



Second Quarter 2024 Earnings Presentation

July 26, 2024



The data in this package should be read in conjunction with Barnes Group Inc.'s earnings release and periodic filings with the SEC.

Today's Speakers



Thomas Hook

President & CEO



Julie Streich

SVP, Finance & CFO



Safe Harbor Statement and Non-GAAP Measures

THIS PRESENTATION CONTAINS FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future operating and financial performance and financial condition, and often contain words such as "anticipate," "believe," "expect," "plan," "estimate," "project," "continue," "will," "should," "may," and similar terms. These forward-looking statements do not constitute guarantees of future performance and are subject to a variety of risks and uncertainties that may cause actual results to differ materially from those expressed in the forward-looking statements. These risks and uncertainties include, among others: the Company's ability to manage economic, business and geopolitical conditions, including rising interest rates, global price inflation and shortages impacting the availability of materials; the duration and severity of unforeseen events such as an epidemic or a pandemic, including their impacts across our business on demand, supply chains, operations and liquidity; failure to successfully negotiate collective bargaining agreements or potential strikes, work stoppages or other similar events; changes in market demand for our products and services; rapid technological and market change; the ability to protect and avoid infringing upon intellectual property rights; challenges associated with the introduction or development of new products or transfer of work; higher risks in global operations and markets; the impact of intense competition; the physical and operational risks from natural disasters, severe weather events, and climate change which may limit accessibility to sufficient water resources, outbreaks of contagious diseases and other adverse public health developments; acts of war, terrorism and other international conflicts; the failure to achieve anticipated cost savings and benefits associated with workforce reductions and restructuring actions; currency fluctuations and foreign currency exposure; impacts from goodwill impairment and related charges; our dependence upon revenues and earnings from a small number of significant customers; a major loss of customers; inability to realize expected sales or profits from existing backlog due to a range of factors, including changes in customer sourcing decisions, material changes, production schedules and volumes of specific programs; the impact of government budget and funding decisions; our ability to successfully integrate and achieve anticipated synergies associated with recently announced and future acquisitions, including the acquisition of MB Aerospace; government-imposed sanctions, tariffs, trade agreements and trade policies; changes or uncertainties in laws, regulations, rates, policies or interpretations that impact the Company's business operations or tax status, including those that address climate change, environmental, health and safety matters, and the materials processed by our products or their end markets; fluctuations in the pricing or availability of raw materials, freight, transportation, energy, utilities and other items required by our operations; labor shortages or other business interruptions at transportation centers, shipping ports, our suppliers' facilities or our facilities; disruptions in information technology systems, including as a result of cybersecurity attacks or data security breaches; the ability to hire and retain senior management and qualified personnel; the continuing impact of prior acquisitions and divestitures, and any ongoing and future strategic actions, and our ability to achieve the financial and operational targets set in connection with any such actions; the ability to achieve social and environmental performance goals; the outcome of pending and future litigation and governmental proceedings; the impact of actual, potential or alleged defects or failures of our products or third-party products within which our products are integrated, including product liabilities, product recall costs and uninsured claims; future repurchases of common stock; future levels of indebtedness; the impact of shareholder activism; and other risks and uncertainties described in documents filed with or furnished to the Securities and Exchange Commission ("SEC") by the Company, including, among others, those in the Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors sections of the Company's filings. The Company assumes no obligation to update its forward-looking statements.

NON-GAAP MEASURES

References to adjusted financial results for Second Quarter 2023 and 2024 are non-GAAP measures. You will find a reconciliation table in the appendix of this presentation, as well as on our Investor Relations website as part of Second Quarter 2024 press release and in the Forms 8-K submitted to the SEC. This supplement should be read in conjunction with the reconciliation table.



