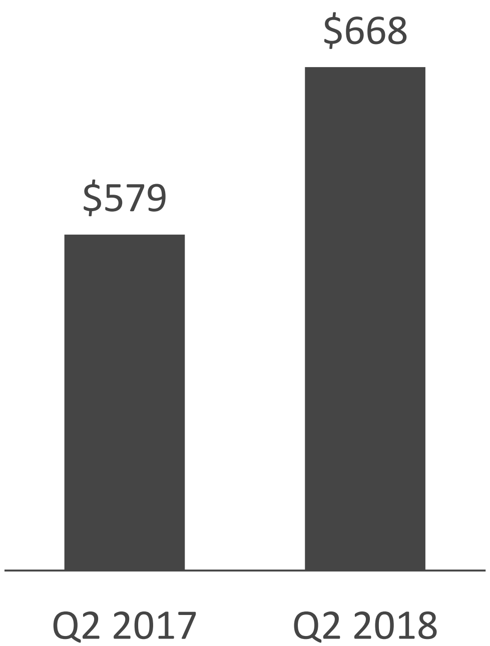
Q2 Financial Performance

Q2 2018 Financial Performance

($M, excl. EPS)

Revenue

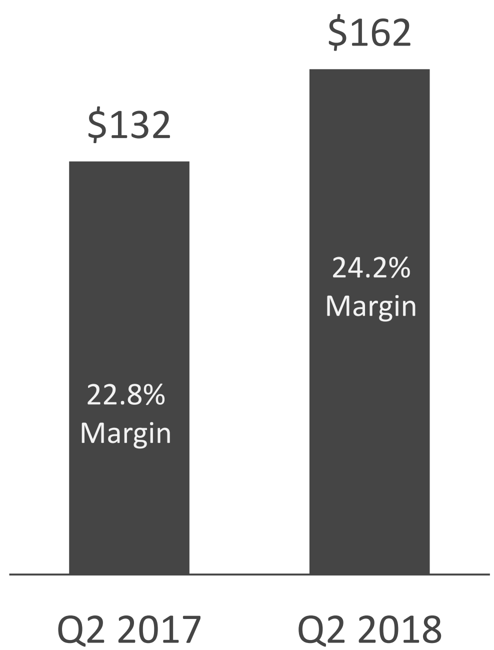
Up 15%



Adjusted EBITDA

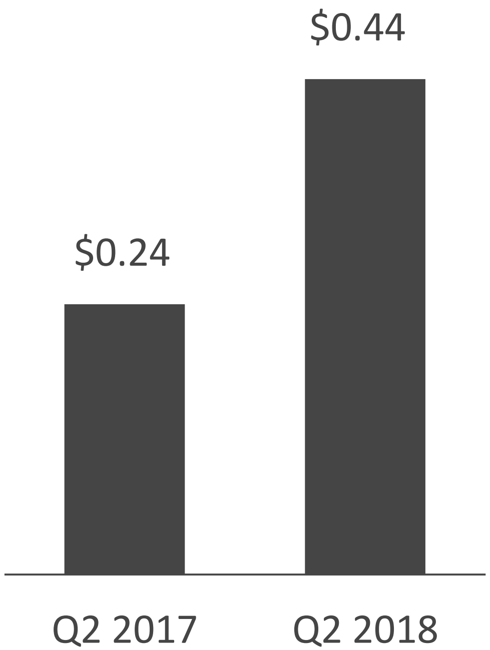
Up 22%

Margin Up 140 bps



Adjusted EPS[1]

Up 83%



Financial Performance Reinforcing Investment Thesis

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[1] Adjusted EPS is defined as adjusted net income divided by adjusted diluted average shares outstanding

