# Ingersoll Rand

Business Update in Response to the Impact of Coronavirus (COVID-19)

**April 1, 2020**

# Forward-Looking Statements

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# Business Update Priorities

01

## HEALTH AND SAFETY

- Keeping our **employees and their families safe** is our number one operating principle as we navigate COVID-19
- Our thoughts go out to all who have been affected by the coronavirus (COVID-19), as well as the **dedicated healthcare workers and first responders** who are on the front lines all over the world battling this pandemic

02

## INTEGRATION EXECUTION AND BUSINESS CONTINUITY

- 100-day **IRX integration plan on track**
- **Our businesses support essential and critical infrastructure sectors** as defined by the U.S. Department of Homeland Security (CISA.gov) and similar global government agencies

03

## CAPITAL STRUCTURE AND LIQUIDITY

- We have a **strong balance sheet** and **ample liquidity**
- We have **multiple levers** to continue to preserve capital

04

## LIVING OUR PURPOSE

- We manufacture and service products that support critical sectors on the **front lines of stopping the spread and impacts** of COVID-19, including the healthcare and public health, food and agriculture, transportation and logistics, critical manufacturing, energy, and defense industrial sectors
- Our COVID-19 response is **grounded in our company's purpose:** employees, customers, partners and communities know they can lean on us to help make life better

# Health and Safety:
# Activated COVID-19 Task Force Early; Applied Early Learnings from Asia-Pacific

**Formed COVID-19 Response Teams early**. We continue to add enhanced protocols in response to COVID-19, including recommendations and requirements issued by the Centers for Disease Control and Prevention ("CDC"), World Health Organization ("WHO") and local, state and national health authorities to protect our employees, customers, suppliers and communities.

## Quickly Implemented Actions to Arrest Spread

- ✓ Reinforced hand washing and infection control training
- ✓ Enhanced site cleaning and sanitizing measures
- ✓ Prohibited non-essential travel
- ✓ Implemented on-site social distancing processes, including mandatory work from home policy for those who can work remotely and limited on-site visits to essential personnel only
- ✓ Introduced health screening processes for on-site, essential employees and visitors, including self-declaration forms and temperature screenings

## Launched Organization-wide Communication Approach to Engage Employees

- ✓ Cascading critical information from CDC and WHO to global employees; embraced early
- ✓ Conducting daily calls with sites globally
- ✓ Broadcasting weekly CEO communication to all employees on status of employees, clear guidelines and actions

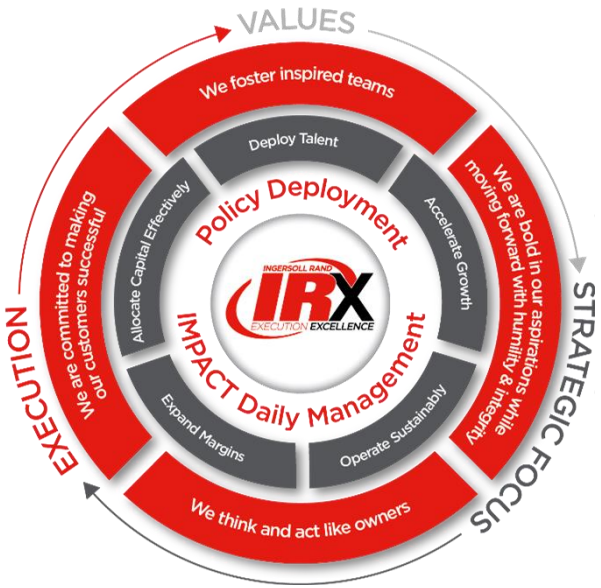
## Empowering Leadership to Ensure Consistent Adherence to and Effective Execution of Best Practices

- ✓ Designed local and regional task forces comprising business, HR and Environmental, Health & Safety (EHS) leaders to share best practices and learnings; facilitates quick assessment and decision making for global operations
- ✓ Proactively implemented best practices organization-wide; for example, early on implemented best practices in Europe that were proven to work in China
- ✓ Adhering to state and country mandates and guidelines where we operate

# Integration Execution and Business Continuity

## Integration and Synergy Execution

- ✓ Executing 100-day integration IRX playbook with commercial and operational activities remaining on track
- ✓ Launched Wave 1 of synergy delivery plans and remain on track to deliver previously communicated synergy target of $250M




## Business Continuity

- ✓ Ingersoll Rand is an essential and critical business – 96% of company sites operational or transitioned to remote work model as of 3/31
  - All major manufacturing locations in US, UK, Germany, Brazil and China operational
  - Impacted sites largely in India, Italy and South Africa; following all local governmental recommendations and applying for exemption status where applicable due to mission-critical nature of products and industries served

