



# First Quarter 2020 Earnings

May 5, 2020

Tricia L. Fulton  
Interim President & CEO  
Chief Financial Officer

*This presentation and oral statements made by management in connection herewith that are not historical facts are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those expressed or implied by such statements. They include statements regarding current expectations, estimates, forecasts, projections, our beliefs, and assumptions made by Helios Technologies, Inc. (“Helios” or the “Company”), its directors or its officers about the Company and the industry in which it operates, and assumptions made by management, and include among other items, (i) the Company’s strategies regarding growth, including its intention to develop new products and make acquisitions; (ii) the Company’s financing plans; (iii) trends affecting the Company’s financial condition or results of operations; (iv) the Company’s ability to continue to control costs and to meet its liquidity and other financing needs; (v) the declaration and payment of dividends; and (vi) the Company’s ability to respond to changes in customer demand domestically and internationally, including as a result of standardization. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as “may,” “expects,” “projects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives or goals also are forward-looking statements. These statements are not guaranteeing future performance and are subject to a number of risks and uncertainties. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause the actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to, (i) conditions in the capital markets, including the interest rate environment and the availability of capital; (ii) changes in the competitive marketplace that could affect the Company’s revenue and/or costs, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; and (iii) new product introductions, product sales mix and the geographic mix of sales nationally and internationally. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the heading Item 1. “Business” and Item 1A. “Risk Factors” in the Company’s Form 10-K for the year ended December 28, 2019.*

*Helios has presented forward-looking statements regarding non-GAAP cash EPS and Adjusted EBITDA margin. These non-GAAP financial measures are derived by excluding certain amounts, expenses or income from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from these non-GAAP measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income recognized in a given period. Helios is unable to present a quantitative reconciliation of forward-looking non-GAAP cash EPS and Adjusted EBITDA margin to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict all the necessary components of such GAAP measures without unreasonable effort or expense. In addition, the Company believes that such reconciliations would imply a degree of precision that would be confusing or misleading to investors. The unavailable information could have a significant impact on Helios’s full year 2020 financial results. These non-GAAP financial measures are preliminary estimates and are subject to risks and uncertainties, including, among others, changes in connection with quarter-end and year-end adjustments. Any variation between Helios’s actual results and preliminary financial data set forth above may be material.*

*This presentation includes certain historical non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.*

(\$ in millions, except EPS)

**\$129.5**  
Sales

**(12%)**

**(\$0.54)**  
GAAP EPS<sup>(1)</sup>

**NM**

**23.5%**  
Adjusted EBITDA<sup>(2)</sup>

**(20) bps**

**\$0.56**  
Non-GAAP Cash EPS<sup>(3)</sup>

**(11%)**

(1) Includes \$0.99 per share charge for goodwill impairment (after-tax)

(2) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Helios's use of Adjusted EBITDA

(3) See supplemental slide for Non-GAAP Cash Net Income reconciliation and other important disclaimers regarding Helios's use of Non-GAAP Cash Net Income and EPS



**COST MANAGEMENT EFFORTS & PRODUCTION EFFICIENCIES DROVE 160 BASIS POINT GROSS MARGIN EXPANSION**



**CVT ENGINEERING CENTER OF EXCELLENCE NEAR COMPLETION**



**NET DEBT REDUCTION OF \$11.1 MILLION EXPANDS ALREADY STRONG LIQUIDITY POSITION**

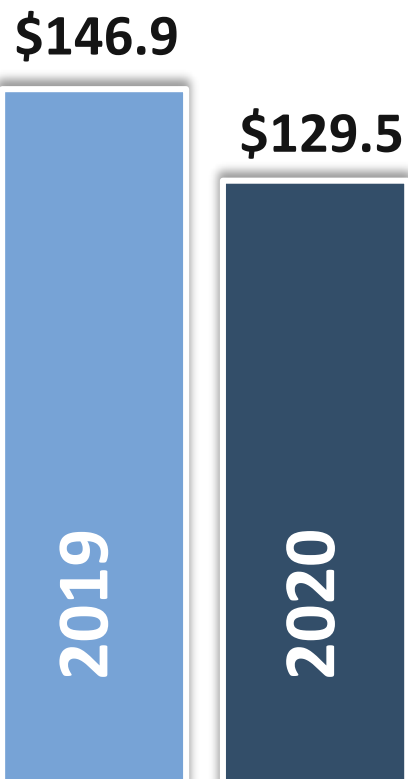


**NEW ACE™ AND MCx™ INTRODUCTIONS EXPAND ABILITY TO OFFER PRODUCTS AND SOLUTIONS TO A BROADER AND MORE DIVERSIFIED CUSTOMER BASE**

