Gardner Denver
Q4 and Full Year 2018 Earnings Presentation

February 19, 2019

Replay Information

- Dial toll-free: +1.877.344.7529
- International: +1.412.317.0088
- Conference ID: #10128510
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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 fourth quarter of 2018, which is available at http://investors.gardnerdenver.com, together with this presentation.

Agenda

- Company Highlights
- Segment Highlights
- Financial Performance
- Guidance
- Q&A

Highlights

- Q4'18[1]
  - Revenue of $713M, **up 7%**, and **up 10%** excluding the impact of FX
  - Adjusted EPS of $0.57, **up 19%**[2]
  - Adjusted EBITDA of $190M, **up 10%**, and margin of **26.6%**, a **60 bps improvement**
  - Free cash flow generation of $126M, **up $30M**, including **570 bps improvement** in working capital as % of sales… repaid **$75M of debt** and **closed two acquisitions**
- FY 2018[1]
  - Revenue **up 13%**, and **up 12%** excluding the impact of FX, with **double-digit growth** across all three segments
  - Adjusted EPS of $1.89, **up 43%**[2]
  - Adjusted EBITDA **up 21%** and margin of **25.3%**, a **170 bps improvement**
  - Free cash flow generation of **$392M**, **up 173%**
  - **$600M+ of cash deployed** with balanced allocation across **debt repayment ($338M)**, **strategic acquisitions ($186M)**, high return **capital expenditure projects ($52M)** and **share repurchases ($29M)**
  - Continued leverage reduction to 2.1x, an **0.8x improvement**

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[1] All comparisons are versus the applicable prior year period unless otherwise noted
[2] Adjusted EPS is defined as adjusted net income divided by adjusted diluted average shares outstanding

Our Strategy

Deploy Talent

Engagement initiative driving **570 bps improvement** in Net Operating Working Capital as % of revenues in 2018

Expand Margins

Balanced execution of growth and operational initiatives driving **record Adj EBITDA margin of 26.6%** in Q4’18

Accelerate Growth

FY’18 revenue **growth of 13%** with **double digit increases** across all three segments

Allocate Capital Effectively

$600M+ of cash deployed in 2018 across debt repayment, M&A, capex and share repurchases

Industrials Segment – Q4 & FY Highlights

(Dollars in millions)

Q4 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$338**	**8.3%**	**11.2%**
Adj EBITDA	**$78**	**13.3%**	**16.1%**
Adj EBITDA Margin	**23.2%**	**110 bps**	

FY 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$1,303**	**15.3%**	**13.3%**
Adj EBITDA	**$288**	**18.7%**	**16.3%**
Adj EBITDA Margin	**22.1%**	**60 bps**	

Highlights (All Q4 unless otherwise noted):

- Orders up 4% ex-FX… on top of 20% growth in prior year
- Revenue up 11% ex-FX
- Solid broad-based performance across all product technologies and geographies, except some softness in China market
- Adjusted EBITDA margin up 110 bps driven by volume growth, operational efficiencies, i2V and targeted cost reductions

Innovation in Action

TX02 Transit Compressor

Compact and modularly designed compressor for use in electric and hybrid commercial vehicles. Reduced weight and noise combined with vibration free performance provide higher efficiency and reliability for air-driven applications such as braking systems, air suspensions and doors.

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Energy Segment – Q4 & FY Highlights

(Dollars in millions)

Q4 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$307**	**4.0%**	**5.9%**
Adj EBITDA	**$95**	**(1.7)%**	**0.1%**
Adj EBITDA Margin	**31.0%**	**(180) bps**	

FY 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$1,121**	**10.5%**	**10.4%**
Adj EBITDA	**$338**	**14.1%**	**14.4%**
Adj EBITDA Margin	**30.1%**	**90 bps**	

Highlights (All Q4 unless otherwise noted):

- Orders down 3% ex-FX…driven by one large Midstream project in Q4’ 17
- Upstream orders up 2%… on top of 154% orders growth in prior year
  - Strong demand for aftermarket parts, consumables and services (up 29%)
- Revenue… upstream up 1% and mid/downstream up 8%
- Adjusted EBITDA margin driven by mix of large midstream project shipments and higher upstream pump shipments

Innovation in Action

Garo Liquid Ring Compressor System

Multi-stage liquid ring compressor recovery system recently won for a Middle East refinery to meet growing European/international needs for clean fuel requirements.

