
# Investor Presentation

***August 2022***

Josef Matosevic – President & CEO

Tricia Fulton – Chief Financial Officer

Tania Almond – VP, IR, Corp. Comm. & Risk Mgmt.

# Safe Harbor Statement

*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 effectiveness of creating the Center of Engineering Excellence; (iii) the Company's financing plans; (iv) trends affecting the Company's financial condition or results of operations; (v) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (vi) the declaration and payment of dividends; and (vii) 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) supply chain disruption and the potential inability to procure goods; (ii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iii) inflation (including hyperinflation) or recession; (iv) changes in the competitive marketplace that could affect the Company's revenue and/or cost bases, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (v) risks related to health epidemics, pandemics and similar outbreaks and similar outbreaks, including, without limitation, the current COVID-19 pandemic, which may among other things, adversely affect our supply chain, material costs, and work force and may have material adverse effects on our business, financial position, results of operations and/or cash flows; (vi) risks related to our international operations, including the potential impact of the ongoing conflict between Russia and Ukraine; and (vii) 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 January 1, 2022.*

*Helios has presented forward-looking statements regarding Diluted 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' full year 2022 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' 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.*

# Growing, Global Industrial Technology Leader

## Helios Technologies (NYSE: HLIO)

**Global leader in highly engineered motion control and electronic controls technology for diverse end markets**

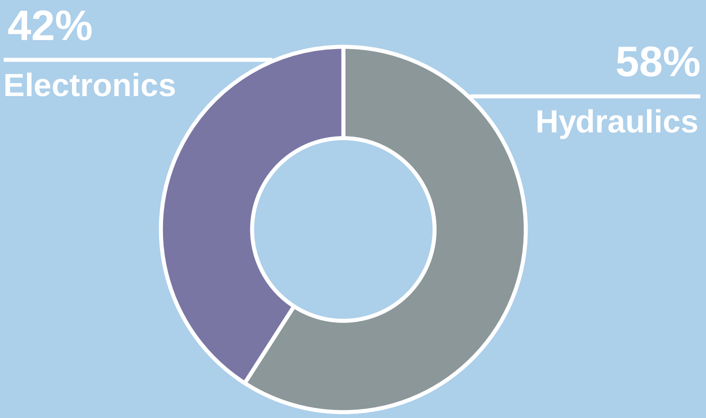
- Outsized growth driven by diversification and innovation
- Strong financials with pathway to grow
- Paid consistent quarterly dividends over 25 years

## Financial & Market Data[1]

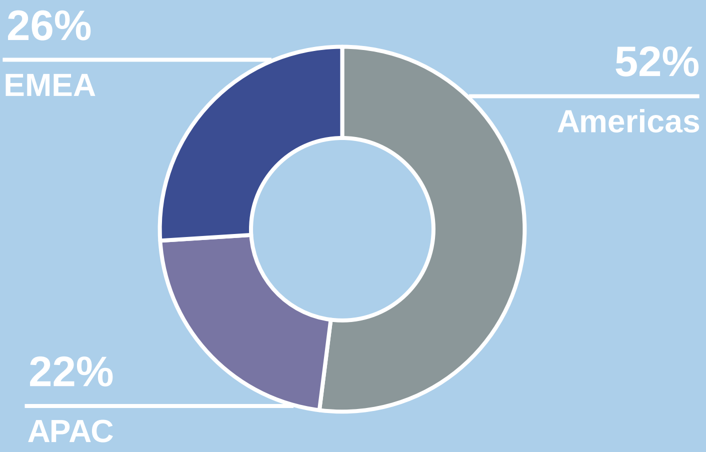
**$923M** Revenue

**$2.3B** Market Cap.

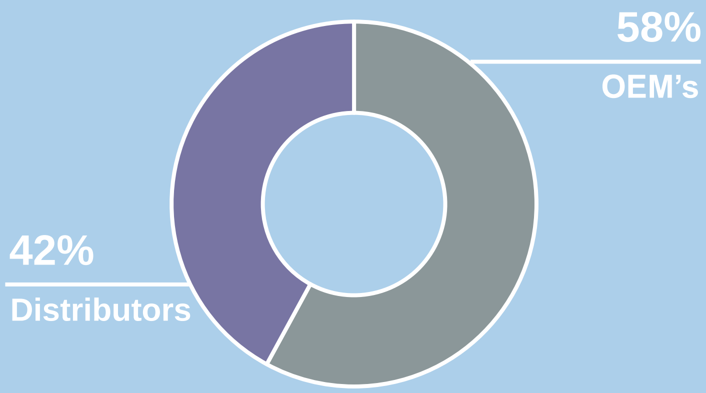
## Segments[2]




## Geographies[2]




## Market Channels[2]




(1) Note: Market data as of August 8, 2022; Financial data represents TTM ended July 2, 2022.
(2) Data as of YTD ended July 2, 2022.

# Helios Business System

1. Drive the cash flow engine
2. Deliver new products
3. Leverage existing products
4. Cultivate customer centricity

1. Champion a global operating mindset
2. Leverage global resources and assets
3. Manufacture to support diverse end markets
4. Accelerate innovation
5. Build in the region, for the region


1. Develop and engage global talent
2. Embrace diversity and shared values
3. Instill a customer-centric culture
4. Promote a learning organization