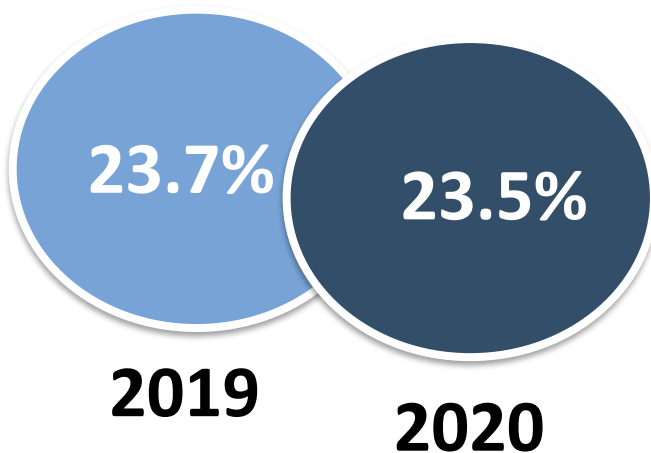
- Withdrew 2020 guidance due to the impact of COVID-19 pandemic
- Cost containment actions already taken
  - Temporary 20% salary reduction for officers
  - Permanent layoffs and temporary salary reductions at Enovation Controls
  - A hiring freeze
  - Reduction in the use of contingent labor
  - Postponement of certain capital expenditures
  - Temporary 20% compensation reduction for Board of Directors
- Scenario analyses at varying potential levels
  - Postponing certain non-essential capital expenditures
  - Reducing temporary labor force
  - Reducing overtime
  - Applying additional salary reductions
  - Reducing working hours to lower payroll expense
  - Executing furlough programs and/or additional layoffs
  - Reducing discretionary spending, including travel
- Continued confidence in successful management of current challenges
  - Well-respected brands
  - Dedicated global employees
  - Strong liquidity

## Sales

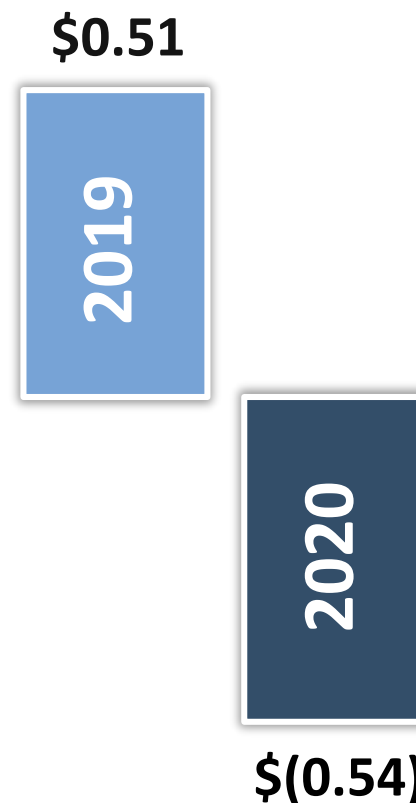
(\$ in millions)



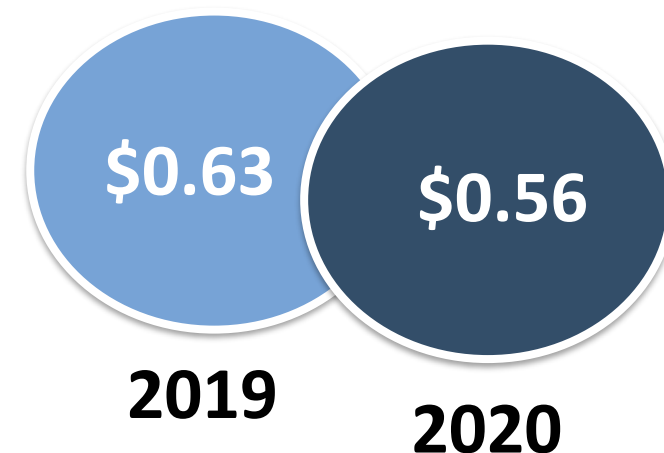
## Adjusted EBITDA Margin<sup>(1)</sup>



## GAAP EPS<sup>(2)</sup>



## Non-GAAP Cash EPS<sup>(3)</sup>



(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Helios's use of Adjusted EBITDA