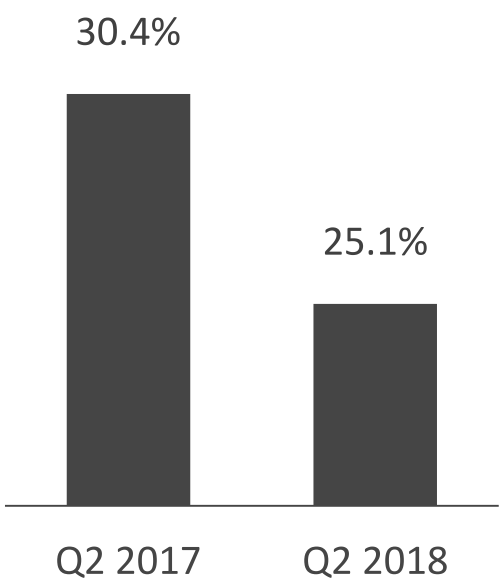
Q2 2018 Financial Performance

($M)

Working Capital

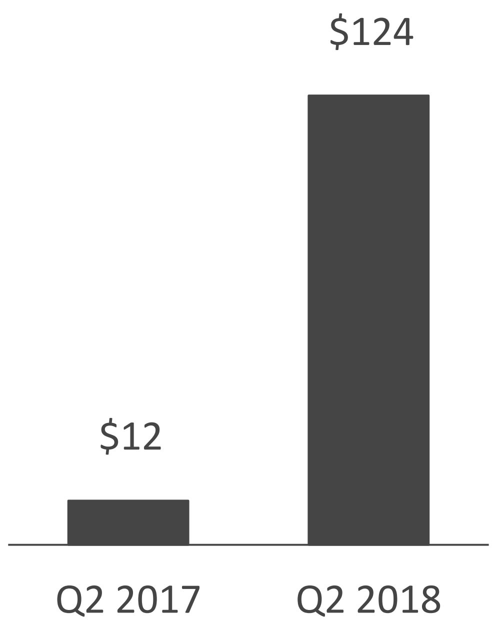
(Op. Working Capital as % of LTM Sales)

Improved 530 bps



Free Cash Flow[1]

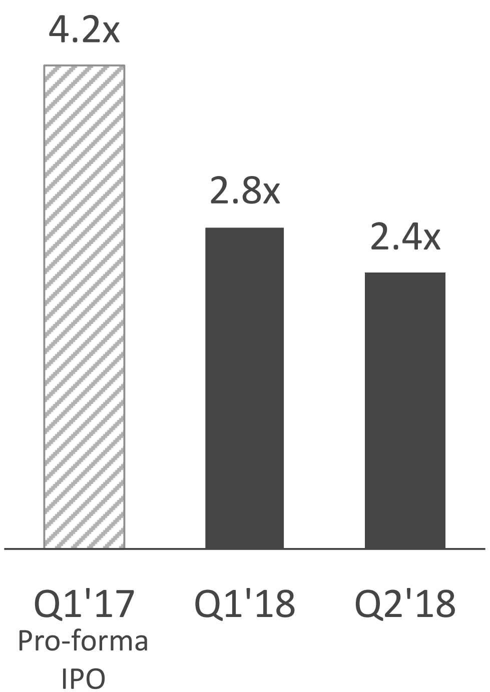
Up $111M



Leverage

(Net Debt / LTM Adjusted EBITDA)

Improved 0.4x Sequentially



Strengthening Position Through Strong FCF and De-leveraging

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[1] Free Cash Flow is defined as cash flows from operations less capital expenditures

Q2 2018 Segment Performance

Industrials Segment – Q2 Highlights

(Dollars in millions)

	As Reported	Prior Year	YOY Change	Ex-FX YOY Change
Revenue	**$328.7**	**$282.8**	**16.2%**	**11.8%**
Adjusted EBITDA	**$71.1**	**$63.4**	**12.1%**	**7.4%**
Adjusted EBITDA Margin	**21.6%**	**22.4%**	**(80) bps**	

Highlights:

- Orders up 20% as reported; up 15% ex-FX
- Revenue up 12% ex-FX
- Strong broad-based orders growth across all three main product technologies and end markets
- Adjusted EBITDA margin down 80 bps driven by revenue mix (outsized OE demand), Runtech acquisition (~400 bps lower than segment avg.), and strategic reinvestments for growth… expect H2'18 and FY'18 positive margin expansion

Innovation in Action

Oil Free Scroll Compressor

Oil-less compressor design delivering 100% oil-free air, eliminating the risk of contamination. Compact design and environmentally-friendly operation provides clean air supply for uses such as lab instrumentation and medical/life sciences applications.

