



# Fiscal 2018 Third Quarter Earnings

June 20, 2018

# 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 June 20, 2018. 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, and accompanying the Q3 Fiscal 2018 earnings press release which can be found on the Actuant website ([www.actuant.com](http://www.actuant.com)) for a reconciliation to the appropriate GAAP measure.

# Third Quarter 2018 Highlights



- Consolidated sales exceed top of the range at \$317 million with 4% core sales growth
  - Continued strong industrial tools and on/off highway equipment demand
  - Energy maintenance activity stabilized
- Adjusted operating profit margins up 130 basis points and adjusted diluted EPS (excluding one time items) of \$0.39, above guidance and significant sequential improvement
- Restructuring activities remain on track; notably in Energy and Heavy Lifting Technology (HLT)
- Robust cash flow; deleveraging adds to capital allocation flexibility
- Completed niche tool product line tuck-in acquisition in Industrial segment

# Third Quarter One Time Items

(US\$ in millions except EPS)

	GAAP	Remove Tax Reform Impact	Remove Restructuring Charges	Adjusted
Sales	\$317.1			\$317.1
Earnings before Taxes	\$25.0		\$1.2	\$26.2
Income Tax Exp (Ben)	(\$4.0)	(\$4.9)	(\$1.4)	\$2.3
Net (Loss) Income	\$29.0	(\$4.9)	(\$0.2)	\$23.9
<i>Effective tax rate</i>				<i>8.9%</i>
Diluted EPS	\$0.48	(\$0.09)	\$0.00	\$0.39

*The impacts from Tax Reform should be considered provisional and may be subject to further adjustment.*