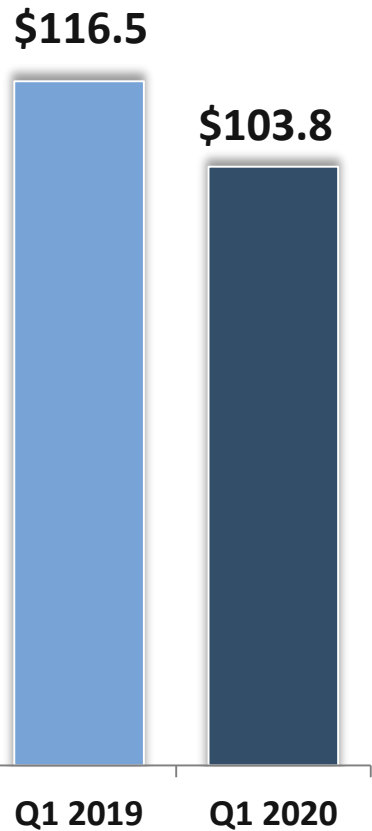
(2) 2020 includes \$0.99 per share charge for goodwill impairment (after-tax)

(3) See supplemental slide for Non-GAAP Cash Net Income reconciliation and other important disclaimers regarding Helios's use of Non-GAAP Cash Net Income and EPS

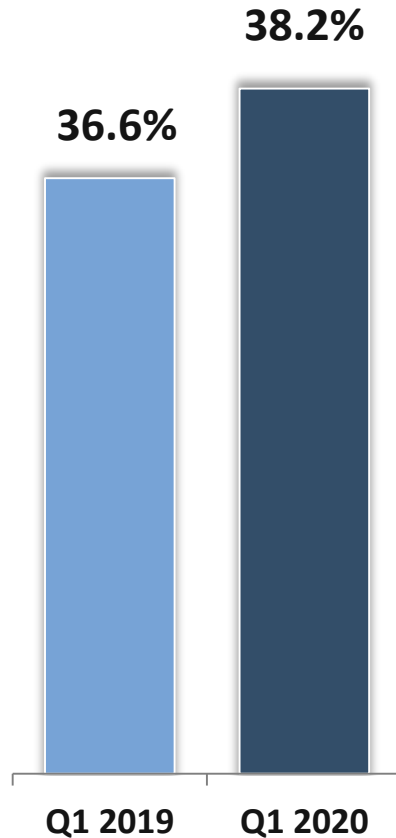
(\$ in millions)

## First Quarter Highlights

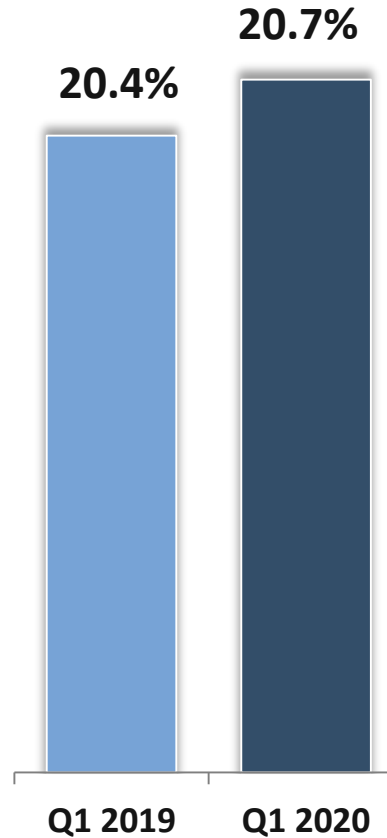
### Sales



### Gross Margin



### Operating Margin



### Drivers of Sales Decline

- Softer end market demand and reduced order taking
- Unfavorable impact of approximately \$5 million due to facility closures and regulatory restrictions from COVID-19 pandemic

### 160 bps Gross Margin Improvement

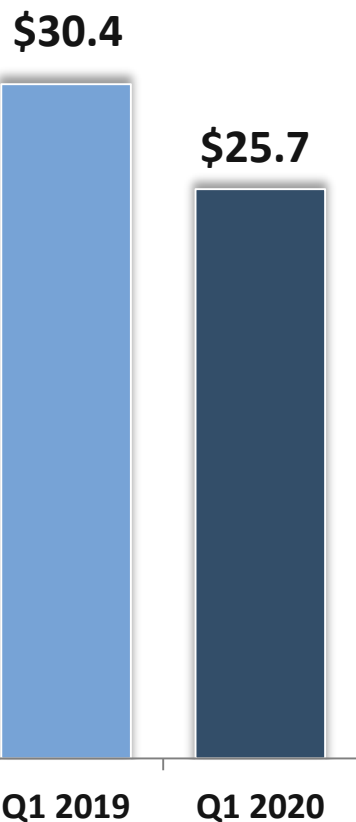
- Improved productivity and cost management efforts more than offset closure of Italian production facility

