Actuant


# Fiscal 2017 Second Quarter Earnings

March 22, 2017

ATU
LISTED
NYSE

# Safe Harbor

Statements in this presentation that are not historical are considered "forward-looking statements" and are subject to change based on various factors and uncertainties that may cause actual results to differ significantly from expectations. Those factors are contained in Actuant's Securities and Exchange Commission filings.

All estimates of future performance are as of March 22, 2017. Actuant's inclusion of these estimates or targets in the presentation is not an update, confirmation, affirmation or disavowal of the estimates or targets

In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation or accompanying the Q2 Fiscal 2017 earnings press release for a reconciliation to the appropriate GAAP measure.

# Second Quarter 2017 Highlights

- Met commitment for sales and earnings guidance for the quarter, excluding restructuring.
- Significant sequential improvement in core sales with growth in both Industrial and Engineered Solutions.  Difficult energy comparisons continue.
- Adjusted diluted EPS (excluding restructuring charges) of $0.11, in middle of guidance range.
- As expected cash flow in seasonally weak quarter, no change to net debt.
- Reiterated fiscal 2017 sales and cash flow guidance and narrowed EPS guidance range.

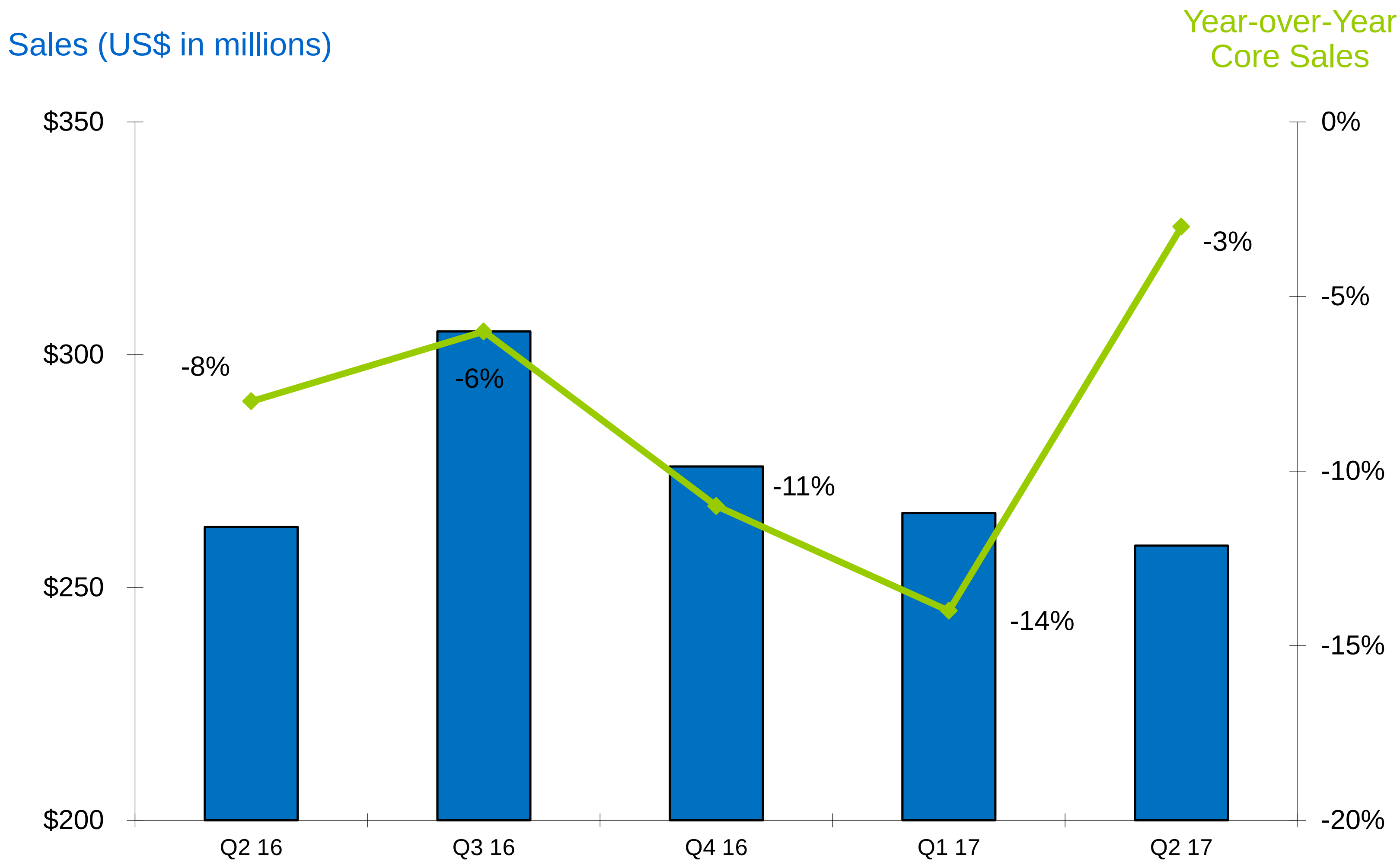
# Second Quarter Comparable Results

(US$ in millions except Diluted EPS)

| | F' 2016 | F' 2017 | Change |
|---|---|---|---|
| Sales | $263 | $259 | -2% |
| Adjusted Op Profit | $18 | $15 | -15% |
| | *6.8%* | *5.9%* | *(90) bps* |
| Adjusted Diluted EPS | $0.21 | $0.11 | -48% |

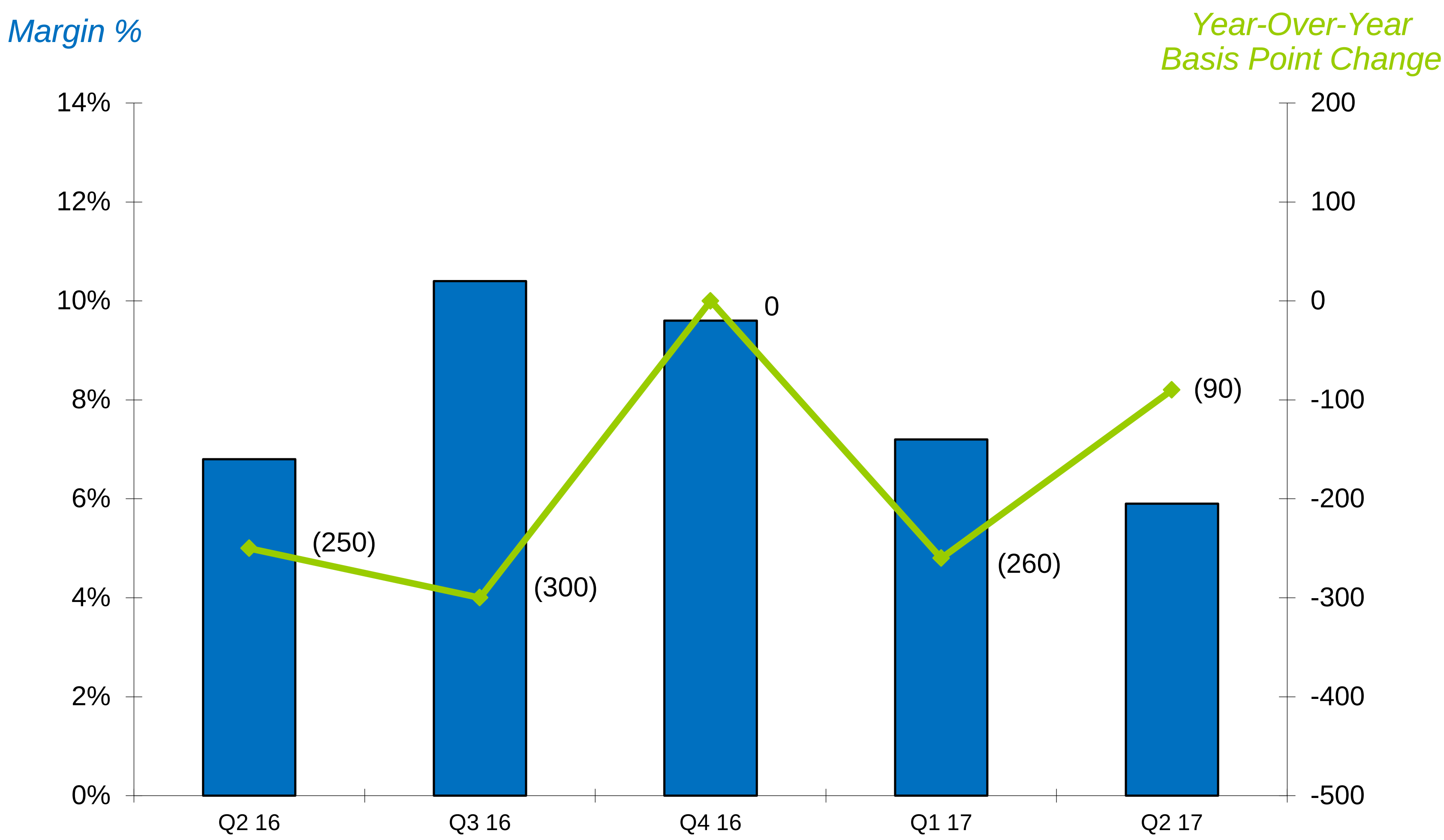
*Excluding restructuring charges of $2.1 and $3.6 in the second quarter of fiscal 2017 and 2016, respectively. Also excludes $186.5 million in second quarter 2016 impairment charges.*