Second Quarter 2024 Key Messages and Overview

1

Solid Q2
Revenue Growth

2

Portfolio transformation
progressing with Aerospace
contributing 2/3 of Adj. EBITDA

3

Aerospace Aftermarket
demand remains robust

Sales

\$382M

+13%

Y/Y Reported

+5%

Y/Y Organic⁽¹⁾

Adjusted EBITDA⁽²⁾

\$76.5M

20.0%

Margin

**Aerospace OEM
Book to Bill**

1.3x

1. Organic sales growth represents the total reported sales increase within the Company's ongoing business less the impact of foreign currency translation and acquisition and divestitures completed in the preceding twelve months.

2. Non-GAAP measure. See the appendix of this presentation for a reconciliation to the appropriate GAAP measure.



Focused on Strategic Priorities

Core Business Execution

- Restructuring program on track
- Targeting run-rate savings of \$38M by the end of 2024 and \$42M by 2025
- Completed divestiture of Associated Spring & Hanggi
- Pursuing additional opportunities to maximize value



Focused on Strategic Priorities

Scale Aerospace

- Global presence and scale with MB Aerospace positions us for more wins as a primary partner
- On-track to \$15M 2024 run-rate synergies
- Industry OEM growth temporarily constrained by supply chain and productivity issues
- Continued strong Aftermarket growth as existing fleet flying more
- \$2 billion of full-term value in recent and pending long-term agreements



Focused on Strategic Priorities

Integrate, Consolidate, and Rationalize Industrial

- Molding Solutions growth turned positive, with improvement in China
- Force and Motion Control sales flat year-over-year and up sequentially
- Lingering softness in Automation, impairment charge recorded
- Business Transformation Office (BTO) making progress on supply chain efficiencies and manufacturing footprint rationalization



Second Quarter 2024 Highlights⁽¹⁾

\$382M

Sales

+13% Reported YoY
+5% Organic YoY⁽²⁾

\$48M

Adj. Operating Income

+9% YoY
12.4% Adj. Operating Margin

\$76M

Adj EBITDA

+14% YoY
20.0% Adj EBITDA Margin

\$0.37

Adj. EPS

(36%) YoY

Net inorganic sales growth	+8%
F/X impact on sales growth	~Flat
Interest expense	\$20.8M
Adj. tax rate	31%

- Aerospace: strong industry demand driving Aftermarket sales growth; OEM outlook lowered
- Industrial: organic revenue growth turned positive, driven by Molding Solutions
- Closed sale of Associated Spring and Hanggi and paid down debt with ~\$150M proceeds
- Adjusted EPS reflects higher interest expense, tax rate, and acquisition and divestiture related items

1. Adjusted Operating Income, Adjusted EBITDA, and Adjusted EPS are Non-GAAP measures. See the appendix of this presentation for a reconciliation to the appropriate GAAP measure.

2. Organic sales growth represents the total reported sales increase within the Company's ongoing business less the impact of foreign currency translation and acquisition and divestitures completed in the preceding twelve months.



Aerospace Segment⁽¹⁾

Second Quarter 2024 Results

(\$ in millions)	2Q 2024	2Q 2023	YoY Reported	YoY Organic ⁽²⁾
Sales	\$218	\$122	79%	8%
OEM	\$132	\$75	75%	1%
MRO	\$65	\$29	125%	20%
RSP	\$21	\$18	17%	17%
Adj. Operating Income	\$32.3	\$20.7	56%	
Adj. Operating Margin	14.8%	17.0%	(220 bps)	
Adj. EBITDA	\$50.4	\$30.7	64%	
Adj. EBITDA Margin	23.1%	25.2%	(210 bps)	

\$1.5B

OEM Backlog
+3% from Mar 2024

40%

NTM Expected Backlog
Conversion Rate

1.3x

OEM Book to Bill

1. Adjusted Operating Income and Adjusted EBITDA are Non-GAAP measures. A reconciliation of GAAP to Non-GAAP measures is available on the Barnes Investor Relations website as part of the Second Quarter 2024 Earnings press release and in the Form 8-K submitted to the SEC.