1. Diversify end markets
2. Grow wallet share
3. Lead with technology
4. Address white spaces
5. Monetize synergies

# Existing End Markets and New Diversified Opportunities

Industrial

Mobile

Agriculture

Recreational

Health & Wellness

End Markets

Specialty Vehicle

Commercial HVAC

Commercial Food Service

Pharmaceutical Manufacturing

Off Road Vehicles

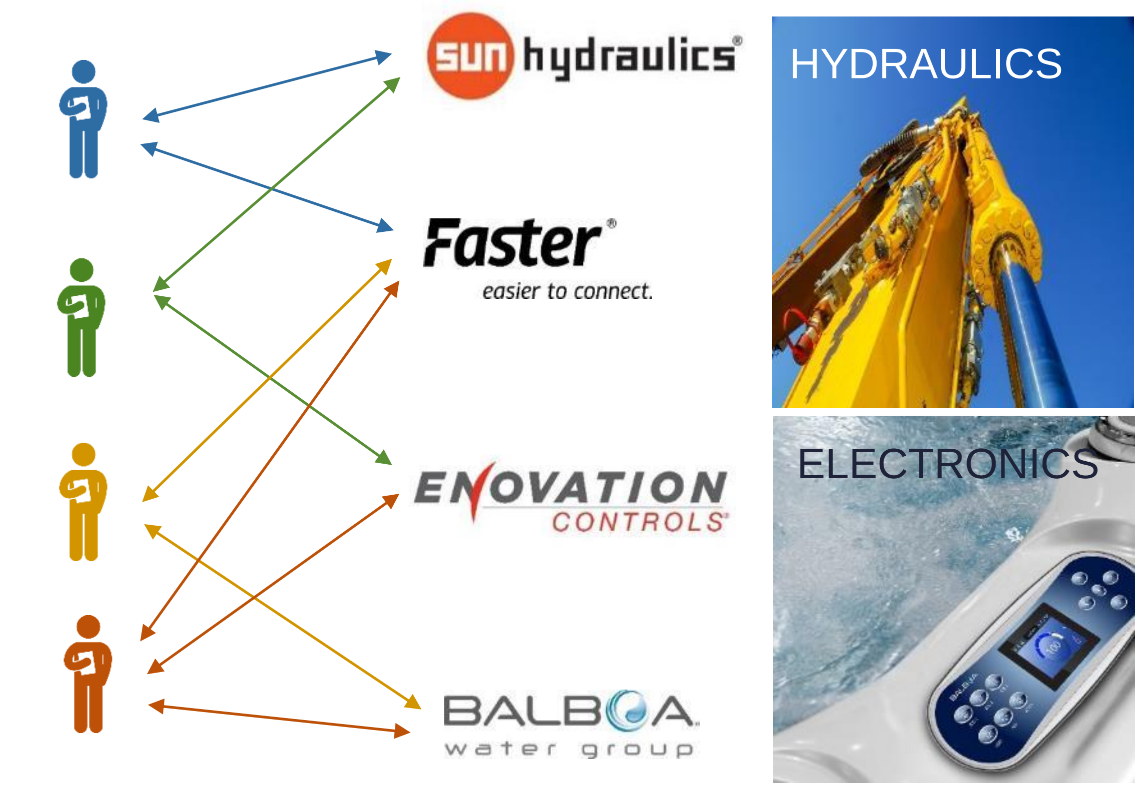
New Applications

# Think and Act Global

## *Streamlining the Customer Experience Lifecycle*

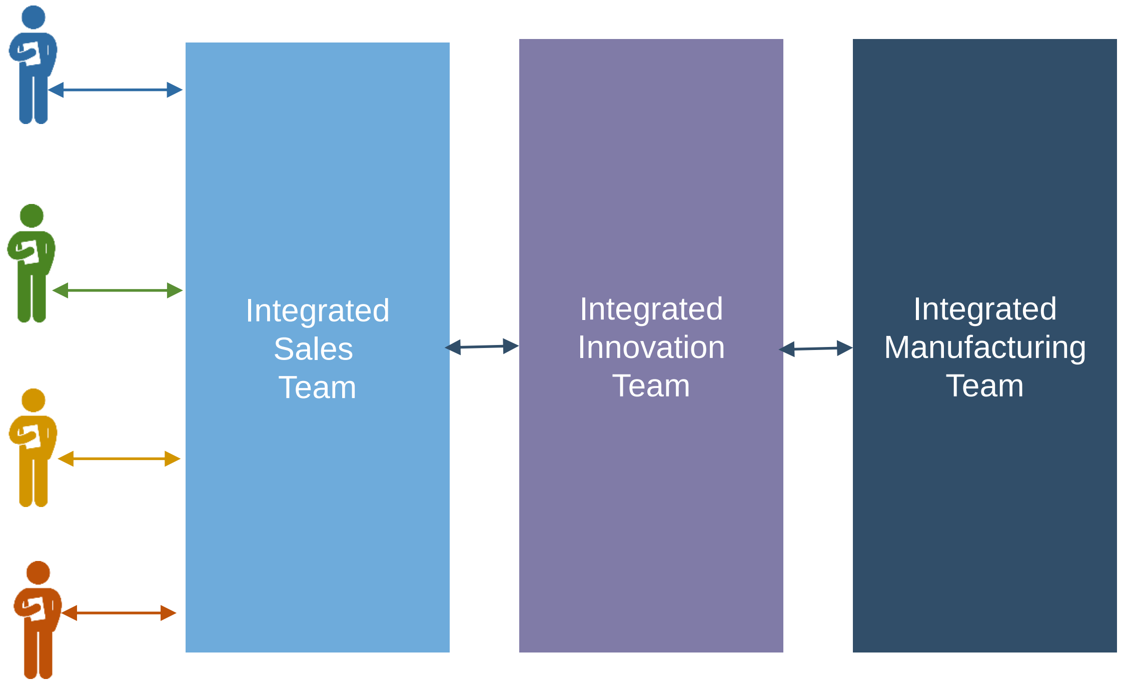
### CURRENT STATE

**Customer** | **Helios Team** | **Business Segment**




### FUTURE STATE

New strategy allows for fewer customer contact points and internal efficiencies, resulting in satisfied customers, higher margins, and increased revenue



# *Manufacturing and Operating Strategy at Work*

## Objectives are Driven by the Helios Business System (HBS) and its Missions

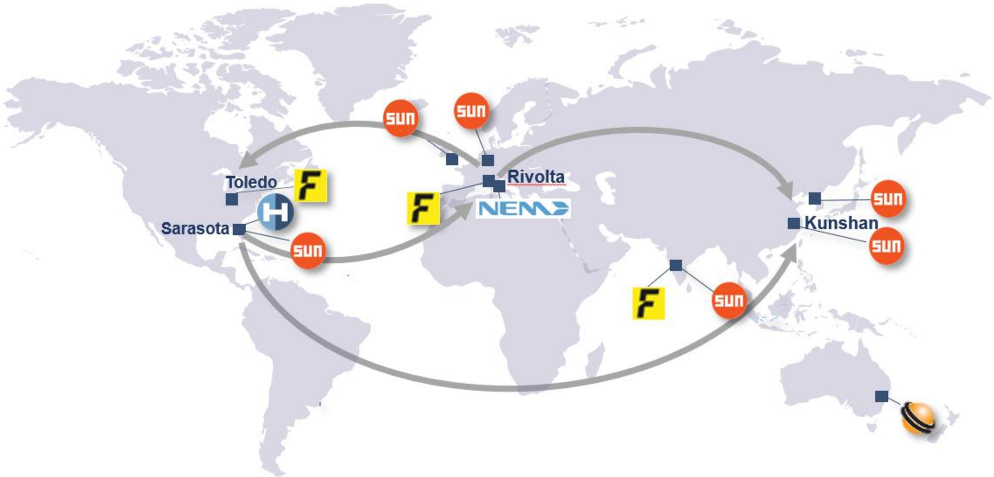
**Leverage the global manufacturing footprint across businesses to:**
- Optimize overhead utilization
- Engage global talent and resources

**Drive 'in the region for the region' production and strategic vertical integration to:**
- Reduce logistics costs & supply chain risks
- Hedge currency risks

**Align value streams and regional footprints to support system solutions in order to:**
- Accelerate commercial growth
- Enable commercial opportunities globally

### Active Project Flows for Electronics Segment

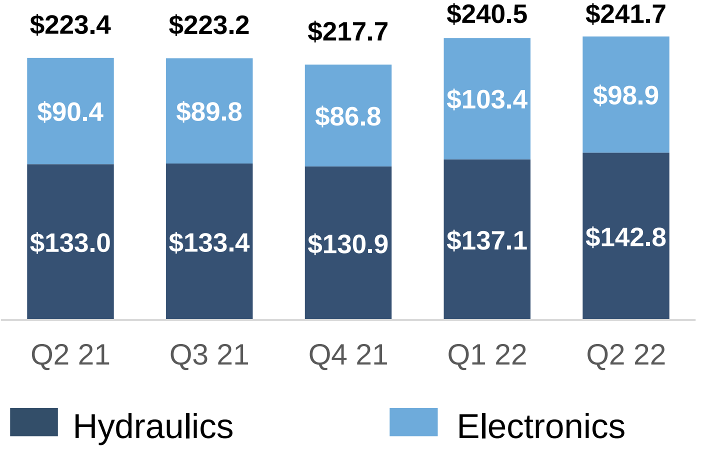

### Active Project Flows for Hydraulics Segment



# Q2 2022 – Consolidated Results

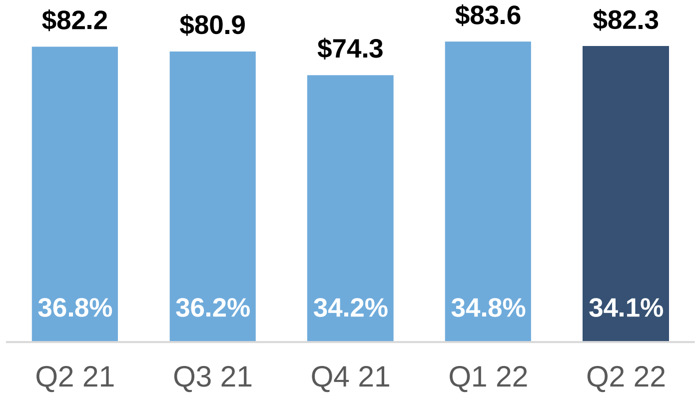
## Sales

($ millions)

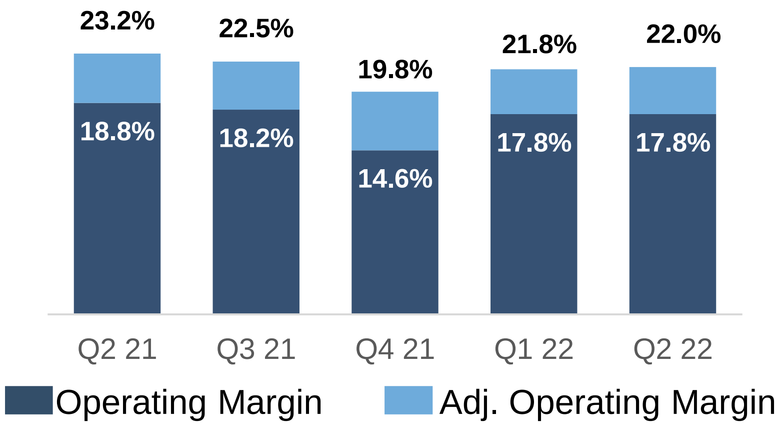



## Gross Profit & Margin

($ millions)

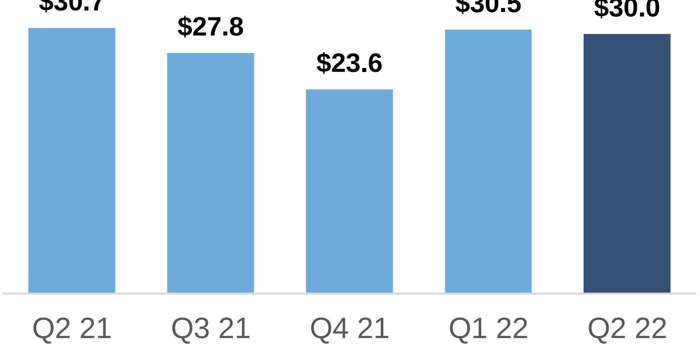



## Operating / Adj. Op. Margin(1)




## Net Income

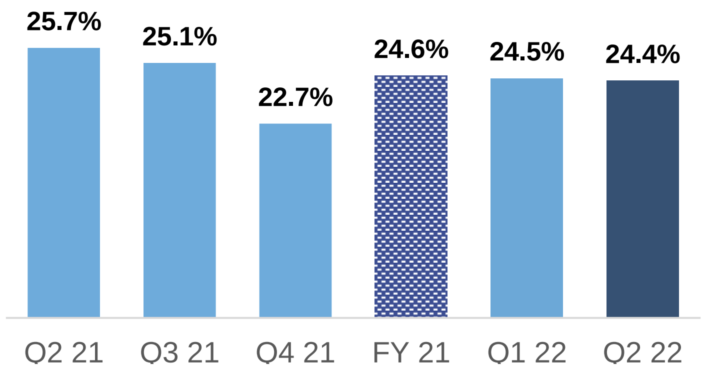
($ millions)




(1) See Supplemental Information for definition of Adjusted Operating Margin, and reconciliation from GAAP and other disclaimers regarding non-GAAP information.