# Core Sales Trend




Significant sequential improvement in Industrial and Engineered Solutions, Energy comparisons remain difficult

# Operating Profit Margin Trend [1]




**Margins Impacted by Volume and Unfavorable Sales Mix**

*(1) Excluding impairments, restructuring and transition charges*

# Industrial Segment

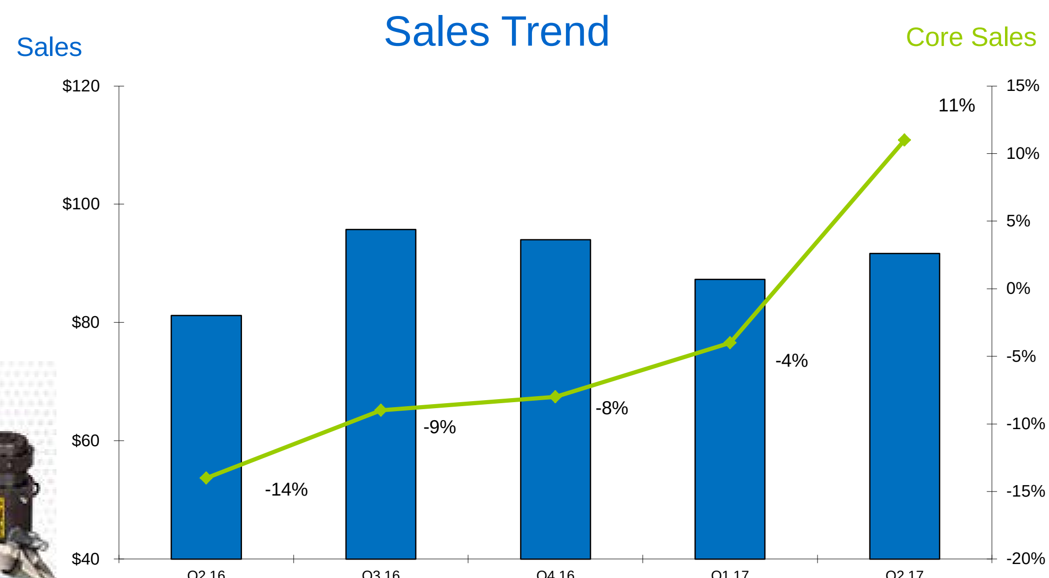
- Core sales rate of change trend reflects easier comparisons and targeted commercial efforts including “fit for purpose” 2nd tier brands.
- Heavy Lifting Technologies core sales were robust with strong gantry demand; concrete tensioning products benefit from construction and mining activity
- Margins reflect solid incrementals partially offset by commercial investments and unfavorable product line mix

## Financial Snapshot

(US$ in millions)

| | 2nd Quarter 2017 | 2nd Quarter 2016 | y-o-y change |
|---|---|---|---|
| Sales | $92 | $81 | *13%* |
| Adj Op Income (1) | $19.0 | $17.0 | *12%* |
| Adj Op Margin (1) | *20.8%* | *20.9%* | *(10) bps* |

(1) Excludes restructuring charges of $0.7 and $0.3 in 2017 and 2016, respectively.