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Energy Segment – Q2 Highlights

(Dollars in millions)

	As Reported	Prior Year	YOY Change	Ex-FX YOY Change
Revenue	**$273.1**	**$239.5**	**14.0%**	**12.2%**
Adjusted EBITDA	**$79.7**	**$62.2**	**28.1%**	**26.4%**
Adjusted EBITDA Margin	**29.2%**	**26.0%**	**320 bps**	

Highlights:

- Orders up 14% as reported; up 12% ex-FX
- Upstream revenue up 17%; mid/downstream up double digits
- Permian Basin & Current Trends
  - Comprises less than 5% of total company revenues (~10% of energy segment revenues w/ no exposure in mid/down)
  - Strong activity/intensity trends resulting in Q2'18 Permian aftermarket/OE revenue mix of 80/20 ... driven by continued outsized consumables growth (up ~200%)

Innovation in Action

Garo Liquid Ring Compressors

Highly engineered liquid ring compressors and custom packages for use in a variety of downstream energy applications such as flare gas recovery, vapor recovery, dry and wet chlorine processing, and gas compression.

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Medical Segment – Q2 Highlights

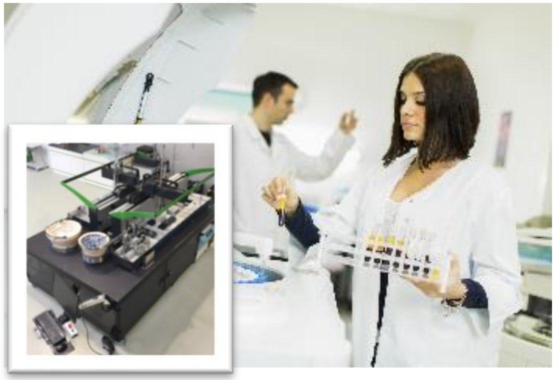
(Dollars in millions)

	As Reported	Prior Year	YOY Change	Ex-FX YOY Change
Revenue	**$66.4**	**$56.8**	**16.9%**	**12.3%**
Adjusted EBITDA	**$18.0**	**$15.4**	**16.9%**	**11.0%**
Adjusted EBITDA Margin	**27.1%**	**27.1%**	**0 bps**	

Highlights:

- Orders up 27% as reported; up 22% ex-FX
- Revenue up 12% ex-FX as strong backlog and execution leading to positive organic growth
- Strongest quarter of organic revenue growth since 2011
- Adjusted EBITDA margin flat driven by investments for growth

Innovation in Action



Liquid Handling Automation Systems

Flexible liquid handling systems with capability for full automation in medical, lab and life sciences applications such as sample preparation, handling corrosive reagents, and contamination-free pipetting.

2018 Guidance & Summary

2018 Guidance

▪ Adjusted EBITDA (raised bottom end)	$690M to $705M (from $685M to $705M)
▪ Capital Expenditures (reduced)	$60M to $70M (from $65M to $75M)
▪ Tax Rate	26% to 28%
▪ Year End Net Debt Leverage (improved)[1]	~2.0x (from ~2.1x to 2.3x)
▪ Average Shares Outstanding[2]	~210M

<u>Tariffs</u>

Due to manufacturing/sales strategy ("in region for the region"), impact fairly limited at ~$5M based on currently implemented section 232/301 tariffs & included in guidance. Actively addressing known tariff impacts via productivity/sourcing initiatives & assessing pricing opportunities.