2. Organic sales growth represents the total reported sales increase within the Company's ongoing business less the impact of foreign currency translation and acquisition and divestitures completed in the preceding twelve months.



Industrial Segment⁽¹⁾

Second Quarter 2024 Results

(\$ in millions)	2Q 2024	2Q 2023	YoY Reported	YoY Organic ⁽²⁾
Sales	\$164	\$217	(24%)	3%
Molding Solutions	\$107	\$100	7%	8%
Motion Control Sol.	\$42	\$101	(58%)	0%
Automation	\$15	\$16	(9%)	(6%)
Adj. Operating Income	\$15.3	\$22.8	(33%)	
Adj. Operating Margin	9.3%	10.5%	(120 bps)	
Adj. EBITDA	\$25.1	\$34.8	(28%)	
Adj. EBITDA Margin	15.3%	16.0%	(70 bps)	

~0% YoY

FX-related Sales Growth

(6%) YoY

Organic Orders

1.0x

Book to Bill

1. Adjusted Operating Income and Adjusted EBITDA are Non-GAAP measures. A reconciliation of GAAP to Non-GAAP measures is available on the Barnes Investor Relations website as part of the Second Quarter 2024 Earnings press release and in the Form 8-K submitted to the SEC.

2. Organic sales growth represents the total reported sales increase within the Company's ongoing business less the impact of foreign currency translation and acquisition and divestitures completed in the preceding twelve months.



Balance Sheet, Cash Flow, and Capital Allocation

Year-to-Date Free Cash Flow⁽¹⁾

(\$ in millions)	2024	2023
Net Income (GAAP)	(\$44.9)	\$30.5
Cash from Operating Activities	\$3.1	\$42.5
Capital Expenditures	\$29.9	\$21.6
Inc. Tax Payments Related to Associated Spring & Hanggi Sale	(\$12.3)	-
Adjusted Free Cash Flow	(\$14.5)	\$20.9

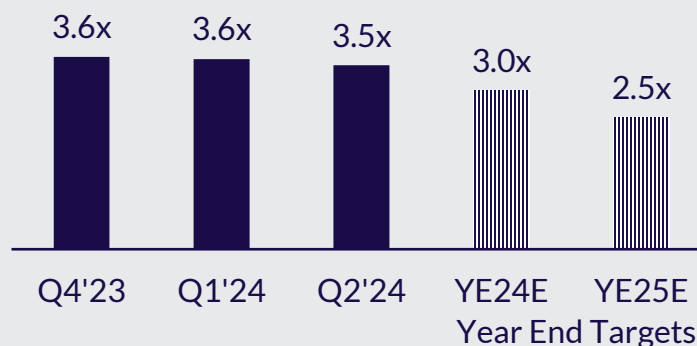
Balance Sheet

(\$ in millions)	June 2024	December 2023	Change
Cash and Cash Equivalents	\$66	\$90	(27%)
Total Debt	\$1,166	\$1,291	(10%)
Net Debt	\$1,100	\$1,201	(8%)
Working Capital	\$544	\$555	(2%)

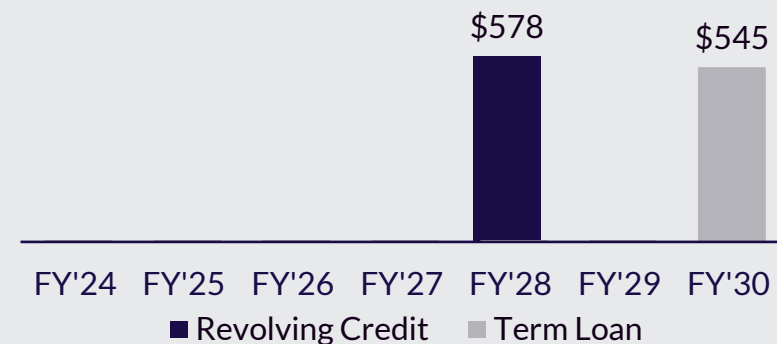
Capital Allocation Priorities Remain Focused on