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Medical Segment – Q4 & FY Highlights

(Dollars in millions)

Q4 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$68**	**17.0%**	**19.2%**
Adj EBITDA	**$21**	**32.9%**	**35.5%**
Adj EBITDA Margin	**30.2%**	**360 bps**	

FY 2018

	As Reported	YOY Change	Ex-FX YOY Change
Revenue	**$265**	**15.3%**	**13.1%**
Adj EBITDA	**$75**	**20.2%**	**17.8%**
Adj EBITDA Margin	**28.3%**	**120 bps**	

Highlights (All Q4 unless otherwise noted):

- Orders up 1% ex-FX… on top of 23% growth in prior year
- Revenue up 19% ex-FX
- Strong broad-based performance across all product technologies and geographies
- Adjusted EBITDA margin up 360 basis points driven by volume growth, operational efficiencies and targeted cost reductions

Innovation in Action

TriContinent MC6000 Syringe Pump

Multi-channel syringe pump designed for optimum liquid handling performance has been specified on leading Asian manufacturer of gene sequencing machines for use in growing genomics market.

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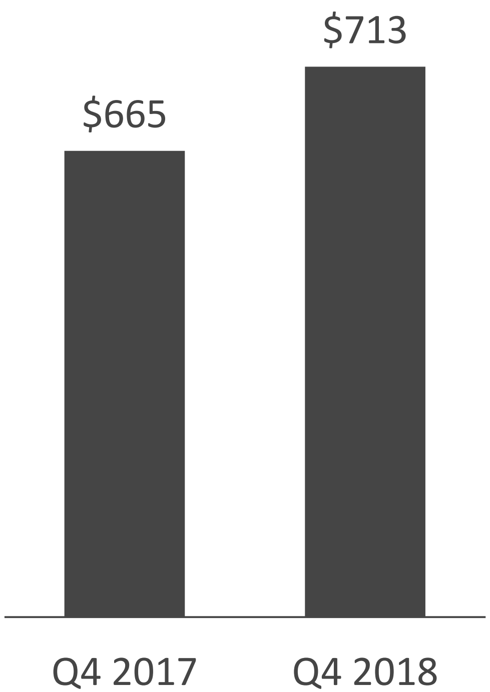
Q4 2018 Financial Performance

(Dollars in millions, excl. EPS)