# Energy Segment

- Seasonally weak quarter with both difficult comparisons and maintenance push-outs
  - Hydratight difficult comparisons continue; also delayed / deferred / limited scope maintenance activity
  - Easier comparisons in Cortland upstream rope and cable with modest growth in non-energy markets
  - Low activity and pricing at Viking
- Margins impacted by lower volumes and unfavorable mix

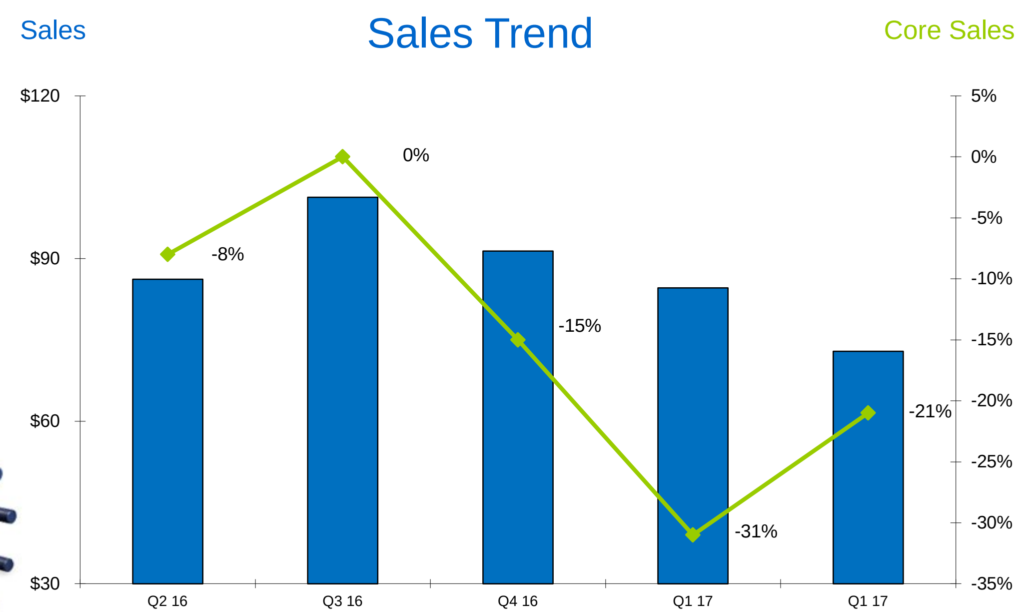
CORTLAND hydratight VIKING SeaTech

## Financial Snapshot

(US$ in millions)

| | 2nd Quarter 2017 | 2nd Quarter 2016 | *y-o-y change* |
|---|---|---|---|
| Sales | $73 | $86 | *-15%* |
| Adj Op Income (1) | ($0.6) | $5.3 | *-112%* |
| Adj Op Margin (1) | *-0.9%* | *6.2%* | *(710) bps* |

(1) Excludes restructuring charges of $1.3 and impairment charges of $140.8 in 2016



# Engineered Solutions Segment

- Robust growth in heavy duty truck, largely China
- Sales to the agriculture, construction equipment and other off-highway vehicle markets stabilized; destocking impact on OEM production rates abating
- Margins reflect higher volume and modest benefit of cost reduction actions