[1] Excluding the impact of any potential future acquisitions or share repurchase activity

[2] Represents the full year computation of weighted average shares outstanding and share price as of 6/30/2018; Excludes the impact of any potential future share repurchase activity

Summary

- Strong Q2'18 performance with progress evident in growth, margins and cash generation
  - 15% revenue growth with double-digit growth in all three segments
  - Double digit orders growth across all three segments
  - 24.2% adjusted EBITDA margin with margin expansion of 140 bps
  - Free cash flow generation of $124M… continuing to show progress on leverage reduction
  - Completed $105M debt repayment… expecting similar sized repayment in Q3'18
  - Employee engagement initiative evident in working capital achievement of 25.1%
- Expecting momentum to continue through balance of 2018
  - Raising midpoint of full year 2018 Adjusted EBITDA guidance range
  - Expecting continued momentum on FCF generation and further reduction to leverage position[1]
  - $250M share repurchase authorization providing incremental tool to return value to shareholders
  - Continued execution of our value-creation strategy… Deploy Talent, Expand Margins, Accelerate Growth and Allocate Capital Effectively

[1] Excluding the impact of any potential future acquisitions or share repurchase activity

Q&A

Appendix

Reconciliation of Net Income/(Loss) and Earnings/(Loss) per Share to Adjusted Net Income and Adjusted Earnings per Share

GARDNER DENVER HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME (LOSS) AND EARNINGS (LOSS) PER SHARE
TO ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE
(Dollars in millions, except per share amounts)
(Unaudited)

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net Income (Loss)	$ 60.3	$ (146.3)	$ 102.7	$ (153.2)
Basic Earnings (Loss) Per Share (As Reported)[1]	$ 0.30	$ (0.83)	$ 0.51	$ (0.94)
Diluted Earnings (Loss) Per Share (As Reported)[1]	$ 0.29	$ (0.83)	$ 0.49	$ (0.94)
Plus:				
Provision (benefit) for income taxes	17.2	(43.9)	40.7	(45.6)
Amortization of acquisition related intangible assets	27.6	27.2	55.6	53.0
Sponsor fees and expenses	-	16.2	-	17.3
Restructuring and related business transformation costs	8.4	5.6	12.9	14.2
Acquisition related expenses and non-cash charges	5.7	1.2	10.3	1.9
Environmental remediation loss reserve	-	(0.1)	-	0.9
Expenses related to public stock offerings	0.5	1.8	1.9	3.2
Establish public company financial reporting compliance	1.1	2.1	1.9	3.3
Stock-based compensation	(0.8)	156.2	1.9	156.2
Foreign currency transaction (gains) losses, net	(2.4)	4.0	0.2	4.7
Loss on extinguishment of debt	0.2	50.4	0.2	50.4
Shareholder litigation settlement recoveries	-	-	(4.5)	-
Other adjustments	-	1.6	(0.7)	2.1
Minus:				
Income tax provision, as adjusted	25.4	32.3	49.9	44.5
Adjusted Net Income	$ 92.4	$ 43.7	$ 173.2	$ 63.9
Adjusted Basic Earnings Per Share	$ 0.46	$ 0.25	$ 0.86	$ 0.39
Adjusted Diluted Earnings Per Share[2]	$ 0.44	$ 0.24	$ 0.83	$ 0.38
Average shares outstanding:				
Basic, as reported	201.8	176.9	201.7	162.8
Diluted, as reported[3]	209.6	176.9	209.8	162.8
Adjusted diluted[2]	209.6	182.2	209.8	166.5

[1] Basic and diluted earnings per share (as reported) are calculated by dividing net income (loss) attributable to Gardner Denver Holdings, Inc. by the basic and diluted average shares outstanding for the respective periods.

[2] Adjusted diluted share count and adjusted diluted earnings per share include incremental dilutive shares, using the treasury stock method, which are added to average shares outstanding.

[3] Due to net losses in certain periods shown, basic and diluted average shares outstanding are the same in those periods.