- Debt reduction
- Organic investments
- M&A
- Shareholder return

Net Debt to EBITDA Ratio⁽²⁾



Debt Maturity Profile (\$M)⁽³⁾



1. Free Cash Flow is a Non-GAAP measure. See the appendix of this presentation for a reconciliation to the appropriate GAAP measure. Free Cash Flow is equal to Net Cash Provided by Operating Activities less Capital Expenditures. In 2024, net cash provided by operating activities is negatively impacted by \$12.3 million of estimated income tax payments related to the gain on the sale of the Associated Spring & Hanggi businesses. The proceeds from the sale are reflected in investing activities.

2. Q4'23, Q1'24, and Q2'24 ratios as defined by current credit agreements.

3. Term loan annual principal payment ~\$7M (FY'24 – FY'30).



2024 Full Year Outlook

FY 2024

Total Sales Growth YoY	Total: 10% to 12% Organic: 4% to 6%
Aerospace Sales Growth YoY	Total: ~50% Organic: Low double digits
Industrial Sales Growth YoY	Organic: Low single digits
Adj. Operating Margin	12% to 14%
Adj. EBITDA Margin	20% to 22%
Adj. EPS (Diluted Shares)	\$1.55 to \$1.75
Adjusted Free Cash Flow ⁽¹⁾	\$45M to \$55M
Adjusted Free Cash Flow Conversion ⁽¹⁾	85% to 90%

1. Adjusted Free Cash Flow is equal to Net Cash Provided by Operating Activities, adjusted for divestiture related taxes, less Capital Expenditures. Adjusted Free cash flow conversion is based on GAAP net income, adjusted for the goodwill impairment charge and divestiture related loss, to adjusted free cash flow.

FY 2024 Impact Acquisition / Divestiture

MB Aerospace

- Includes full year contribution (versus 4 months in 2023)
- 2024 contribution:
~18% revenue growth, ~22% adj. EBITDA growth
- Exiting 2024 EPS neutral

Associated Spring and Hänggi Divestiture

- 2024 impact:
(~11%) revenue growth, (~11%) adj. EBITDA growth
- Transaction closed April 4, 2024
- YoY Adj. EPS impact (\$0.29)



2024 Full Year Outlook

Additional Modeling Considerations

FY 2024

CapEx \$55M to \$65M

Depreciation and Amortization ~\$120M

Interest Expense \$81M to \$83M

Adjusted Effective Tax Rate 33% to 34%

Share Count (diluted) ~51M

Adj. EPS excludes:

\$1.05 non-cash goodwill impairment charge

\$0.40 restructuring and transformation-related activities

\$0.35 divestiture related items

\$0.06 short-term purchase accounting adjustments

\$0.02 acquisition related items

\$0.03 shareholder advisory costs

Cost Savings Program on Track Run-rate Savings Adjusted for Divestiture

2023 Actual Savings \$25M; Ex Divestiture \$18M

2024 Run-rate Savings \$38M

2025 Run-rate Savings \$42M

2024 and 2025 exclude \$11M of savings forecast
for Associated Spring and Hänggi





Appendix

Financial Schedules

Non-GAAP Financial Measure Reconciliation (1 of 6)

Adjusted Operating Profit (unaudited, dollars in thousands)