# Q2 2022 – Consolidated Results

## Adj. EBITDA Margin(1)



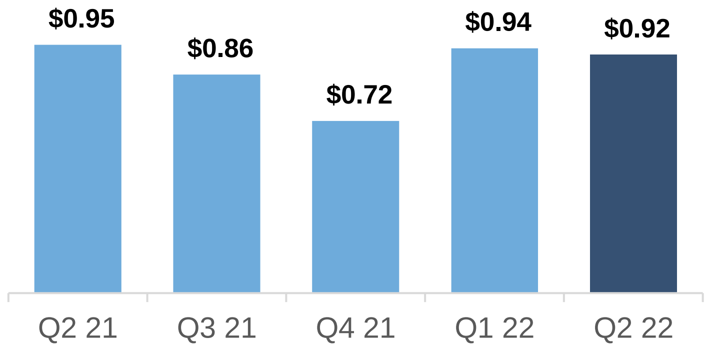

## Adjusted EBITDA Margin Drivers

- Delivering top-tier industry performance in the face of inflationary headwinds and supply chain constraints

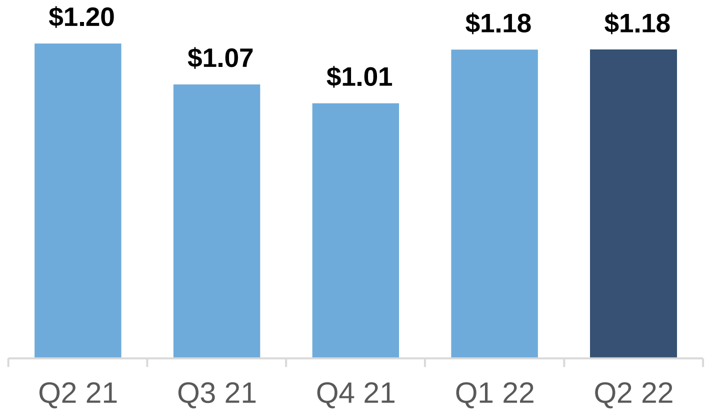
## Diluted Earnings Drivers

- Tailwinds: operating efficiencies, leverage and price improvements; Headwinds: FX, inflation and higher tax rate

## Diluted GAAP EPS



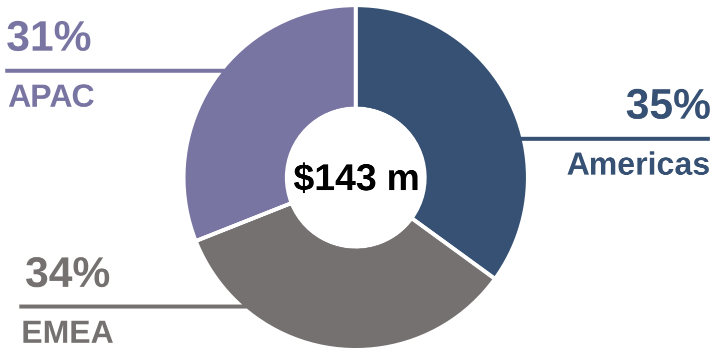

## Diluted Non-GAAP Cash EPS(1)




(1) See Supplemental Information for definition of Adjusted EBITDA Margin and Diluted non-GAAP Cash EPS, and reconciliation from GAAP and other disclaimers regarding non-GAAP information.

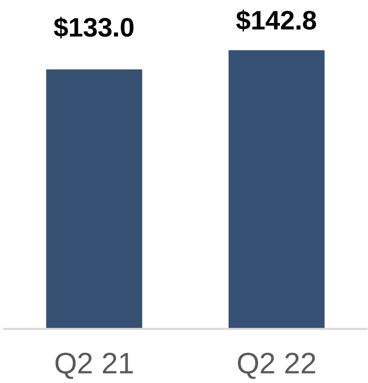
# Q2 2022 – Hydraulics Segment

## Q2 Sales by Region

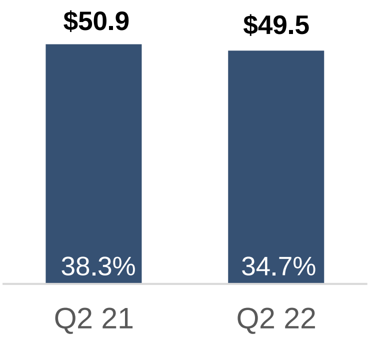



*($ in millions)*

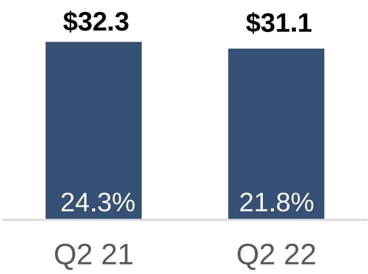
### Sales




### Gross Profit




### Operating Income




## Second Quarter Highlights

### Sales Drivers

- Continued strength in industrial machinery, renewable energy, power generation, oil & gas, material handling, construction, forestry equipment, and specialty vehicles
- Sales growth 7% YoY (13% in constant currency[(1)]); Organic revenue growth of 8% YoY (in constant currency[(1)]); Acquisition added $5.7 million
- Unfavorable FX impact of $7.0 million; supply chain constraints delayed an estimated $6.0 million in sales

### Gross Profit and Margin Drivers

- Gross profit decreased $1.4 million due primarily to unfavorable FX of $1.9 million
- Gross margin reflects increases in material costs, product mix and labor cost increases from higher wages and overtime

### Operating Income and Margin

- Operating income down $1.2 million with SEA as a % of sales improving by 110 basis points to 12.9% of revenue
- 250 basis point impact on margin reflects gross margin drivers offset by fixed cost leverage on higher sales and cost management

(1) Reflects a non-GAAP financial measure; see supplemental slide for Non-GAAP sales growth reconciliation.

# Hydraulics Segment Overview

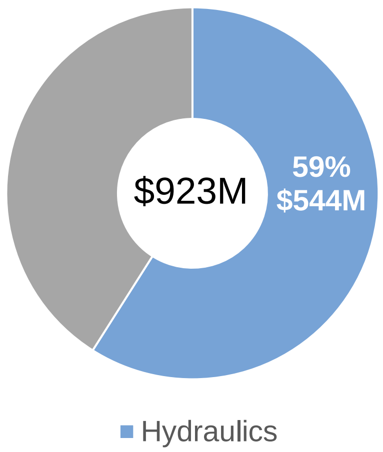
HELIOS® TECHNOLOGIES

| sun hydraulics® | Faster® easier to connect. | CUSTOM® fluid power |
|---|---|---|
| seungwon solution, sun FLeX, NEM | TAIMI | |
| Screw-in hydraulic cartridge valves, electro-hydraulics, manifolds, integrated packages for the industrial & mobile hydraulics markets | Quick-release hydraulic couplings, casting solutions & multi-connection for mobile off-highway applications | Distribution of hydraulic, pneumatic, filtration, lubrication and electronic products; system design & installation, servicing & repairs |

Our trusted global brands deliver technology solutions that ensure safety, reliability, connectivity & control

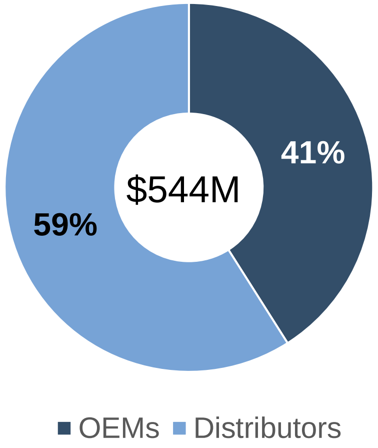
## Segment Revenue as % of Total

(TTM 2Q22)