### 30 bps Operating Margin Improvement

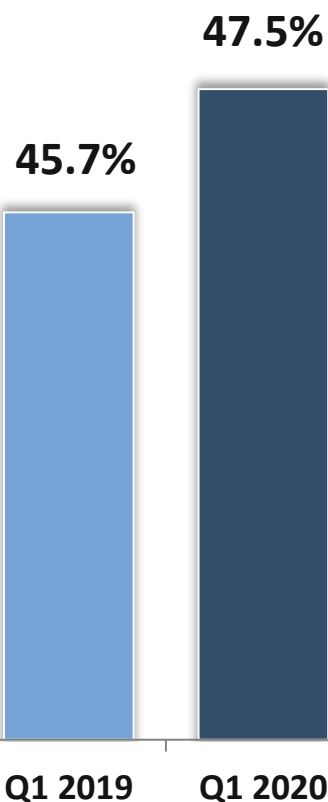
- Gross margin expansion and reduction of SEA expenses drove operating margin expansion

(\$ in millions)

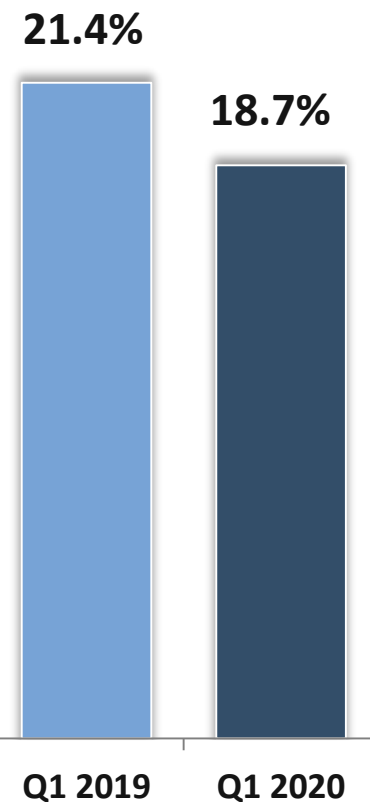
## Sales



## Gross Margin



## Operating Margin



## First Quarter Highlights

### Drivers of Sales Decline

- Softer demand in recreational and oil & gas markets

### 180 bps Gross Margin Improvement

- Continued cost management efforts
- Non-recurring benefit from release of customer contractual obligations

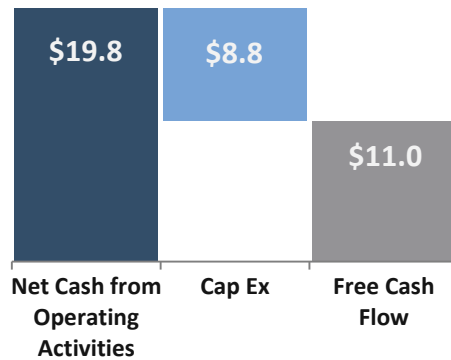
### Drivers of Operating Margin Decline

- Lower sales volume and reduced leverage of fixed cost base

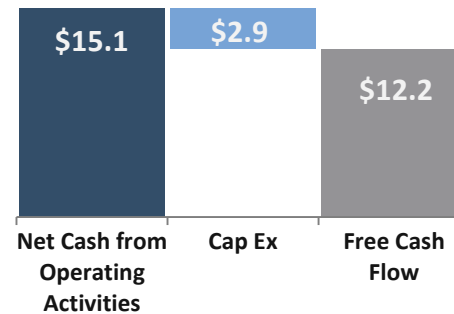


(\$ in millions)