	Three months ended June 30,		
	2024	2023	% Change
<u>SEGMENT RESULTS</u>			
Operating Profit - Aerospace Segment (GAAP)	\$ 29,344	\$ 16,580	77.0
Restructuring/reduction in force and transformation related charges	2,247	545	
Shareholder advisory costs	50	-	
Acquisition related costs	-	3,559	
MB Short-term purchase accounting adjustments	685	-	
Operating Profit - Aerospace Segment as adjusted (Non-GAAP) ⁽¹⁾	\$ 32,326	\$ 20,684	56.3
Operating Margin - Aerospace Segment (GAAP)	13.5%	13.6%	(10) bps.
Operating Margin - Aerospace Segment as adjusted (Non-GAAP) ⁽¹⁾	14.8%	17.0%	(220) bps.
Operating (Loss) Profit - Industrial Segment (GAAP)	\$ (31,457)	\$ 9,429	(433.6)
Restructuring/reduction in force and transformation related charges	3,167	13,351	
Shareholder advisory costs	50	-	
Gain on the sale of businesses	(10,204)	-	
Goodwill impairment charge	53,694	-	
Operating Profit - Industrial Segment as adjusted (Non-GAAP) ⁽¹⁾	\$ 15,250	\$ 22,780	(33.1)
Operating Margin - Industrial Segment (GAAP)	-19.1%	4.3%	(2,340) bps.
Operating Margin - Industrial Segment as adjusted (Non-GAAP) ⁽¹⁾	9.3%	10.5%	(120) bps.

See Notes on Appendix Slide 4 of 6

Non-GAAP Financial Measure Reconciliation (2 of 6)

Adjusted Operating Profit and Adjusted Diluted Earnings Per Share (unaudited, dollars in thousands, except per share data)

	Three months ended June 30,		
	2024	2023	% Change
CONSOLIDATED RESULTS			
Operating (Loss) Income (GAAP)	\$ (2,113)	\$ 26,009	(108.1)
Restructuring/reduction in force and transformation related charges	5,414	13,896	
Shareholder advisory costs	100	-	
Gain on the sale of businesses	(10,204)	-	
Acquisition related costs	-	3,559	
MB Short-term purchase accounting adjustments	685	-	
Goodwill impairment charge	53,694	-	
Operating Income as adjusted (Non-GAAP) ⁽¹⁾	\$ 47,576	\$ 43,464	9.5
Operating Margin (GAAP)	-0.6%	7.7%	(830) bps.
Operating Margin as adjusted (Non-GAAP) ⁽¹⁾	12.4%	12.8%	(40) bps.
Diluted Net (Loss) Income per Share (GAAP)	\$ (0.91)	\$ 0.34	(367.6)
Restructuring/reduction in force and transformation related charges	0.08	0.19	
Shareholder advisory costs	-	-	
Loss related to sale of businesses, net of tax	0.14	-	
MB Short-term purchase accounting adjustments	0.01	-	
Acquisition related costs	-	0.05	
Goodwill impairment charge	1.05	-	
Diluted Net Income per Share as adjusted (Non-GAAP) ⁽¹⁾	\$ 0.37	\$ 0.58	(36.2)

See Notes on Appendix Slide 4 of 6

Non-GAAP Financial Measure Reconciliation (3 of 6)

Full Year 2024 Outlook

	<u>Full-Year 2023</u>		<u>Full-Year 2024 Outlook</u>		
Operating Margin (GAAP)	6.1%		7.1%	to	9.1%
Restructuring/reduction in force and transformation related charges	3.2%				1.6%
Divestiture transaction costs/loss related to sale of businesses, net of tax	0.1%				-0.4%
MB Short-term purchase accounting adjustments	1.3%				0.3%
Shareholder advisory costs	-				0.1%
Acquisition related costs	0.8%				-
Goodwill impairment charge	-				3.3%
Operating Margin as adjusted (Non-GAAP) ⁽¹⁾	<u>11.5%</u>		<u>12.0%</u>	to	<u>14.0%</u>
Diluted Net Income (Loss) per Share (GAAP)	\$ 0.31		\$ (0.36)	to	\$ (0.16)
Restructuring/reduction in force and transformation related charges	0.66				0.40
Divestiture transaction costs/loss related to sale of businesses, net of tax	0.02				0.35
MB Short-term purchase accounting adjustments	0.29				0.06
Shareholder advisory costs	-				0.03
Acquisition related costs	0.37				0.02
Goodwill impairment charge	-				1.05
Diluted Net Income per Share as adjusted (Non-GAAP) ⁽¹⁾	<u>\$ 1.65</u>		<u>\$ 1.55</u>	to	<u>\$ 1.75</u>