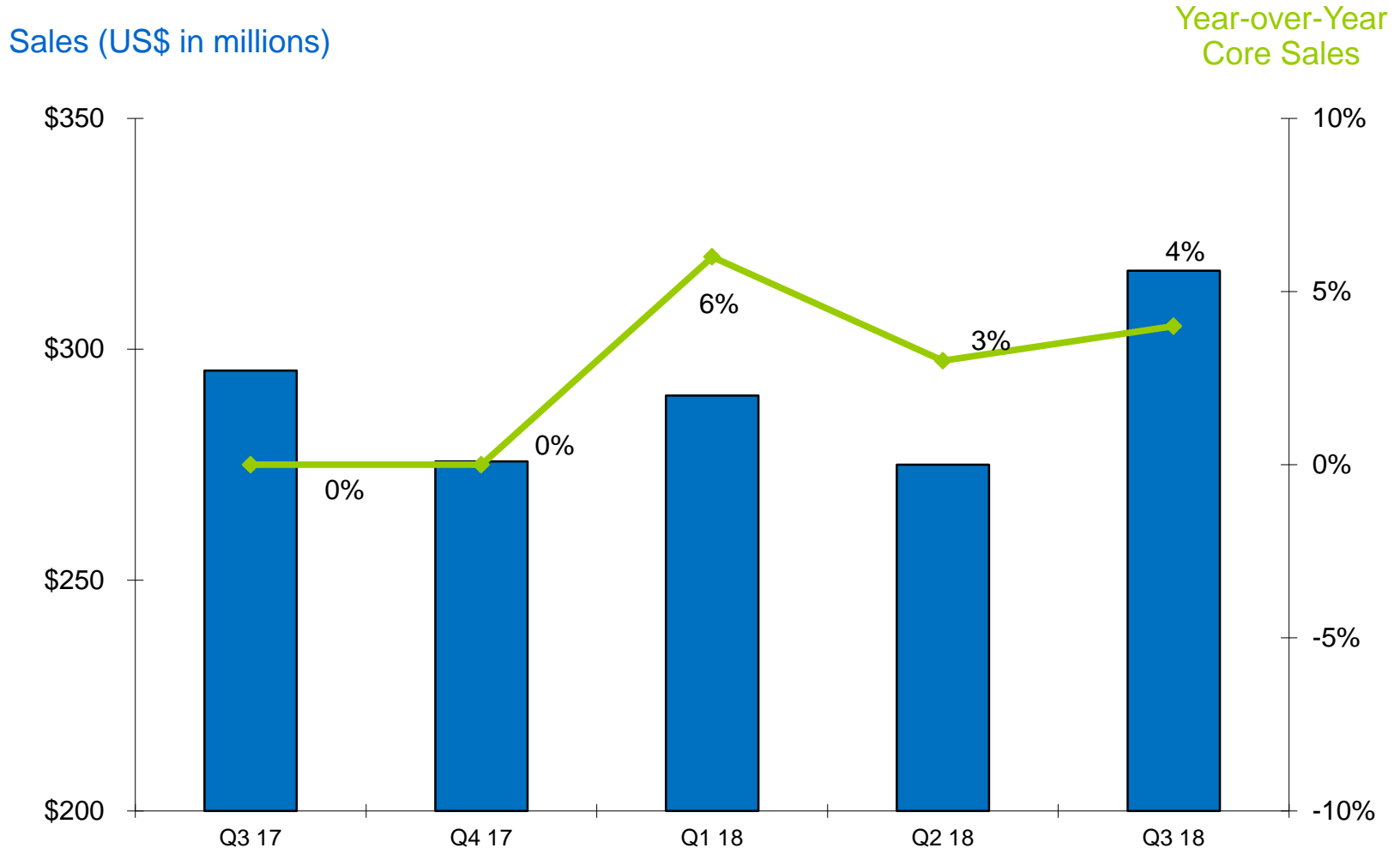
# Third Quarter Comparable Results

(US\$ in millions except EPS)

	<u>F' 2017</u>	<u>F' 2018</u>	<u>Change</u>
Sales	\$295	\$317	7%
Adjusted Op Profit	\$28 9.4%	\$34 10.7%	22% 130 bps
Adjusted Diluted EPS	\$0.32	\$0.39	22%

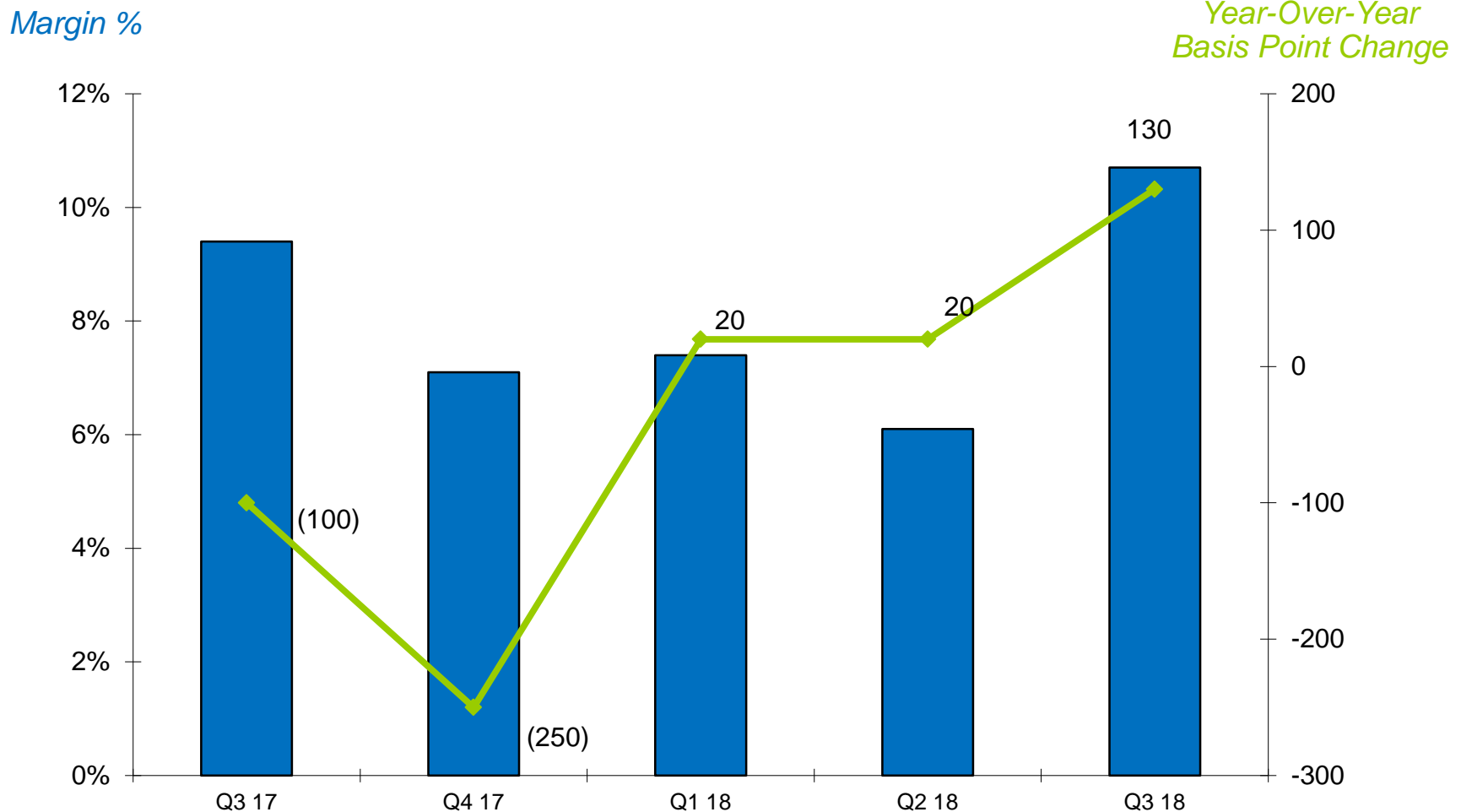
*Excluding restructuring and one-time tax items as applicable in both periods.*