Q1 2019



Q1 2020

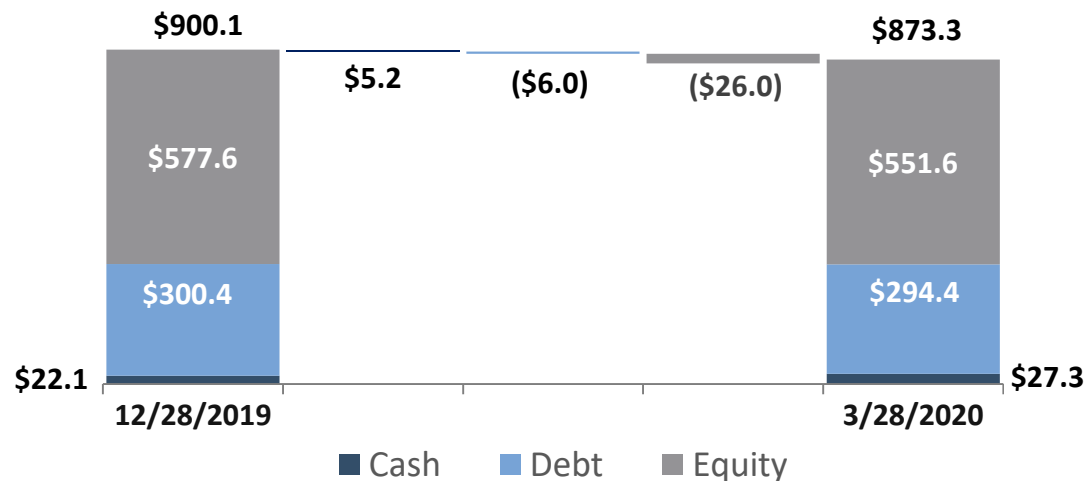


## Cash Flow Review

- Improved free cash flow benefited from reduction in capital expenditures
- Re-evaluated 2020 CapEx and only proceeding with high priority and critical projects

## Capitalization Review

- Reduced total debt by \$6 million, net debt by \$11 million
- Net debt/Adjusted EBITDA of 2.1x<sup>(1)</sup> at 3/28/2020
- Reduction in equity due to goodwill impairment charge



(1) Based on adjusted EBITDA on a trailing twelve months basis

**ACHIEVE GLOBAL** technology leadership **IN THE**  
**INDUSTRIAL GOODS SECTOR** by 2025 **WITH CRITICAL MASS**  
**EXCEEDING** \$1B in sales  
**WHILE MAINTAINING** superior profitability & financial strength.

**DESIGNER AND MANUFACTURER OF INTELLIGENT SYSTEMS & CONTROLS**



# Supplemental Information

## Segment Data

(\$ in thousands)

	Three Months Ended	
	March 28, 2020	March 30, 2019
<i>Sales:</i>		
Hydraulics	\$ 103,818	\$ 116,463
Electronics	25,665	30,388
Consolidated	<u>\$ 129,483</u>	<u>\$ 146,851</u>
<i>Gross profit and margin:</i>		
Hydraulics	\$ 39,674	\$ 42,634
	38.2%	36.6%
Electronics	12,176	13,875
	47.5%	45.7%
Corporate and other	-	-
Consolidated	<u>\$ 51,850</u>	<u>\$ 56,509</u>
	40.1%	38.5%
<i>Operating (loss) income and margin:</i>		
Hydraulics	\$ 21,482	\$ 23,762
	20.7%	20.4%
Electronics	4,778	6,512
	18.7%	21.4%
Corporate and other	(36,293)	(4,442)
Consolidated	<u>\$ (10,033)</u>	<u>\$ 25,832</u>
	-7.7%	17.6%

(Unaudited)

## Sales by Geographic Region & Segment

### 2020 Sales by Geographic Region and Segment

(\$ in millions)

	Q1	% of Total
<i>Americas:</i>		
Hydraulics	\$ 37.3	
Electronics	21.6	
Consol. Americas	58.9	45%
<i>EMEA:</i>		
Hydraulics	33.5	
Electronics	2.5	
Consol. EMEA	36.0	28%
<i>APAC:</i>		
Hydraulics	33.0	
Electronics	1.6	
Consol. APAC	34.6	27%
Total	\$ 129.5	

### 2019 Sales by Geographic Region and Segment

(\$ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	Q4	% of Total	2019	% of Total
<i>Americas:</i>										
Hydraulics	\$ 41.6		\$ 41.2		\$ 43.3		\$ 36.2		\$ 162.3	
Electronics	26.1		26.6		24.0		19.5		\$ 96.3	
Consol. Americas	67.7	46%	67.8	47%	67.3	49%	55.7	44%	258.6	47.0%
<i>EMEA:</i>										
Hydraulics	41.8		36.8		31.9		31.1		141.6	
Electronics	2.5		1.8		2.1		2.0		8.4	
Consol. EMEA	44.3	30%	38.6	27%	34.0	25%	33.1	26%	150.0	27.0%
<i>APAC:</i>										
Hydraulics	33.1		35.7		34.9		35.2		138.9	
Electronics	1.8		1.7		1.8		1.9		7.2	
Consol. APAC	34.9	24%	37.4	26%	36.7	26%	37.1	30%	146.1	26.0%
Total	\$ 146.9		\$ 143.8		\$ 138.0		\$ 125.9		\$ 554.7	