See Notes on Appendix Slide 4 of 6

Non-GAAP Financial Measure Reconciliation (4 of 6)

Notes:

(1) The Company has excluded the following from its "as adjusted" financial measurements:

2024: 1) charges related to restructuring/reduction in force actions at certain businesses and transformation costs (consulting/professional fees related to business and portfolio transformation initiatives), 2) a pre-tax gain related to the divestiture of the Businesses, including \$7.1M reflected within operating profit (\$10.2 million in the second quarter), \$1.5M reflected within other expense, net (\$0.2 million in the second quarter) and a \$23.7M charge reflected within income taxes (\$16.9 million in the second quarter), 3) shareholder advisory costs, 4) short-term purchase accounting adjustments related to its MB Aerospace acquisition, 5) acquisition costs related to the acquisition of MB Aerospace, including \$1.6M reflected within interest expense (\$0.0 million in the second quarter), and 6) goodwill impairment charge recorded in the second quarter of 2024 related to the Automation reporting unit.

2023: 1) charges related to restructuring/reduction in force actions at certain businesses and business transformation costs (consulting fees related to transformation initiatives), including \$27.8M reflected within operating profit (\$13.9M in the second quarter) and (\$1.1M) reflected within other expense (income), net, for both the year-to-date and quarter-to-date periods and 2) acquisition transaction costs related to the planned acquisition of MB Aerospace.

The tax effects of the restructuring related actions, acquisition related actions, and shareholder advisory costs were calculated based on the respective tax jurisdictions and ranged from approximately 15% to approximately 30%. The goodwill impairment charge did not have a tax effect as it is not deductible for book purposes. Management believes that these adjustments provide the Company and its investors with an indication of our baseline performance excluding items that are not considered to be reflective of our ongoing results. Management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider it as an alternative measurement calculated in accordance with GAAP, or as an indicator of the Company's performance. Accordingly, the measurements have limitations depending on their use.

Non-GAAP Financial Measure Reconciliation (5 of 6)

Adjusted EBITDA and Adjusted EBITDA Margins (unaudited, dollars in thousands)

	Three months ended June 30,							
	2024				2023			
	Aerospace	Industrial	Other ⁽¹⁾	Total	Aerospace	Industrial	Other ⁽¹⁾	Total
Net Sales	\$ 217,958	164,274	-	\$ 382,232	\$ 122,015	216,971	(2)	\$ 338,984
Net (Loss) Income				\$ (46,821)				\$ 17,352
Interest expense				20,812				6,512
Other expense (income), net				(845)				(2,894)
Income taxes				24,741				5,039
Operating Profit (Loss) (GAAP)	\$ 29,344	\$ (31,457)	\$ -	\$ (2,113)	\$ 16,580	\$ 9,429	\$ -	\$ 26,009
Operating Margin (GAAP)	13.5%	-19.1%		-0.6%	13.6%	4.3%		7.7%
Other expense (income), net	-	-	845	845	-	-	2,894	2,894
Depreciation ⁽²⁾	7,463	3,990	-	11,453	4,867	6,393	-	11,260
Amortization ⁽³⁾	11,214	5,887	-	17,101	5,191	6,413	-	11,604
EBITDA (Non-GAAP) ⁽⁴⁾	\$ 48,021	\$ (21,580)	\$ 845	\$ 27,286	\$ 26,638	\$ 22,235	\$ 2,894	\$ 51,767
EBITDA Margin (Non-GAAP) ⁽⁴⁾	22.0%	-13.1%		7.1%	21.8%	10.2%		15.3%
Restructuring/reduction in force and transformation related charges	2,247	3,167	-	5,414	545	12,555	-	13,100
Shareholder advisory costs	50	50	-	100	-	-	-	-
Acquisition transaction costs	-	-	-	-	3,559	-	-	3,559
MB Short-term purchase accounting adjustments	42	-	-	42	-	-	-	-
Pension related loss	-	-	156	156	-	-	(1,144)	(1,144)
Gain on the sale of businesses	-	(10,204)	-	(10,204)	-	-	-	-
Goodwill impairment charge	-	53,694	-	53,694	-	-	-	-
Adjusted EBITDA (Non-GAAP) ⁽⁴⁾	\$ 50,360	\$ 25,127	\$ 1,001	\$ 76,488	\$ 30,742	\$ 34,790	\$ 1,750	\$ 67,282
Adjusted EBITDA Margin (Non-GAAP) ⁽⁴⁾	23.1%	15.3%		20.0%	25.2%	16.0%		19.8%