# Core Sales Trend



Double digit year-over-year growth in industrial tools and off-highway equipment; energy maintenance activity stabilized

# Adjusted Operating Profit Margin Trend (1)



Third consecutive quarter of year-over-year margin improvement

(1) Excluding impairment and divestiture, restructuring and other one time tax items.



# Industrial Segment

- Double digit core sales rate of change in industrial tools on end market demand and outgrowth from commercial efforts, despite more difficult comps
- Heavy Lifting Technology and concrete tensioning core sales declined nearly 35% and low single digits, respectively
- Higher tool volumes and favorable mix offset by moderating drag from project costs at HLT and concrete tensioning volume & inefficiencies

## Financial Snapshot

(US\$ in millions)

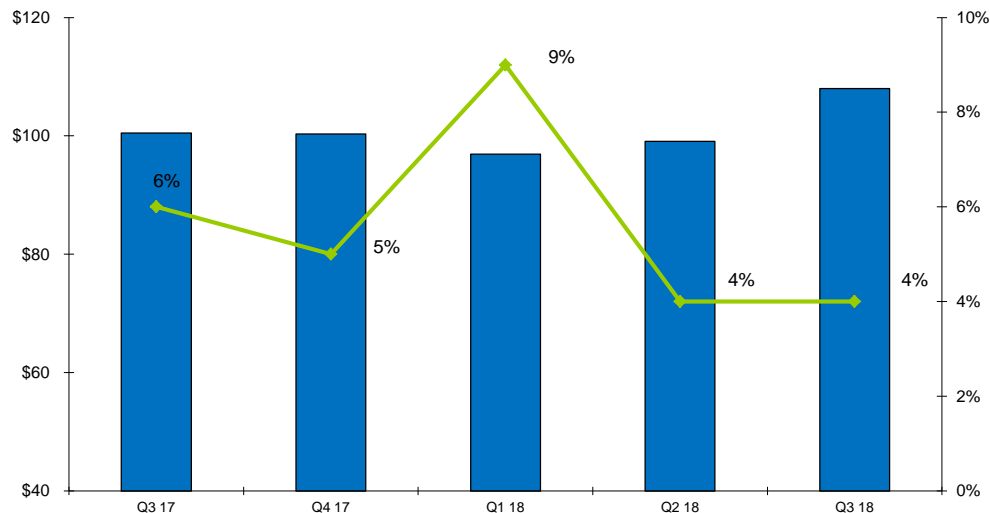
	3rd Quarter		y-o-y change
	2018	2017	
Sales	\$108	\$101	8%
Adj Op Income <sup>(1)</sup>	\$25.8	\$24.0	8%
Adj Op Margin <sup>(1)</sup>	23.9%	23.9%	0 bps

(1) Excludes restructuring charges of \$(0.2) and \$0.3 in fiscal 2018 and 2017, respectively

## Sales Trend

Sales

Core Sales



**ENERPAC**

**LARZEP**

**SIMPLEX**

milwaukee  
*Cylinder*

**PRECISION-HAYES  
INTERNATIONAL**





# Energy Segment

- Core sales rate of change sequentially improved/stabilized
- Easier Hydratight comparisons combined with improved maintenance spending in Mid East/North Sea
- Upstream/offshore oil & gas activity and medical products demand improved for rope/umbilicals
- Margins benefitted from restructuring actions, process improvements, sales mix and absence of Viking losses