## Hydraulics Revenue by Channel

(TTM 2Q22)[1]

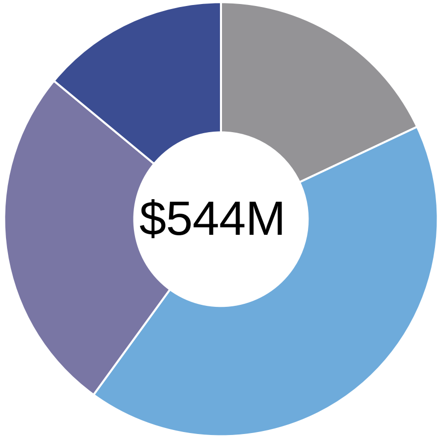



(1) OEM and Distributors channel percentages based on FY2021 mix

# *Hydraulics End Markets Today*

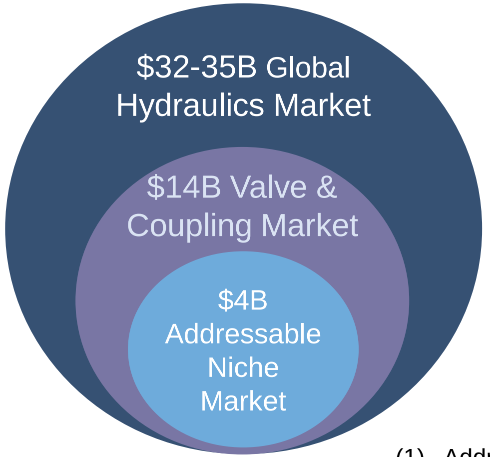
## Revenue by End Market

(TTM 2Q22)[2]




- Industrial
- Mobile
- Agricultural
- Other

## Current Total Addressable Market[1]




## Defining End Markets

- Channels to market are decades strong
- A material “off-balance sheet asset”
- Conduit for growth and expansion


- Dedicated Sales Force
- Executive Engagement
- Strategic Positioning
- Channel Management Integrity
- Market-driven Innovation

(1) Addressable market data analyzed through a variety of industry analyst reports and management estimates.
(2) Absolute dollars based on TTM 2Q22; End market mix based on FY 2021 split

# *Hydraulics Market Expansion Potential*

## Current Markets


Material Handling


Specialized Vehicles


Forestry Equipment


Agriculture


Renewable Energy


Mining


Marine/Offshore


Construction


Factory Automation


Packaging & Processing


Machine Tools & Presses


Exploration

## Growth Markets


Recreational

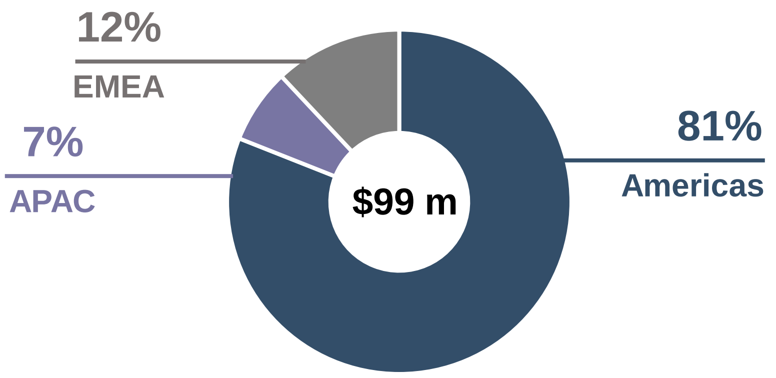

Pharmaceutical


Health & Wellness


Thermo-Dynamic

# Q2 2022 – Electronics Segment

## Q2 Sales by Region




($ in millions)


## Second Quarter Highlights

### Sales Drivers

- Continued strength in industrial machinery, oil & gas, construction, specialty vehicles, marine, and off-road vehicles
- Sales growth 9% YoY (10% in constant currency[(1)]); Organic revenue growth of 9% YoY (in constant currency[(1)]); Acquisitions added $1.0 million in sales
- Unfavorable FX impact was $0.5 million; supply chain constraints delayed an estimated $9.1 million in sales

### Gross Profit and Margin Drivers

- Gross profit increased $1.6 million, or 5% due to higher volume and pricing
- Gross margin reflects increases in raw material costs

### Operating Income and Margin

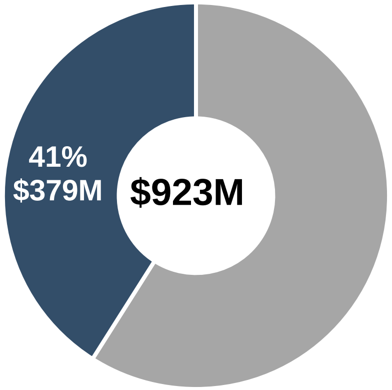
- Operating income up $0.7 million with SEA as a % of sales improving by 20 basis points to 12.6% of revenue
- 120 basis point impact on margin reflects flow through of gross margin offset by fixed cost leverage on higher sales and cost management

(1) Reflects a non-GAAP financial measure; see supplemental slide for Non-GAAP sales growth reconciliation.

# Electronics Segment Overview

## Segment Revenue as % of Total

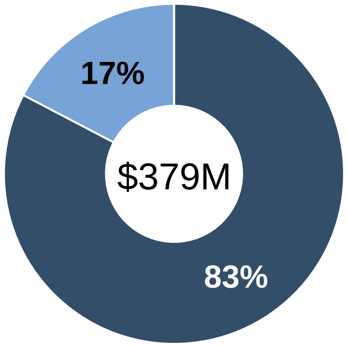
(TTM 2Q22)




■ Electronics

## Electronics Revenue by Channel

(TTM 2Q22)




■ OEMs ■ Distributors

HELIOS TECHNOLOGIES

ENOVATION CONTROLS

MURPHY by ENOVATION CONTROLS

Rugged Electronic Monitoring & Control Solutions

HCT by ENOVATION CONTROLS

Hydraulic Control Solutions

ZEROOFF by ENOVATION CONTROLS

GPS Speed Control for Recreational Marine

BALBOA water group

Electronic Controls and Accessories for Spas, Swimspas & Walk-In Baths

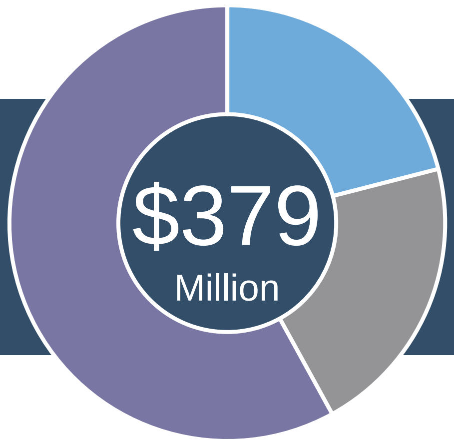
JOYONWAY

Our trusted global brands deliver technology solutions that ensure safety, reliability, connectivity & control

# Electronics End Markets Today

## Revenue by End Market

(TTM 2Q22)[2]




- Industrial, Mobile & Agriculture
- Recreational
- Health & Wellness

### Industrial & Mobile

- Off-Highway
- Material Handling
- Agriculture
- Construction
- Lawn and Garden

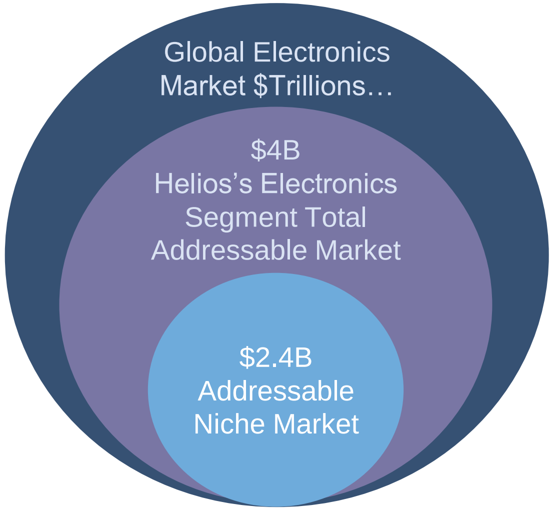
### Recreational

- Marine
- On/Off-Road Vehicles

### Health & Wellness

- Walk-in Baths
- Spas & Swim Spas
- Whirlpool Baths

## Current Addressable Market[1]




(1) Addressable market data analyzed through a variety of industry analyst reports and management estimates. End markets include; agriculture, construction, material handling, industrial stationary, recreational marine, recreational vehicle, and lawn and garden. Product categories include; Spa & Swim Spa, Walk-in Baths, and Whirlpool Baths.