Notes:

(1) "Other" includes intersegment sales and items that are included within Other expense (income), net that are not allocated to the Company's reportable business segments.

(2) Depreciation expense in 2024 includes \$0.7 million of accelerated depreciation charges related to restructuring actions (\$0.0 million related to the second quarter). Depreciation in 2023 includes \$2.4 million (\$0.8 million related to the second quarter) of similar accelerated depreciation charges.

(3) Amortization expense in 2024 includes \$1.3 million (\$0.6 million related to the second quarter) of short-term purchase accounting adjustments related to backlog amortization, attributed to the acquisition of MB Aerospace.

(4) The Company defines EBITDA as net income plus interest expense, income taxes, and depreciation and amortization which the Company incurs in the normal course of business; in addition to these adjustments, the Company also excludes the impact of its "as adjusted items" above ("Adjusted EBITDA"). The Company does not intend EBITDA nor Adjusted EBITDA to represent cash flows from operations as defined by GAAP, and the reader should not consider it as an alternative to net income, net cash provided by operating activities or any other items calculated in accordance with GAAP, or as an indicator of the Company's operating performance. Accordingly, the measurements have limitations depending on their use.

Non-GAAP Financial Measure Reconciliation (6 of 6)

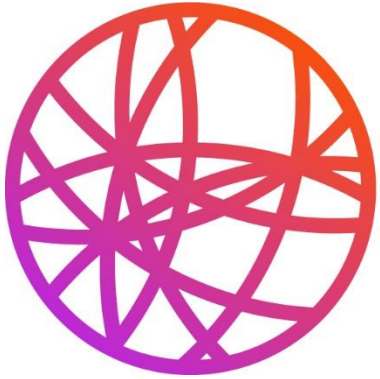
Reconciliation of Free Cash Flow

	Six months ended June 30,	
	2024	2023
Free cash flow:		
Net cash provided by operating activities	\$ 3,050	\$ 42,467
Capital expenditures	(29,854)	(21,617)
Free cash flow ⁽¹⁾	<u>\$ (26,804)</u>	<u>\$ 20,850</u>
Free cash flow (as adjusted):		
Free cash flow (from above)	\$ (26,804)	\$ 20,850
Income tax payments related to the sale of the businesses	12,280	-
Free cash flow (as adjusted) ⁽¹⁾	<u>\$ (14,524)</u>	<u>\$ 20,850</u>

Notes:

(1) The Company defines free cash flow as net cash provided by operating activities less capital expenditures. In 2024, net cash provided by operating activities was negatively impacted by \$12.3 million of estimated income tax payments related to the pre-tax gain related to the sale of the Associated Spring™ and Hänggi™ businesses (the "Businesses"). The proceeds from the sale are reflected in investing activities. The Company believes that the free cash flow metric is useful to investors and management as a measure of cash generated by business operations that can be used to invest in future growth, pay dividends, repurchase stock and reduce debt. This metric can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity.

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