Revenue

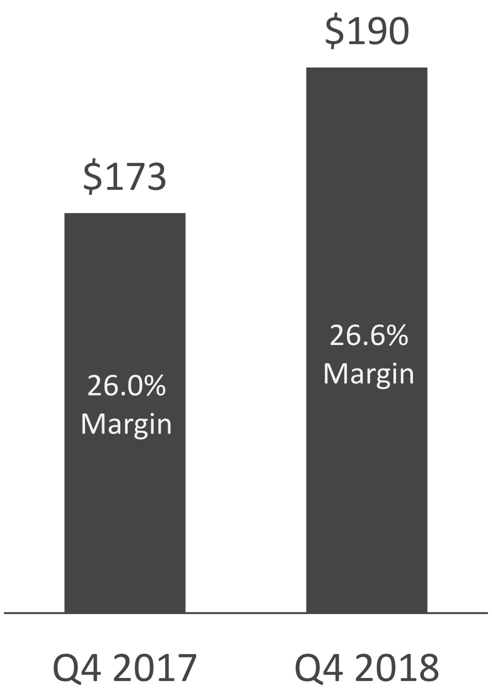
Up 7%



Adjusted EBITDA

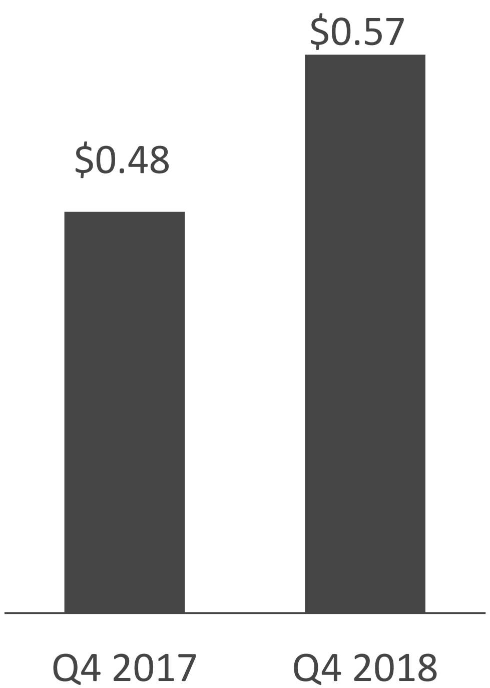
Up 10%

Margin Up 60 bps



Adjusted EPS[1]

Up 19%



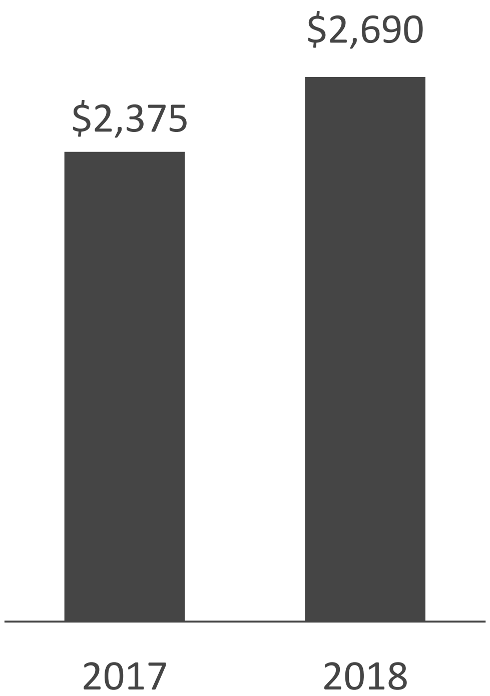
[1] Adjusted EPS is defined as adjusted net income divided by adjusted diluted average shares outstanding

FY 2018 Financial Performance

(Dollars in millions, excl. EPS)