(2) Absolute dollars based on TTM 2Q22; End market mix based on FY 2021 split

# *Electronics Market Expansion Potential*

**Current Markets**


Material Handling


Specialized Vehicles


Stationary Equipment


Agriculture


Health & Wellness


Construction


Recreational


Mining

**Growth Markets**


On-Road Recreation

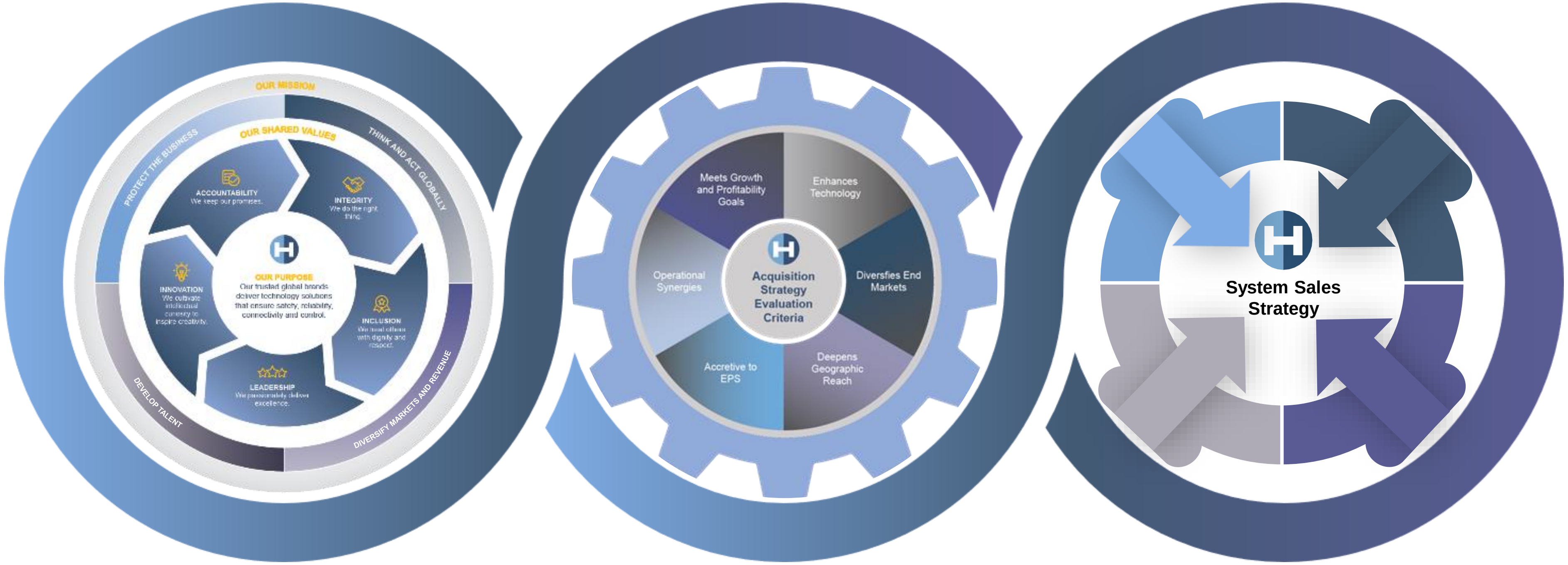

Commercial Food Service


Bus & Transportation


Commercial Lawn Equipment


Commercial HVAC

# *Value Proposition of Augmented Strategy*



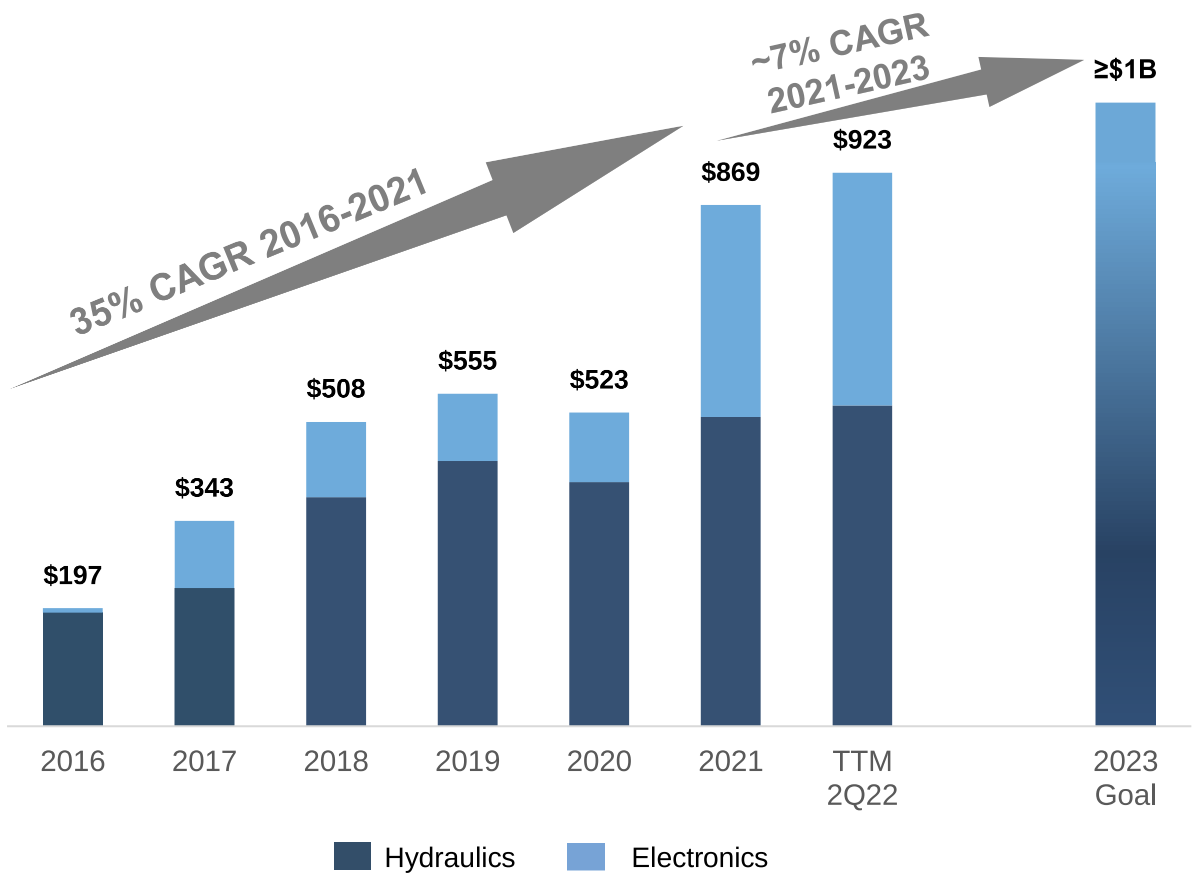

## How We Win

- ✓ Increase wallet/market share
- ✓ Create "Sticky Solutions"
- ✓ Drive operational efficiencies
- ✓ Develop deeper, more strategic relationships
- ✓ Grow diversified markets through R&D cross pollination

# Accelerating Growth: Hitting $1B Milestone Two Years Early

## Historic and Projected Revenue

($ millions)



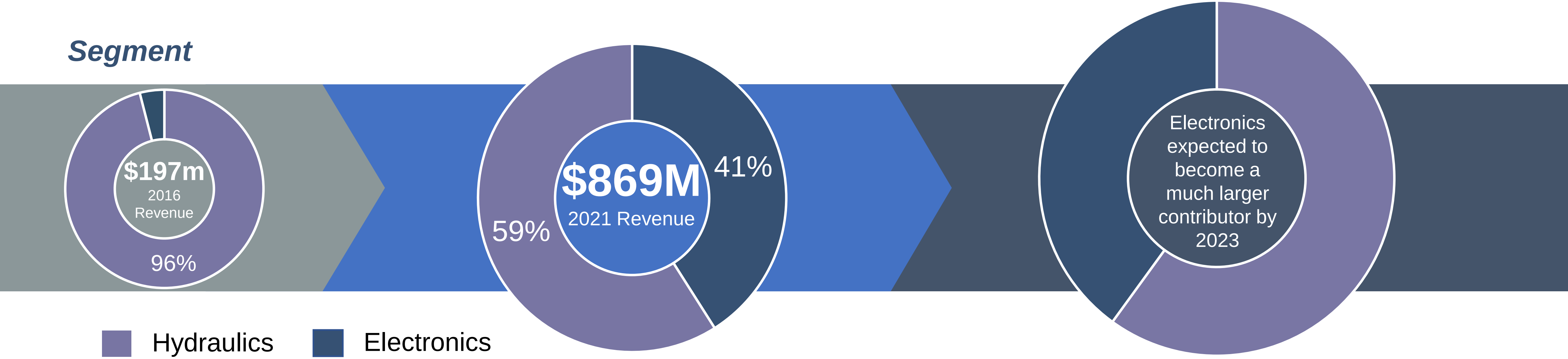

## Growth Highlights

- Outpacing market growth by ~2x[1]; Our markets grow on average 3% to 5%
- Diversifying our markets, our products and our applications
- Leveraging a strong pipeline of new innovative products
- Executing well on our disciplined acquisition strategy
- Pivoting to an integrated operating company
- Implementing our strategy through a scalable approach
- Transitioning from component to system sales
- Growth driven by combination of organic growth and flywheel acquisitions

(1) Based on constant currency which reflects a non-GAAP financial measure; see supplemental slide for Non-GAAP sales growth reconciliation.