## Financial Snapshot

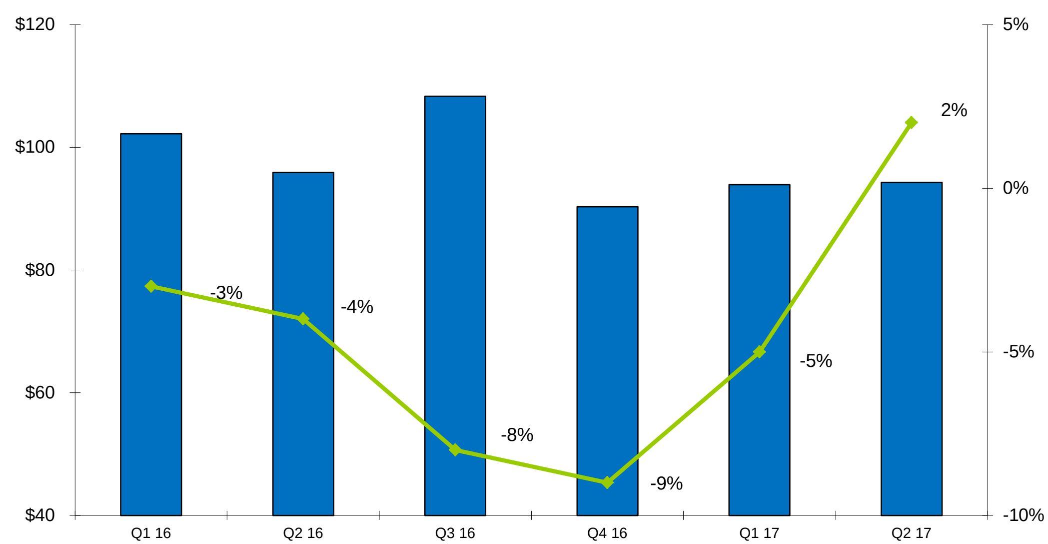
(US$ in millions)

| | 2nd Quarter 2017 | 2nd Quarter 2016 | y-o-y change |
|---|---|---|---|
| Sales | $94 | $96 | *-2%* |
| Adj Op Income (1) | $3.3 | $2.6 | *28%* |
| Adj Op Margin (1) | *3.5%* | *2.7%* | *80* *bps* |

(1) Excludes restructuring charges of $1.5 and $2.0 in 2017 and 2016, respectively. 2016 also excludes $45.7 impairment.

POWER-PACKER
Weasler®
elliott manufacturing
maximatecc
GITS MFG. CO.

## Sales Trend




Actuant

# Second Quarter Cash Flow / Net Debt

(US$ in millions)

## Free Cash Flow

| | |
|---|---|
| EBITDA | $23 |
| Capital Expenditures | (10) |
| Cash Interest | (11) |
| Cash Taxes | (2) |
| Working Capital/Other | (3) |
| Free Cash Flow | ($3) |

## Net Debt Reconciliation

| | |
|---|---|
| Net Debt - Nov 30, 2016 | $400 |
| FX/Other | (2) |
| Free Cash Flow | 3 |
| Net Debt - Feb 28, 2017 | $401 |
| Net Debt/EBITDA (1) | 2.9 |

*(1) Excluding restructuring, impairment charges, transition costs and divestiture loss in accordance with credit agreement leverage calculation*

**Seasonally Expected Modest Cash Flow Usage, Net Debt Unchanged**

# ConExpo Insights

- Optimism for construction and general industrial activity as infrastructure investments appear likely

- Enerpac's Heavy Lifting Technology – gantries, heavy-lifting and rigging customers

ENERPAC
HEAVY LIFTING TECHNOLOGY®
EMPOWERING YOUR SUCCESS

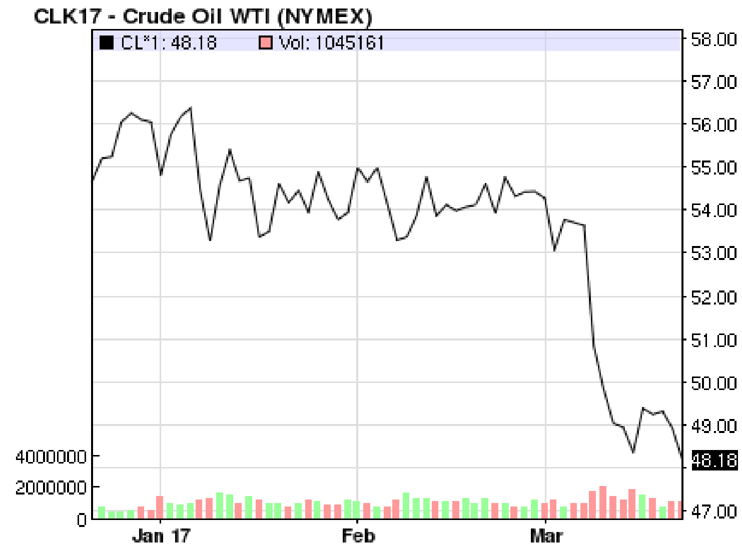
- Multiple ATU businesses participating



**Continue to See Opportunities for Enhanced Commercial Effectiveness**

# Macro Industry Dynamics

- Oil & Gas
  - Crude stockpiles increasing despite OPEC production cuts
  - Maintenance pushouts with reduced crack spreads
  - Offshore cap ex remains sluggish