Reconciliation of Net Income/(Loss) to Adjusted EBITDA and Adjusted Net Income and CFOA to Free Cash Flow

GARDNER DENVER HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA AND ADJUSTED NET INCOME AND CASH FLOWS - OPERATING ACTIVITIES TO FREE CASH FLOW
(Dollars in millions)
(Unaudited)

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net Income (Loss)	$ 60.3	$ (146.3)	$ 102.7	$ (153.2)
Plus:				
Interest expense	26.1	39.5	52.1	85.3
Provision (benefit) for income taxes	17.2	(43.9)	40.7	(45.6)
Depreciation expense	13.8	13.3	27.8	25.4
Amortization expense	31.5	30.5	62.4	58.1
Sponsor fees and expenses	-	16.2	-	17.3
Restructuring and related business transformation costs	8.4	5.6	12.9	14.2
Acquisition related expenses and non-cash charges	5.7	1.2	10.3	1.9
Environmental remediation loss reserve	-	(0.1)	-	0.9
Expenses related to public stock offerings	0.5	1.8	1.9	3.2
Establish public company financial reporting compliance	1.1	2.1	1.9	3.3
Stock-based compensation	(0.8)	156.2	1.9	156.2
Foreign currency transaction (gains) losses, net	(2.4)	4.0	0.2	4.7
Loss on extinguishment of debt	0.2	50.4	0.2	50.4
Shareholder litigation settlement recoveries	-	-	(4.5)	-
Other adjustments	-	1.6	(0.7)	2.1
Adjusted EBITDA	$ 161.6	$ 132.1	$ 309.8	$ 224.2
Minus:				
Interest expense	$ 26.1	$ 39.5	$ 52.1	$ 85.3
Income tax provision, as adjusted	25.4	32.3	49.9	44.5
Depreciation expense	13.8	13.3	27.8	25.4
Amortization of non-acquisition related intangible assets	3.9	3.3	6.8	5.1
Adjusted Net Income	$ 92.4	$ 43.7	$ 173.2	$ 63.9
Free Cash Flow				
Cash flows - operating activities	$ 134.3	$ 22.6	$ 194.5	$ 20.0
Minus:				
Capital expenditures	10.8	10.4	20.9	26.8
Free Cash Flow	$ 123.5	$ 12.2	$ 173.6	$ (6.8)

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Reconciliation of Segment Adjusted EBITDA to Income/(Loss) Before Income Taxes

GARDNER DENVER HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF SEGMENT ADJUSTED EBITDA TO INCOME (LOSS) BEFORE INCOME TAXES
(Dollars in millions)
(Unaudited)

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenue				
Industrials	$ 328.7	$ 282.8	$ 645.6	$ 530.8
Energy	273.1	239.5	515.3	417.7
Medical	66.4	56.8	126.8	112.3
Total Revenue	$ 668.2	$ 579.1	$ 1,287.7	$ 1,060.8
Segment Adjusted EBITDA				
Industrials	$ 71.1	$ 63.4	$ 137.9	$ 110.6
Energy	79.7	62.2	147.6	100.6
Medical	18.0	15.4	33.9	30.1
Total Segment Adjusted EBITDA	$ 168.8	$ 141.0	$ 319.4	$ 241.3
Less items to reconcile Segment Adjusted EBITDA to Income (Loss) Before Income Taxes:				
Corporate expenses not allocated to segments	$ 7.2	$ 8.9	$ 9.6	$ 17.1
Interest expense	26.1	39.5	52.1	85.3
Depreciation and amortization expense	45.3	43.8	90.2	83.5
Sponsor fees and expenses	-	16.2	-	17.3
Restructuring and related business transformation costs	8.4	5.6	12.9	14.2
Acquisition related expenses and non-cash charges	5.7	1.2	10.3	1.9
Environmental remediation loss reserve	-	(0.1)	-	0.9
Expenses related to public stock offerings	0.5	1.8	1.9	3.2
Establish public company financial reporting compliance	1.1	2.1	1.9	3.3
Stock-based compensation	(0.8)	156.2	1.9	156.2
Foreign currency transaction (gains) losses, net	(2.4)	4.0	0.2	4.7
Loss on extinguishment of debt	0.2	50.4	0.2	50.4
Shareholder litigation settlement recoveries	-	-	(4.5)	-
Other adjustments	-	1.6	(0.7)	2.1
Income (Loss) Before Income Taxes	$ 77.5	$ (190.2)	$ 143.4	$ (198.8)

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