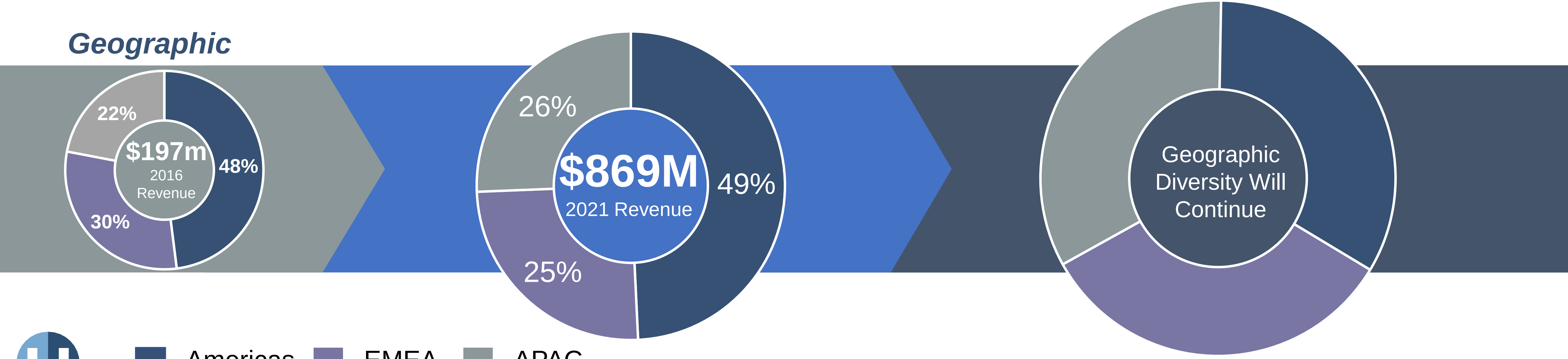
# Revenue Diversification Expected to Continue

## Segment




Hydraulics Electronics

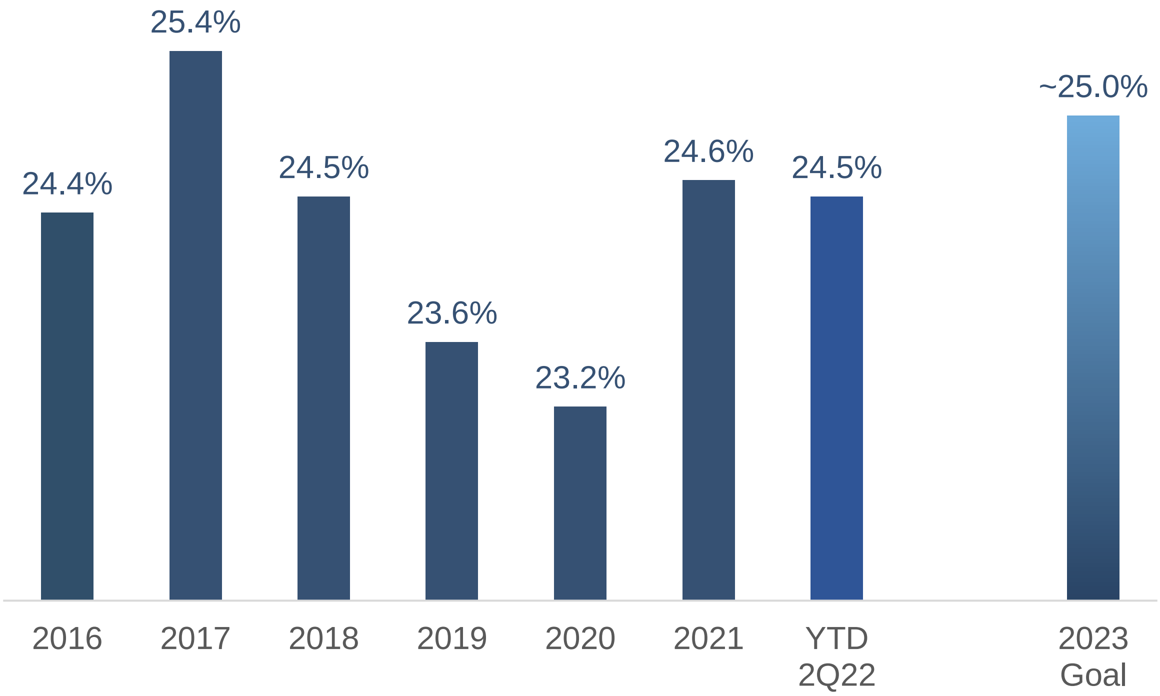
## Geographic




Americas EMEA APAC

# Strong Margins with a Pathway to Grow

## Historic and Projected Adj. EBITDA Margin



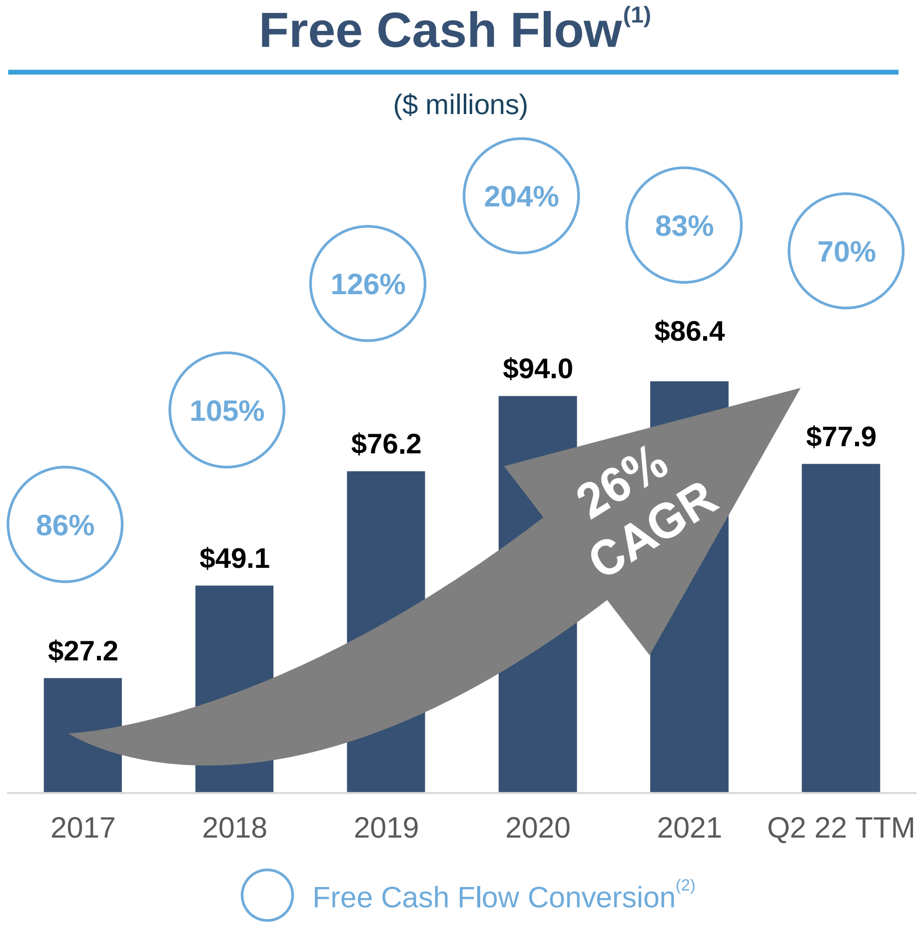

## Growth Highlights

- Leveraging shared global supply chains
- Integrating manufacturing operations and systems
- Leveraging manufacturing centers in developed and low-cost locations
- Utilizing capacity to achieve manufacturing footprint leverage
- Driving continuous Kaizen manufacturing process improvements
- Targeting capital investments to maximize efficiency with the latest technology
- Exercising a disciplined acquisition strategy with a strong track record of adding accretive businesses with solid operating and EBITDA margins