## Financial Snapshot

(US\$ in millions)

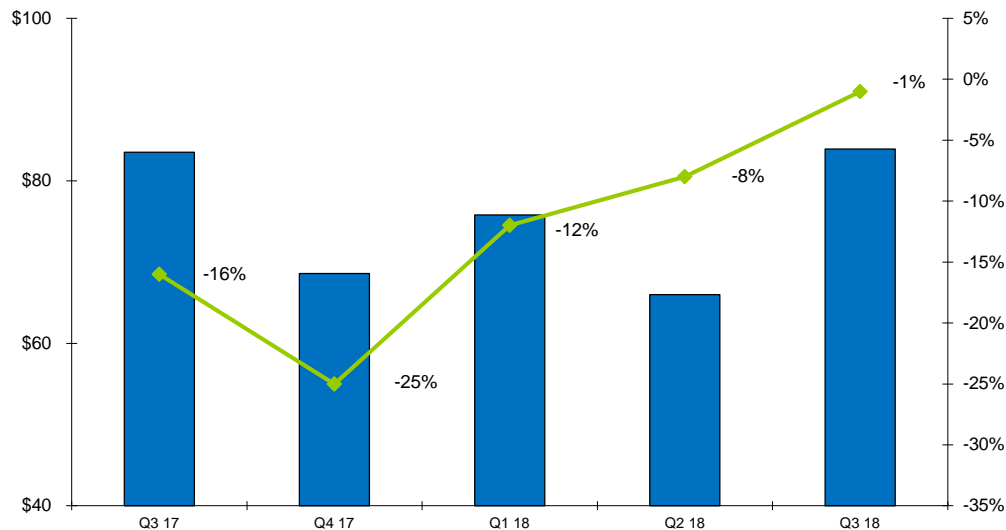
	3rd Quarter		y-o-y change
	2018	2017	
Sales	\$84	\$83	0%
Adj Op Income <sup>(1)</sup>	\$7.0	\$0.9	<i>nm</i>
Adj Op Margin <sup>(1)</sup>	8.4%	1.1%	730 bps

(1) 2018 excludes restructuring charges of \$0.8

Sales

Sales Trend

Core Sales



# Engineered Solutions Segment

- Higher demand continues across off-highway equipment including agriculture, construction, forestry, etc. despite tougher comps
- Continued growth in heavy-duty truck as Europe increase more than offset decline in China build
- Margins flat as incremental volume benefit offset by inflation, engineering investments and unfavorable sales mix



## Financial Snapshot

(US\$ in millions)

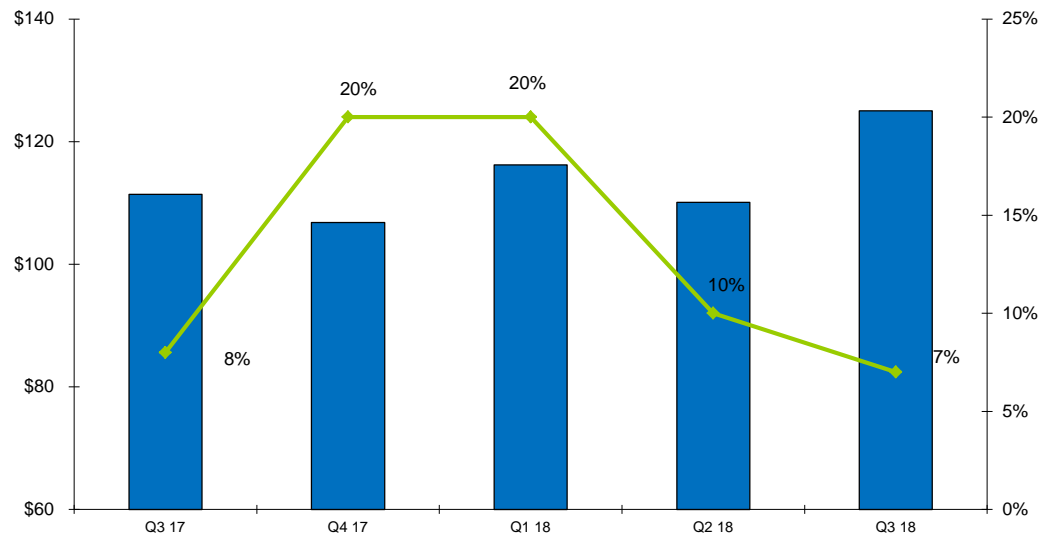
	3rd Quarter		y-o-y change
	2018	2017	
Sales	\$125	\$111	12%
Adj Op Income <sup>(1)</sup>	\$9.0	\$8.2	11%
Adj Op Margin <sup>(1)</sup>	7.2%	7.3%	(10) bps

(1) Excludes restructuring charges of \$0.1 in fiscal 2017.