Revenue

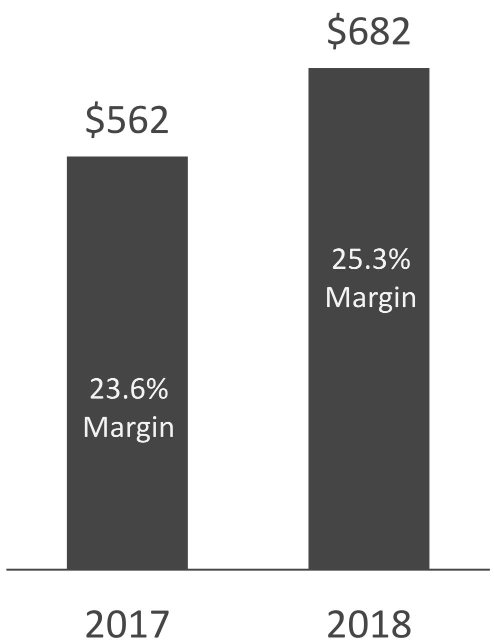
Up 13%



Adjusted EBITDA

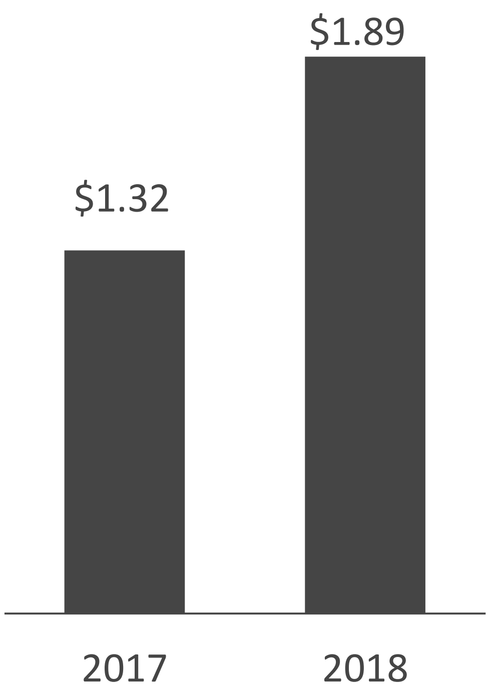
Up 21%

Margin Up 170 bps



Adjusted EPS[1]

Up 43%



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

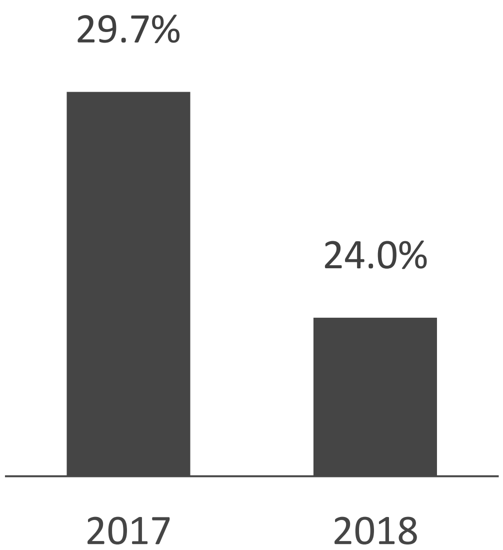
FY 2018 Financial Performance

(Dollars in millions)

Working Capital

(Op. Working Capital as % of LTM Sales)

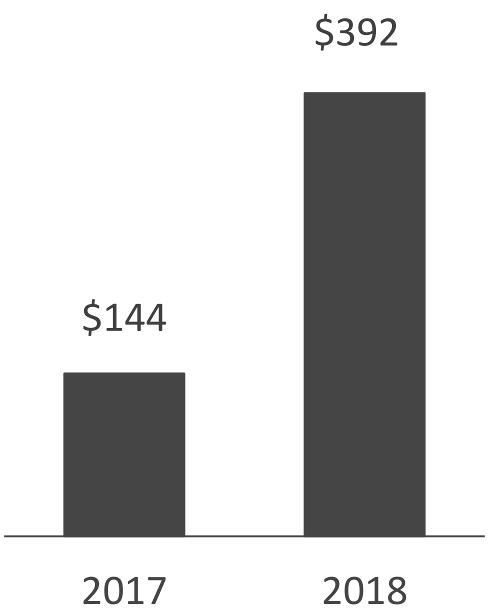
Improved 570 bps



Free Cash Flow[1]

Up $249M

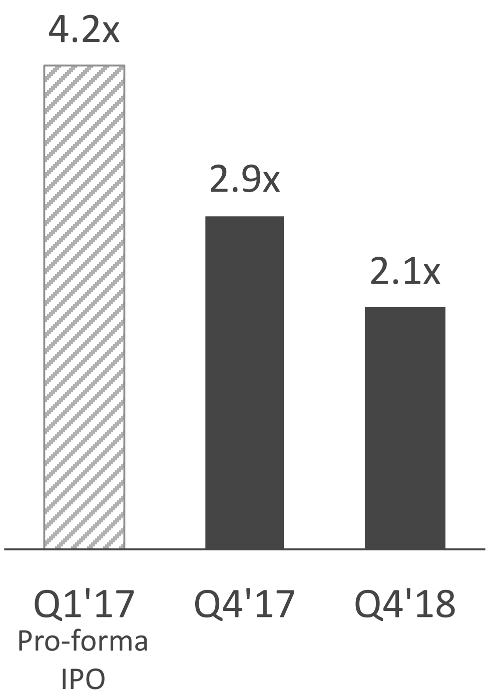
(Q4’18: Up $30M)