# Adjusted Operating Income Reconciliation

(Unaudited)

(\$ in thousands)

	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>GAAP operating (loss) income</b>	<b>\$ (10,033)</b>	<b>\$ 25,832</b>
Acquisition-related amortization of intangible assets	4,348	4,460
Acquisition and financing-related expenses	74	11
CEO transition costs	165	-
Goodwill impairment	31,871	-
<b>Non-GAAP adjusted operating income</b>	<b>\$ 26,425</b>	<b>\$ 30,303</b>
<i>GAAP operating margin</i>	<i>-7.7%</i>	<i>17.6%</i>
<i>Non-GAAP Adjusted operating margin</i>	<i>20.4%</i>	<i>20.6%</i>

**Non-GAAP Financial Measure:**

Adjusted operating margin is adjusted operating income divided by sales. Adjusted operating income and adjusted operating margin are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Helios believes that providing non-GAAP information such as adjusted operating income and adjusted operating margin are important for investors and other readers of Helios's financial statements, as they are used as analytical indicators by Helios's management to better understand operating performance. Because adjusted operating income and adjusted operating margin are non-GAAP measures and are thus susceptible to varying calculations, adjusted operating income and adjusted operating income margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

# Non-GAAP Cash Net Income Reconciliation

(Unaudited)

(\$ in thousands)

	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Net (loss) income</b>	<b>\$ (17,223)</b>	<b>\$ 16,404</b>
Amortization of intangible assets	4,348	4,460
Acquisition and financing-related expenses	74	11
CEO transition costs	165	-
Goodwill impairment	31,871	-
Change in fair value of contingent consideration	-	719
Tax effect of above	(1,147)	(1,298)
<b>Non-GAAP cash net income</b>	<b>\$ 18,088</b>	<b>\$ 20,296</b>
<b>Non-GAAP cash net income per diluted share</b>	<b>\$ 0.56</b>	<b>\$ 0.63</b>

**Non-GAAP Financial Measure:**

Adjusted net income per diluted share is adjusted net income divided by diluted weighted average common shares outstanding. Cash net income per share is cash net income divided by diluted weighted average common shares outstanding. Adjusted net income, adjusted net income per diluted share, cash net income and cash net income per diluted share are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Helios believes that providing non-GAAP information such as adjusted net income, adjusted net income per diluted share, cash net income and cash net income per diluted share is important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios's management to better understand operating performance. Because adjusted net income, adjusted net income per diluted share, cash net income and cash net income per diluted share are non-GAAP measures and are thus susceptible to varying calculations, adjusted net income, adjusted net income per diluted share, cash net income, and cash net income per diluted share, as presented, may not be directly comparable to other similarly titled measures used by other companies.

## Adjusted EBITDA Reconciliation

(Unaudited) (\$ in thousands)	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Net (loss) income</b>	<b>\$ (17,223)</b>	<b>\$ 16,404</b>
Interest expense, net	2,951	4,385
Income tax provision	4,208	4,655
Depreciation and amortization	8,376	8,571
<b>EBITDA</b>	<b>(1,688)</b>	<b>34,015</b>
Acquisition and financing-related expenses	74	11
CEO transition costs	165	-
Goodwill impairment	31,871	-
Change in fair value of contingent consideration	-	719
<b>Adjusted EBITDA</b>	<b>\$ 30,422</b>	<b>\$ 34,745</b>
<i>Adjusted EBITDA margin</i>	<i>23.5%</i>	<i>23.7%</i>

### Non-GAAP Financial Measure:

Adjusted EBITDA margin is Adjusted EBITDA divided by sales. Adjusted EBITDA and Adjusted EBITDA margin are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Helios believes that providing non-GAAP information such as Adjusted EBITDA and Adjusted EBITDA margin are important for investors and other readers of Helios's financial statements, as they are used as analytical indicators by Helios's management to better understand operating performance. Because Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures and are thus susceptible to varying calculations, Adjusted EBITDA and Adjusted EBITDA margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.





**HELIOS**  
TECHNOLOGIES

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