- Off-Highway Mobile Equipment
  - Inventory destocking at OEM/Dealers moderating which improves build rates (ag, construction, mining, forestry, other off-highway)
- General Industrial
  - Easier comparisons and distributor optimism
- On-Highway
  - China on-highway truck benefitting from regulation changes, Europe registrations resilient

**Cautious Optimism in Overall Industry Drivers**

# Fiscal 2017 Core Sales Expectations

| Core Growth | 2016 | 2017(est) | *2017 1H* | *2017 2H* |
|---|---|---|---|---|
| Industrial | (10)% | 4 - 6% | *4%* | *+MSD* |
| Energy | (2)% | (15) - (20)% | *(27)%* | *-HSD* |
| Engineered Solutions | (6)% | flat to +2% | *(2)%* | *+LSD* |
| Consolidated | (6)% | (2) - (5)% | *(9)%* | *+LSD* |

- Industrial — Easier comparisons, commercial effectiveness efforts
- Energy
  - Maintenance — Lumpy demand, very difficult "big project" comps
  - Upstream/cap ex — Sequentially stable activity
- Engineered Solutions
  - Europe/ROW Truck — China truck robust, Europe flattish
  - Agriculture — End of destocking, stabilizing farm income at low levels
  - Off-highway — End of destocking; potential infrastructure spend providing optimism

*LSD = low single digit, MSD = mid single digit, DD= double digit*

Actuant

# Fiscal 2017 Guidance Summary

(US$ in millions except EPS)

| | Full Year | |
|---|---|---|
| | 2016 | 2017E |
| Sales | $1,149 | $1,075 - 1,125 |
| EBITDA | $152 | $140 - 150 |
| Diluted EPS | $1.22 | $1.10 - 1.20 |

| | Third Quarter | |
|---|---|---|
| | 2016 | 2017E |
| Sales | $305 | $290 - 300 |
| EBITDA | $42 | $41 - 44 |
| Diluted EPS | $0.40 | $0.38 - 0.43 |

*2016 excludes impairment, restructuring charges and divestiture net gain. 2017 guidance excludes restructuring and transition charges, and any future acquisitions, divestitures or stock repurchases.*

## Assumptions - Full Year:

- Full year core sales decline of 2-5%
- Key FX rates – approximately ~$1.05/1€ and ~$1.25/1£.
- ~Low/Mid single digit effective tax rate
- Shares outstanding ~60 million
- Free cash flow ~$85-95 million

## Assumptions – Third Quarter:

- Core sales (2)% to + 1%
- ~LSD effective tax rate

**Full Year Outlook Narrowed on Top End to Reflect Commercial & Lean investments, Unfavorable Mix and Challenged Energy Markets**

# Q & A

Future Key Dates:

- Third Quarter Fiscal 2017 Earnings – June 21, 2017

# Appendix

# Reconciliation of Non-GAAP Measures

(US$ in millions)

EBITDA

| | Q2 2017 | Q2 2016 |
|---|---|---|
| Net Earnings | $5 | ($159) |
| Net Financing Costs | $7 | $7 |
| Income Taxes | $0 | ($20) |
| Depreciation & Amortization | $11 | $12 |
| Restructuring Charges | $2 | $4 |
| Impairment Charges | $0 | $186 |
| Adjusted EBITDA | **$25** | **$30** |

Free Cash Flow

| | Q2 2017 | Q2 2016 |
|---|---|---|
| Cash From Operations | $2 | $8 |
| Capital Expenditures | ($10) | ($6) |
| Sale of PP&E | $0 | $3 |
| Other | $5 | $1 |
| **Free Cash Flow** | **($3)** | **$6** |

Actuant