Leverage

(Net Debt / LTM Adjusted EBITDA)

Improved 0.8x Over Prior Year



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

2019 Guidance – Revenue & EBITDA

	Revenue Growth[1]	Adjusted EBITDA	*Phasing Revenue Growth[1]*
Excluding impact of FX:			
Industrials	up MSD		
Medical	up MSD		
Mid and Downstream Energy	up MSD		
Upstream Energy	down LDD to HSD		
Corporate	--		
Total Gardner Denver (Before FX & Other Corporate Expense)	**up LSD to MSD**	**~\$710M - \$740M up MSD to HSD**	***H1: up LSD to MSD H2: up LSD to MSD***
FX Impact[2]	down LSD	~(\$10M)	*H1: down MSD H2: flat*
Other Corporate Expense			
Growth Investments		~(\$4M)	
2018 Legal Recoveries Previously Expensed		~(\$8M)	
2019 Variable Incentive Comp to Budget		~(\$8M)	
Total Gardner Denver	**up LSD**	**\$680M - \$710M Flat to up MSD**	***H1: flat H2: up LSD to MSD***

[1] All revenue outlook commentary expressed in percentages
[2] Based on average December 2018 FX rates

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2019 Guidance – Other Key Metrics

Capital Expenditures	**~$50M - $60M**
Tax Rate	**24% to 26%**
Year End Net Debt Leverage[1]	**1.5x to 1.7x**
Average Shares Outstanding[2]	**~208M**

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

[2] Represents the full year expectation of weighted average diluted shares outstanding based on 2018 year end share count and share price. Outlook does not include impacts of option or share grants associated with Company's long term incentive plan.

Appendix

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Reconciliation of Net Income and Earnings per Share to Adjusted Net Income and Adjusted Earnings per Share

GARDNER DENVER HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME AND EARNINGS 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 December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
Net Income	$ 94.5	$ 143.8	$ 269.4	$ 18.5
Basic Earnings Per Share (As Reported)[1]	$ 0.47	$ 0.71	$ 1.34	$ 0.10
Diluted Earnings Per Share (As Reported)[1]	$ 0.45	$ 0.69	$ 1.29	$ 0.10
Plus:				
Provision (benefit) for income taxes	16.9	(90.1)	80.1	(131.2)
Amortization of acquisition related intangible assets	29.1	27.3	111.9	107.7
Impairment of other intangible assets	-	1.6	-	1.6
Sponsor fees and expenses	-	-	-	17.3
Restructuring and related business transformation costs	13.6	4.2	38.8	24.7
Acquisition related expenses and non-cash charges	3.6	1.0	16.7	4.1
Environmental remediation loss reserve	-	-	-	0.9
Expenses related to public stock offerings	0.7	0.5	2.9	4.1
Establish public company financial reporting compliance	1.1	0.9	4.3	8.1
Stock-based compensation	(5.3)	28.2	(2.3)	194.2
Loss on extinguishment of debt	-	3.0	1.1	84.5
Foreign currency transaction (gains) losses, net	(1.3)	-	(1.9)	9.3
Shareholder litigation settlement recoveries	(5.0)	-	(9.5)	-
Other adjustments	2.2	7.5	2.2	10.9
Minus:				
Income tax provision, as adjusted	31.2	27.8	119.0	105.4
Adjusted Net Income	$ 118.9	$ 100.1	$ 394.7	$ 249.3
Adjusted Basic Earnings Per Share	$ 0.59	$ 0.50	$ 1.96	$ 1.37
Adjusted Diluted Earnings Per Share[2]	$ 0.57	$ 0.48	$ 1.89	$ 1.32
Average shares outstanding:				
Basic, as reported	201.1	201.4	201.6	182.2
Diluted, as reported	207.7	209.3	209.1	188.4
Adjusted diluted[2]	207.7	209.3	209.1	188.4

[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.