## Executing Downturn Playbook; Implementing Prudent Actions to Preserve Cash

- ✓ Reducing senior executive salaries and Board of Director fees by 15% for remainder of 2020
- ✓ Deferring discretionary merit increases for all employees worldwide until middle of the year; will be re-evaluated at that time
- ✓ Implemented a hiring freeze
- ✓ Limiting all discretionary spend across organization
  - All business indirect spend requires approval from VP/GMs and all corporate spend from CEO/CFO
  - All capital expenditures require approval from CEO and expect meaningful reduction from typical historical levels of ~2% of revenue
- ✓ Preparing for other short-term actions, including furloughs, if the demand environment warrants such action

# Strong Liquidity with Multiple Levers to Unlock Cash

| | |
|---|---|
| **Credit Rating** | • Ba2 (Positive) / BB+ (stable) from Moody's and S&P, respectively |
| **Debt Structure and Recent Actions** (As of 2/29/20) | • Total debt of $3.5B with legacy Gardner Denver debt amended/extended at the same time as placement of new debt (all occurred in Feb. 2020)<br>  • Existing USD $928M Term Loan B repriced at L+175; 100 bps better pricing than before<br>  • Existing €602M Term Loan B repriced at E+200 (with a 0% floor); 100 bps better pricing than before<br>  • New USD $1.9B Term Loan B priced at L+175<br>• Legacy fixed interest rate swaps of $825M all expire by Sep. 2020 ($100M in Jun., $350M in Jul., and $375M in Sep.) |
| **Maturities** | • No maturities until 2027 |
| **Financial Covenants** | • None on term loans<br>• $1B revolving credit facility: maximum net first lien secured debt[1] to EBITDA of 6.25x, tested when 40% of revolving credit facility is utilized<br>  • At current debt level of $3.5B and cash balance as of 12/31/19, covenant not tripped unless Adjusted EBITDA falls to ~$500M and $1B revolver usage of at least 40% |
| **Liquidity** | • Cash on Gardner Denver balance sheet of $505M as of 12/31/19<br>• $1.0B Revolving Credit Facility (currently undrawn)<br>• $125M Receivables Financing Agreement (no outstanding borrowings as of 12/31/19 with only letters of credit committed against the facility and ~$60M of available borrowing capacity) |
| **Levers to Unlock Cash** | • Working Capital<br>  • AR and AP: Applying best practices, including lessons learned from Gardner Denver that helped drive 500+ bps improvement in Net Working Capital as a % of sales from IPO in 2017 to 2019<br>  • Inventory: Deploying Ingersoll Rand Execution Excellence (IRX) toolkit to drive sustainable inventory reduction initiatives, using same practices from Gardner Denver<br>• Interest Expense: Benefiting from interest expense savings on repriced loans; targeting additional savings given current interest rate environment as well as fixed rate swaps all expiring by Q3'20<br>• Tax: Building funnel of opportunities to minimize cash taxes given the merger; taking advantage of payment extensions and refund opportunities |



[1] Net first lien secured debt defined as gross debt secured on a first priority basis less unrestricted cash and cash equivalents

# Living Our Purpose:
# Frontline Customers, Employees and Communities are Leaning on Us in Time of Need

## Medical Ventilators, Respirators and Oxygen Concentrators

Blower and compressor technology are integral components needed for treating patients

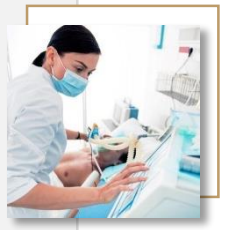
Vacuum technology used in vital medical equipment for new Wuhan hospital





## Expanded Intensive Care Unit (ICU)

Liquid ring vacuum pumps keep hospital facilities running in an expanded ICU infrastructure project at a New York City hospital





## Stadium Testing Onsite Transportation

Club Car utility vehicles provide transportation at Hard Rock Stadium during COVID-19 testing preparations



## Tissue Mill Ensures Uptime

Production ramp up for current demand required customer to lean on us for critical vacuum technology



# Summary

*These are unprecedented times and I am proud of the Ingersoll Rand team's ownership mindset and how we are coming together as one company. I have the highest level of confidence in this team. They take on the hardest problems with humility and integrity. I have seen us do that each day as we navigate this challenging time together.* **– Vicente Reynal, CEO**

**01** **Caring for our Teams:** The safety of our employees and their families is our most important operating principle. We continue to take aggressive steps to help our team take care of themselves, each other and the communities where they work and live.

**02** **Serving our Customers:** We are proud to provide mission-critical products and services that are helping to serve the frontline of the COVID-19 pandemic.

**03** **Enabling Fast-acting and Local Decision-making:** We have created and are supporting local and regional task forces to quickly assess and action the evolving situation.

**04** **Acting Like Owners**: The long-term health and sustainability of Ingersoll Rand is important to us all. We believe we have a strong balance sheet and ample liquidity and will continue to take actions to protect our financial strength over the short and long term.

**05** **Integrating and Executing as One in the Current Environment:** We are continuing to execute on integration activities, including the commitment to deliver $250M of synergies. We are taking the necessary actions to responsibly reduce costs and preserve cash given the rapidly changing environment.