## Sales Trend

Sales

Core Sales



# Third Quarter Cash Flow / Net Debt

(US\$ in millions)

## Free Cash Flow

Adjusted EBITDA	\$44
Capital Expenditures	(7)
Cash Interest	(3)
Cash Taxes	10
Working Capital/Other	8
Free Cash Flow	<u><u>\$52</u></u>

## Net Debt Reconciliation

Net Debt - Feb 28, 2018	\$394
Equalizer Acquisition	6
FX/Other	3
Free Cash Flow	<u>(52)</u>
Net Debt - May 31, 2018	<u><u>\$351</u></u>
Net Debt/EBITDA <sup>(1)</sup>	2.6

(1) Proforma EBITDA adjusted for acquisitions/divestitures and excluding restructuring and impairment & divestiture charges.

Seasonal Earnings, Tax Planning and Working Capital Reduction All  
Benefit Cash Flow

# Niche Tool Acquisition / New Products



Equalizer – niche product line acquisition for pipe and flange alignment tools



- Private label supplier to Enerpac
- Approximately \$5M annual revenue
- Synergies:
  - Expand channels
  - Leverage supply chain
  - Engineering talent



**CROSScontrol**

CCpilot XM with  
John Deere CE  
Total program of \$10M,  
SOP April 2019

**ENERPAC** 

Chain Cutters  
CK Series – up to  
100 Tons



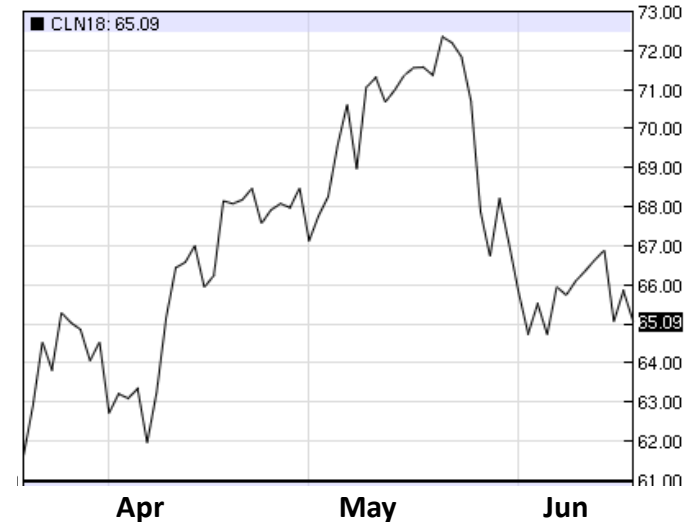
Bottle Jack Refresh



# Macro Industry Dynamics

- Oil & Gas

- Overall stable crude prices, geopolitical actions and OPEC cause some variability
- Maintenance environment stabilized
- Quoting activity improving in offshore cap ex driven markets



- Off-Highway Mobile Equipment

- Continued solid demand levels and inventory stocking across customer types including agriculture, construction, mining, forestry and other off-highway

- General Industrial

- General industrial activity remains solid globally, distributor optimism continues, good sell-through demand

- On-Highway

- China on-highway truck builds down year-over-year although less than anticipated
- Europe registrations remain positive and build levels continue modest growth

# Current Environment / Core Sales Trends

Core Growth	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4 Estimate
Industrial	(4)%	11%	6%	5%	9%	4%	4%	4 - 6%
Energy	(31)%	(21)%	(16)%	(25)%	(12)%	(8)%	(1)%	7 - 10%
Engineered Solutions	(5)%	2%	8%	20%	20%	10%	7%	~flat
Consolidated	(14)%	(3)%	0%	0%	6%	3%	4%	3 - 5%

- **Industrial**

Strong tool sales levels but moderating rate of change with difficult comps; modest improvement in HLT (standard gantries) and concrete sales
- **Energy**
  - Maintenance

Stabilization with select regional improvement in activity
  - Upstream/cap ex

Demand improving from a low base; non-energy rope/cable up
- **Engineered Solutions**
  - Europe/ROW Truck