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Reconciliation of Net Income to Adjusted EBITDA and Adjusted Net Income and CFOA to Free Cash Flow

GARDNER DENVER HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME 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 December 31,		For the Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net Income	$ 94.5	$ 143.8	$ 269.4	$ 18.5
Plus:				
Interest expense	23.1	25.2	99.6	140.7
Provision (benefit) for income taxes	16.9	(90.1)	80.1	(131.2)
Depreciation expense	13.3	15.5	54.6	54.9
Amortization expense	32.4	31.3	125.8	118.9
Impairment of other intangible assets	-	1.6	-	1.6
Sponsor fees and expenses	-	-	-	17.3
Restructuring and related business transformation costs	13.6	4.2	38.8	24.7
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Environmental remediation loss reserve	-	-	-	0.9
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Shareholder litigation settlement recoveries	(5.0)	-	(9.5)	-
Other adjustments	2.2	7.5	2.2	10.9
Adjusted EBITDA	$ 189.8	$ 172.6	$ 681.8	$ 561.5
Minus:				
Interest expense	23.1	25.2	99.6	140.7
Income tax provision, as adjusted	31.2	27.8	119.0	105.4
Depreciation expense	13.3	15.5	54.6	54.9
Amortization of non-acquisition related intangible assets	3.3	4.0	13.9	11.2
Adjusted Net Income	$ 118.9	$ 100.1	$ 394.7	$ 249.3
Free Cash Flow				
Cash flows - operating activities	146.2	116.6	444.5	200.5
Minus:				
Capital expenditures	20.1	20.4	52.2	56.8
Free Cash Flow	$ 126.1	$ 96.2	$ 392.3	$ 143.7

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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 December 31,		For the Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
Revenue				
Industrials	$ 337.6	$ 311.7	$ 1,303.3	$ 1,130.7
Energy	307.0	295.1	1,121.1	1,014.5
Medical	68.1	58.2	265.4	230.2
Total Revenue	$ 712.7	$ 665.0	$ 2,689.8	$ 2,375.4
Segment Adjusted EBITDA				
Industrials	$ 78.2	$ 69.0	$ 288.2	$ 242.7
Energy	95.3	96.9	337.8	296.1
Medical	20.6	15.5	75.0	62.4
Total Segment Adjusted EBITDA	$ 194.1	$ 181.4	$ 701.0	$ 601.2
Less items to reconcile Segment Adjusted EBITDA to Income (Loss) Before Income Taxes:				
Corporate expenses not allocated to segments	$ 4.3	$ 8.8	$ 19.2	$ 39.7
Interest expense	23.1	25.2	99.6	140.7
Depreciation and amortization expense	45.7	46.8	180.4	173.8
Impairment of other intangible assets	-	1.6	-	1.6
Sponsor fees and expenses	-	-	-	17.3
Restructuring and related business transformation costs	13.6	4.2	38.8	24.7
Acquisition related expenses and non-cash charges	3.6	1.0	16.7	4.1
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Foreign currency transaction (gains) losses, net	(1.3)	3.0	(1.9)	9.3
Shareholder litigation settlement recoveries	(5.0)	-	(9.5)	-
Other adjustments	2.2	7.5	2.2	10.9
Income (Loss) Before Income Taxes	$ 111.4	$ 53.7	$ 349.5	$ (112.7)

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