# Strong Cash Flow

| | Three Months Ended | |
|---|---|---|
| | 7/2/22 | 7/3/21 |
| Net cash provided by operating activities | $29.5 | $34.5 |
| CapEx | (7.9) | (5.3) |
| **Free cash flow (FCF)[1]** | **$21.6** | **$29.1** |

Note: Components may not add to totals due to rounding




## Consistent cash generation and free cash flow

- Solid cash generation even with strategic inventory investments to combat supply chain challenges; DOH up 27% over prior year
- Q2 2022 CapEx of $7.9 million, or 3% of sales
- Inventory modestly lower from the end of Q1 2022 as operations deliver on past due backlog

(1) Free cash flow is a non-GAAP financial measure and defined as cash provided by operating activities minus capital expenditures.
(2) Free cash flow conversion is a non-GAAP financial measure and defined as free cash flow divided by net income

# Capital Allocation Priorities

## Capital Allocation Priorities

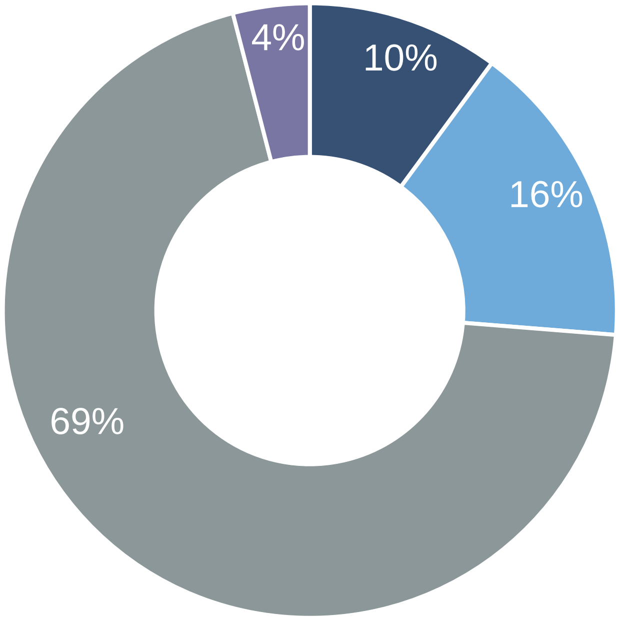
**1 ORGANIC GROWTH**
- Grow at ~2x[(2)] market
- New product development
- Integrate electronics and hydraulics know-how
- Support product platform

**2 DEBT REDUCTION**
- Goal of ≤ 2.0x net debt / adjusted EBITDA

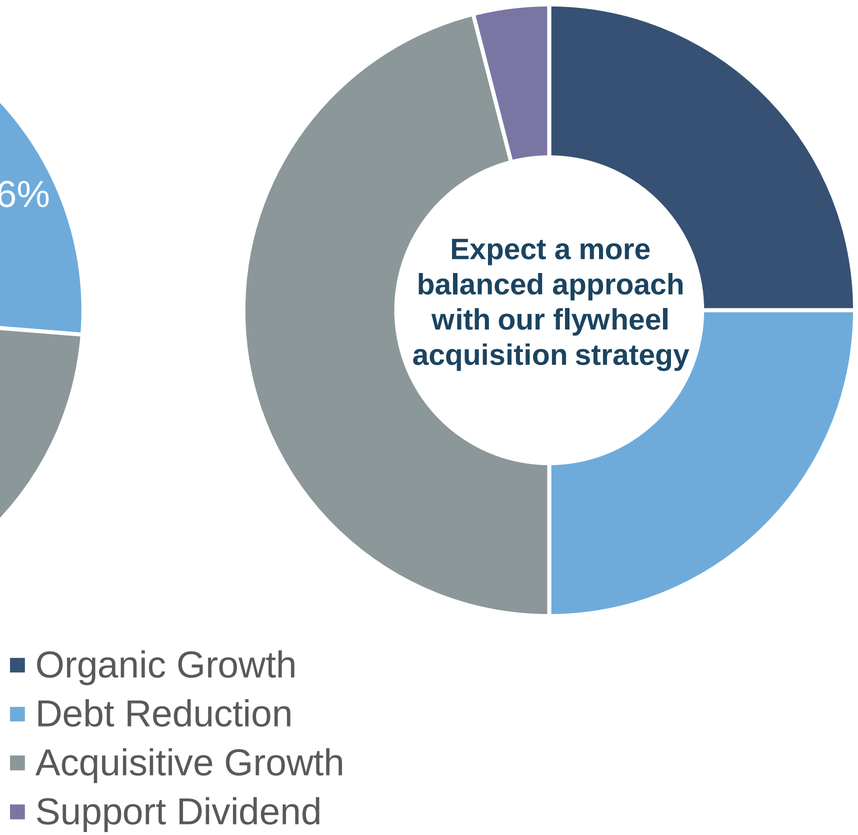
**3 ACQUISITIVE GROWTH**
- Ongoing assessment of M&A opportunities

**4 SUPPORT DIVIDEND**
- Maintain quarterly dividend

## Last 5 Years[(1)]




## Near-Term




(1) Based on YE 2021 data.
(2) Based on constant currency which reflects a non-GAAP financial measure; see supplemental slide for Non-GAAP sales growth reconciliation.

# *Capital Structure*

| Capitalization | | |
|---|---|---|
| | 7/2/22 | 7/3/21 |
| Cash and cash equivalents | $41.3 | $34.3 |
| **Total debt** | **419.1** | **437.1** |
| **Total net debt**[1] | **377.7** | **402.8** |
| Shareholders' equity | 747.0 | 658.3 |
| **Total capitalization** | **$1,166.1** | **$1,095.4** |
| Debt/total capitalization | **36.0%** | 39.9% |

Note: Components may not add to totals due to rounding

**Financial Flexibility**

- Cash and cash equivalents up $8.3 million, or 25%, from the end of Q1 2022
- Generated $29.5 million of operating cash flow in Q2, up 101% sequentially over Q1 2022
- Achieved net debt/pro forma Adjusted EBITDA of 1.68x[2] :
  - Maintained long-term target level of below 2.0x down from 1.89x[3] at the end of 2021
- Company expects to invest approximately 3% to 5% of sales in capital expenditures in 2022; expecting lower end of range
- Ended the quarter with total liquidity of $216 million
- Paid dividends consistently for 102 sequential quarters or over twenty-five years!

(1) Net debt is a non-GAAP financial measure and is defined as total debt less cash and cash equivalents; see supplemental slides for a reconciliation to the most comparable GAAP measure.
(2) Pro Forma for the NEM and Joyonway acquisitions.
(3) Pro Forma for the NEM and Balboa acquisitions.
See supplemental slide for net debt-to-Pro Forma Adjusted EBITDA reconciliation and other important information regarding Helios' use of net debt-to-Pro Forma Adjusted EBITDA.

# Proven M&A Framework

## Goals

- Meets Growth and Profitability Goals
- Enhances Technology
- Diversifies End Markets
- Deepens Geographic Reach
- Accretive to EPS
- Operational Synergies

## Targets

- Strong management
- Culture supporting innovation
- Superior profitability
- <$100M "Flywheel" bolt-on
- >$100M "Transformational"

## Integration Model

- Successful on standalone basis
- Retain employees
- Keep customer relationships
- Retain brands
- Leverage engineering expertise
- High emphasis on sales synergies

| Business Segment | Hydraulics | | Electronics |
|---|---|---|---|
| Portfolio/ Technology | Cartridge Valve Technology (CVT) | Quick Release Couplings (QRC) | Electronic Controls & Instrumentation |
| Brands | Faster, sun hydraulics, NEM | CUSTOM fluidpower, TAIMI | ENOVATION CONTROLS, BALBOA water group, MURPHY by ENOVATION CONTROLS, JOYONWAY |

# *Accelerated Plans*

## Hitting $1B Milestone in Sales Two Years Early

≥$1B in Sales by YE 2023

Organic Sales Growth ~2x Market Rates

~25% Adj. EBITDA Margin(1) by YE 2023

Organic Non-GAAP Cash EPS CAGR(2) ≥22%

## With Enhanced Margin Profile

(1) Reflects a non-GAAP financial measure; see supplemental slide for Adjusted EBITDA margin reconciliation
(2) CAGR is calculated between 2020 to 2023. Tax rate assumption is 24% to 26%.