China truck decline accelerates in 30% range; European summer shut downs
  - Agriculture / Off-highway

Good end demand; more difficult comparisons



# Fiscal 2018 Guidance Summary

(US\$ in millions except EPS)

## Fourth Quarter

2017

2018E

Sales

\$276

\$290 - 300

EBITDA

\$29

\$38 - 43

Diluted EPS

\$0.19

\$0.32 - 0.37

## Full Year

2017

2018E

Sales

\$1,096

\$1,170 - 1,180

EBITDA

\$122

\$140 - 145

Diluted EPS

\$0.83

\$1.03 - 1.08

## Assumptions – Fourth Quarter:

- Core sales growth 3 - 5%
- Margin improvement driven principally by Energy segment
- Key FX rates – approximately \$1.20-1.25/1€ and >\$1.35-1.40/1£.
- ~5-10% effective tax rate

## Assumptions - Full Year:

- Shares outstanding ~61 million
- Free cash flow ~\$70-75 million

*All periods exclude restructuring , impairment and divestiture charges, director & officer transition charges and one time tax adjustments, where applicable. See supplemental press release schedules.*



# Transitioning to a Two Segment Operating Structure

Today

**Actuant**

Energy

Industrial

Engineered  
Solutions



**hydratight**

**CORTLAND**

**MIRAGE**  
PORTABLE PERFORMANCE



**ENERPAC**

**SIMPLEX**

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**PRECISION-HAYES**  
INTERNATIONAL

milwaukee  
*Cylinder*



**Weasler**

**POWER-PACKER**

maximatecc



**GITS MFG. CO.**

Fiscal 2019

**Actuant**

Industrial Tools  
& Services

Engineered  
Components &  
Systems



**ENERPAC**

**hydratight**

**MIRAGE**  
PORTABLE PERFORMANCE

**SIMPLEX**

**LARZEP**

milwaukee  
*Cylinder*



**Weasler**

**POWER-PACKER**

maximatecc

**CORTLAND**

**PRECISION-HAYES**  
INTERNATIONAL



**GITS MFG. CO.**

elliott manufacturing

Increased focus and improved alignment to vision and strategy

**Actuant**

# Questions & Answers

Future Key Dates: Fourth Quarter/Full Year Fiscal 2018 Earnings –  
September 26, 2018

# Appendix

# Reconciliation of Non-GAAP Measures

(US\$ in millions)

## Adjusted EBITDA

	Q3 2018	Q3 2017
Net Earnings	\$29	\$22
Net Financing Costs	\$8	\$8
Income Taxes	(\$4)	(\$4)
Depreciation & Amortization	\$10	\$11
Restructuring Charges	\$1	\$0
<b>Adjusted EBITDA</b>	<b>\$44</b>	<b>\$37</b>

## Free Cash Flow

	Q3 2018	Q3 2017
Cash From Operations	\$58	\$37
Capital Expenditures	(\$6)	(\$8)
Sale of PP&E	\$0	\$0
Other	\$0	\$1
<b>Free Cash Flow</b>	<b>\$52</b>	<b>\$30</b>

# Two Segment Operating Structure – More Specifics

## Today

- Industrial
  - Industrial tools (Enerpac, Simplex, Larzep)
  - Heavy Lifting Technology (Enerpac)
  - Concrete tensioning (Precision Hayes)
- Energy
  - Hydratight/Mirage (tools & services)
  - Cortland (offshore/upstream energy and diversified)
- Engineered Solutions
  - Truck/Auto (PowerPacker, Gits)
  - Agriculture (Weasler, CrossControl, Elliott)
  - Off-Highway (PowerPacker, Maximatecc, CrossControl, Gits)

## Fiscal 2019

- Industrial Tools & Services (ITS)
  - Industrial tools (Enerpac, Simplex, Larzep)
  - Heavy Lifting Technology (Enerpac)
  - Hydratight/Mirage (tools & services)
- Engineered Components & Systems (ECS)
  - Truck/Auto (PowerPacker, Gits)
  - Agriculture (Weasler, CrossControl, Elliott)
  - Off-Highway (PowerPacker, Maximatecc, CrossControl, Gits)
  - Concrete tensioning (Precision Hayes)
  - Cortland (diversified)

- Fiscal 2019 guidance provided in the two segment structure on Q4 call
- Also provide 2 years restated data – by quarter
- Product line reporting in 10Q/K - TBD