# Driving Growth and Delivering Profitability

## 1 Strategy Recap

Pivoting to an operating company

## 2 Growth Opportunities

Expanding existing markets, adding adjacent markets, diversifying geographic markets

## 3 Operational Efficiencies

Streamlining sales, innovation, and global manufacturing teams

## 4 Financial Position

Growing free cash flow driving growth and leverage reduction

## 5 Targets

Meeting revenue goals 2 years early, expanding margin profile

**AUGMENTING** *STRATEGY*
**ADVANCING** *TECHNOLOGIES*
**ACCELERATING** *GROWTH*

# *Non-GAAP Reconciliation Tables*

# Adjusted Operating Income Reconciliation

| *(Unaudited)*<br>*($ in thousands)* | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 2, 2022 | July 3, 2021 | July 2, 2022 | July 3, 2021 |
| GAAP operating income | $ 42,977 | $ 42,062 | $ 85,863 | $ 76,671 |
| Acquisition-related amortization of intangible assets | 6,799 | 7,680 | 13,780 | 17,878 |
| Acquisition and financing-related expenses | 942 | 1,325 | 1,801 | 2,247 |
| Restructuring charges | 1,681 | - | 1,950 | 418 |
| Officer transition costs | - | 569 | 301 | 569 |
| Acquisition integration costs | 609 | 289 | 1,728 | 884 |
| Other | 191 | - | 191 | - |
| Non-GAAP adjusted operating income | $ 53,199 | $ 51,925 | $ 105,614 | $ 98,667 |
| *GAAP operating margin* | *17.8%* | *18.8%* | *17.8%* | *17.9%* |
| *Non-GAAP adjusted operating margin* | *22.0%* | *23.2%* | *21.9%* | *23.0%* |

***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' financial statements, as they are used as analytical indicators by Helios' 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 | | Six Months Ended | |
|---|---|---|---|---|
| | July 2, 2022 | July 3, 2021 | July 2, 2022 | July 3, 2021 |
| Net income | $ 30,036 | $ 30,694 | $ 60,514 | $ 53,282 |
| Amortization of intangible assets | 6,926 | 7,713 | 14,031 | 17,944 |
| Acquisition and financing-related expenses | 942 | 1,325 | 1,801 | 2,247 |
| Restructuring charges | 1,681 | - | 1,950 | 418 |
| Officer transition costs | - | 569 | 301 | 569 |
| Acquisition integration costs | 609 | 289 | 1,728 | 884 |
| Change in fair value of contingent consideration | 632 | - | 1,469 | - |
| Other | 191 | 698 | 191 | 698 |
| Tax effect of above | (2,745) | (2,649) | (5,368) | (5,690) |
| Non-GAAP cash net income | $ 38,272 | $ 38,639 | $ 76,617 | $ 70,352 |
| Non-GAAP cash net income per diluted share | $ 1.18 | $ 1.20 | $ 2.35 | $ 2.18 |

***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' 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 | | Six Months Ended | | Twelve Months Ended |
|---|---|---|---|---|---|
| | July 2, 2022 | July 3, 2021 | July 2, 2022 | July 3, 2021 | July 2, 2022 |
| Net income | $ 30,036 | $ 30,694 | $ 60,514 | $ 53,282 | $ 111,829 |
| Interest expense, net | 3,813 | 4,400 | 7,621 | 9,151 | 15,342 |
| Income tax provision | 8,720 | 6,575 | 17,494 | 13,382 | 30,695 |
| Depreciation and amortization | 12,423 | 12,905 | 24,977 | 28,142 | 51,236 |
| EBITDA | 54,992 | 54,574 | 110,606 | 103,957 | 209,102 |
| Acquisition and financing-related expenses | 942 | 1,325 | 1,801 | 2,247 | 5,295 |
| Restructuring charges | 1,681 | - | 1,950 | 418 | 2,004 |
| Officer transition costs | - | 569 | 301 | 569 | 50 |
| Inventory step-up amortization | - | - | - | - | 558 |
| Acquisition integration costs | 609 | 289 | 1,728 | 884 | 3,694 |
| Change in fair value of contingent consideration | 632 | - | 1,469 | - | 2,518 |
| Other | 191 | 698 | 191 | 698 | 119 |
| Adjusted EBITDA | $ 59,047 | $ 57,455 | $ 118,046 | $ 108,773 | $ 223,340 |
| *Adjusted EBITDA margin* | *24.4%* | *25.7%* | *24.5%* | *25.4%* | *24.2%* |
| | | | | | |
| Pre-acquisition adjusted EBITDA, NEM and Joyonway | | | | | 1,793 |
| TTM Pro forma adjusted EBITDA | | | | | $ 225,133 |

***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' financial statements, as they are used as analytical indicators by Helios' 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.*

# Free Cash Flow Reconciliation

| (Unaudited)<br>($ in thousands) | 2017 | 2018 | 2019 | 2020 | 2021 | Q2 2022 TTM |
|---|---|---|---|---|---|---|
| Net cash provided by operating activities | $ 49,382 | $ 77,450 | $ 90,480 | $ 108,556 | $ 113,202 | $ 107,873 |
| Contingent consideration payment in excess of acquisition date fair value | - | - | 10,731 | - | - | - |
| Adjusted net cash provided by operating activities | 49,382 | 77,450 | 101,211 | 108,556 | 113,202 | 107,873 |
| Capital expenditures | 22,205 | 28,380 | 25,025 | 14,580 | 26,794 | 29,956 |
| Adjusted Free cash flow | $ 27,177 | $ 49,070 | $ 76,186 | $ 93,976 | $ 86,408 | $ 77,917 |
| | | | | | | |
| Net income | 31,558 | 46,730 | 60,268 | 14,218 | 104,596 | 111,828 |
| Goodwill impairment | - | - | - | 31,871 | - | - |
| Net income, less goodwill impariment | $ 31,558 | $ 46,730 | $ 60,268 | $ 46,089 | $ 104,596 | $ 111,828 |
| Free cash flow conversion | 86% | 105% | 126% | 204% | 83% | 70% |

***Non-GAAP Financial Measure:***

*Adjusted net cash provided by operating activities is net cash provided by operating activities less contingent consideration payment in excess of acquisition date fair value. Free cash flow is net cash provided by operating activities less capital expenditures. Adjusted free cash flow is adjusted net cash provided by operating activities less capital expenditures. Each of these measures has not been determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Helios believes that providing this non-GAAP information is important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios' management to better understand our liquidity. Because these are non-GAAP measures, they are susceptible to varying calculations, and as presented, may not be directly comparable to other similarly titled measures used by other companies.*

# Non-GAAP Sales Growth Reconciliation

| *(Unaudited)* *($ in millions)* | Three Months Ended | | |
|---|---|---|---|
| | Hydraulics | Electronics | Consolidate |
| Q2 2022 Net Sales | $ 142.8 | $ 98.9 | $ 241.7 |
| Impact of foreign currency translation[1] | 7.0 | 0.5 | 7.5 |
| Net Sales in constant currency | 149.8 | 99.4 | 249.2 |
| Less: Acquisition related sales | (5.7) | (1.0) | (6.6) |
| Organic sales in constant currency | $ 144.1 | $ 98.4 | $ 242.6 |
| | | | |
| Q2 2021 Net Sales | $ 133.0 | $ 90.4 | $ 223.4 |
| | | | |
| Net sales growth | 7% | 9% | 8% |
| Net sales growth in constant currency | 13% | 10% | 12% |
| Organic net sales growth in constant currency | 8% | 9% | 9% |

[1] The impact from foreign currency transaltion is calcualted by translating current period activity at average prior period exchange rates.

***Non-GAAP Financial Measure:***

*Adjusted net cash provided by operating activities is net cash provided by operating activities less contingent consideration payment in excess of acquisition date fair value. Free cash flow is net cash provided by operating activities less capital expenditures. Adjusted free cash flow is adjusted net cash provided by operating activities less capital expenditures. Each of these measures has not been determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Helios believes that providing this non-GAAP information is important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios' management to better understand our liquidity. Because these are non-GAAP measures, they are susceptible to varying calculations, and as presented, may not be directly comparable to other similarly titled measures used by other companies.*

# Net Debt to Adjusted EBITDA Reconciliation

*(Unaudited)*
*($ in thousands)*

| | As of July 2, 2022 |
|---|---|
| Current portion of long-term non-revolving debt, net | $ 19,157 |
| Revolving lines of credit | 226,092 |
| Long-term non-revolving debt, net | 173,807 |
| **Total debt** | **419,056** |
| Less: Cash and cash equivalents | 41,315 |
| **Net debt** | **$ 377,741** |
| | |
| TTM Pro forma adjusted EBITDA* | $ 225,133 |
| **Ratio of net debt to TTM pro forma adjusted EBITDA** | **1.68** |

*On a pro-forma basis for NEM and Joyonway

***Non-GAAP Financial Measure:***
*Net debt is total debt minus cash and cash equivalents. Net debt-to-Adjusted EBITDA is net debt divided by Adjusted EBITDA. Net debt and net debt-to-Adjusted EBITDA 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 net debt and net debt-to-Adjusted EBITDA are important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios' management to better understand operating performance. Because net debt and net debt-to-Adjusted EBITDA are non-GAAP measures and are thus susceptible to varying calculations, net debt and net debt-to-Adjusted EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.*