



HELIOS[®]
TECHNOLOGIES

Second Quarter 2020 Earnings

August 4, 2020

Josef Matosevic
President & CEO

Tricia L. Fulton
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”, Part I, Item 1A. “Risk Factors” in the Company’s Form 10-K for the year ended December 28, 2019 and Part II, Item 1A. “Risk Factors” in the Company’s Form 10-Q for the quarter ended March 28, 2020.

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.

Adaptable, proactive management team

Solid balance sheet and financial flexibility

Advancing new product development

Diversifying and expanding addressable markets

Recovering demand in certain markets



AGILE RESPONSE TO DRAMATIC CHANGE IN MARKET CONDITIONS



SOLID PROFITABILITY DESPITE THE NEGATIVE ECONOMIC IMPACT OF THE COVID-19 PANDEMIC



STRONG CASH GENERATION RESULTING IN **\$25.3 MILLION** OF CASH FROM OPERATIONS AND **\$23.0 MILLION** OF FREE CASH FLOW



NET DEBT REDUCTION OF \$16.7 MILLION EXPANDS ALREADY **STRONG LIQUIDITY** POSITION

(\$ in millions, except EPS)

\$119.3
Sales

(17%)

\$0.40
GAAP EPS

(26%)

22.6%
Adjusted EBITDA⁽¹⁾

(150) bps

\$0.55
Non-GAAP Cash EPS⁽²⁾

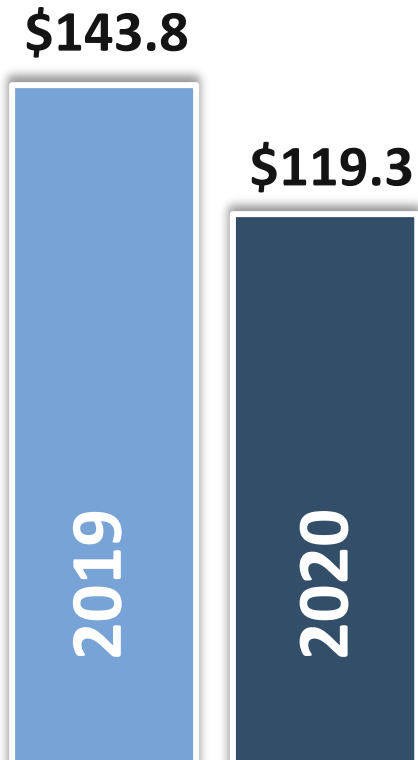
(15%)

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

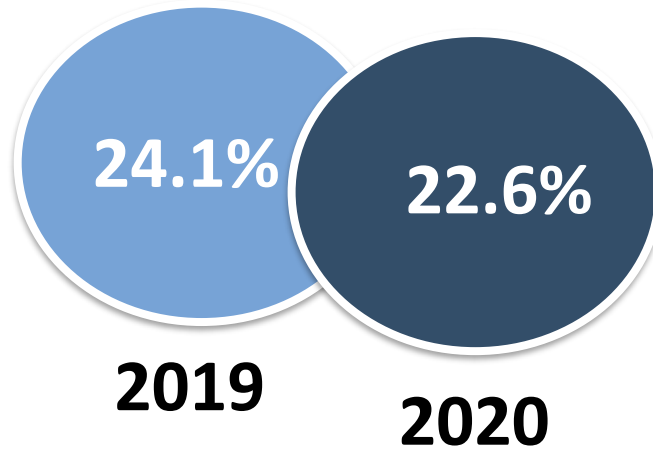
(2) See supplemental slide for Non-GAAP Cash Net Income reconciliation and other important information regarding Helios's use of Non-GAAP Cash Net Income and EPS

Sales

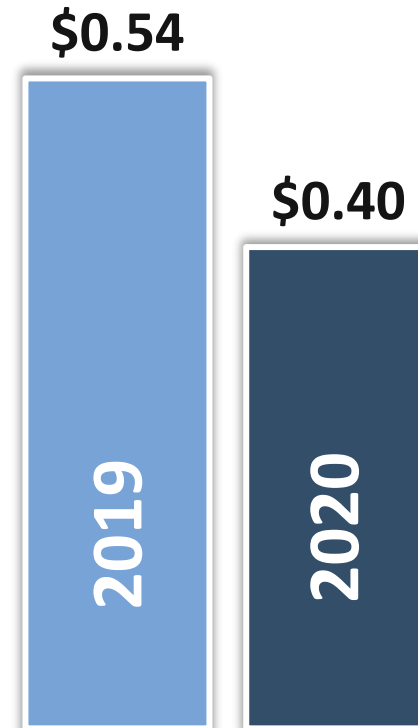
(\$ in millions)



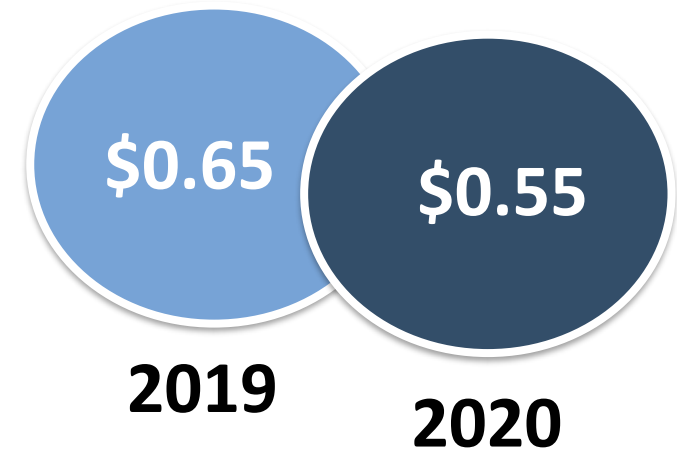
Adjusted EBITDA Margin⁽¹⁾



GAAP EPS



Non-GAAP Cash EPS⁽²⁾



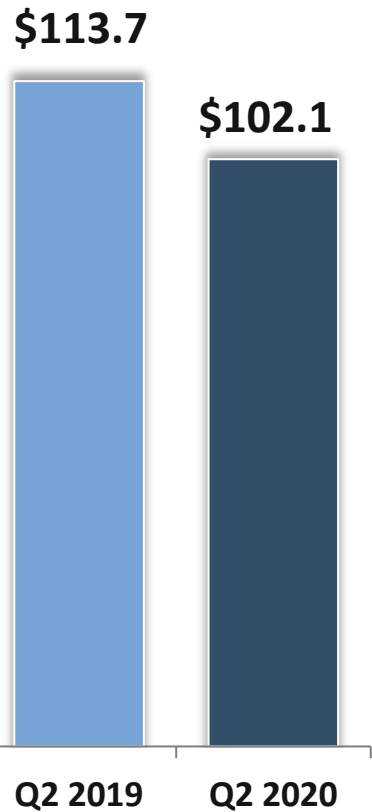
(1) See supplemental slide for Adjusted EBITDA reconciliation and other important information regarding Helios's use of Adjusted EBITDA

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

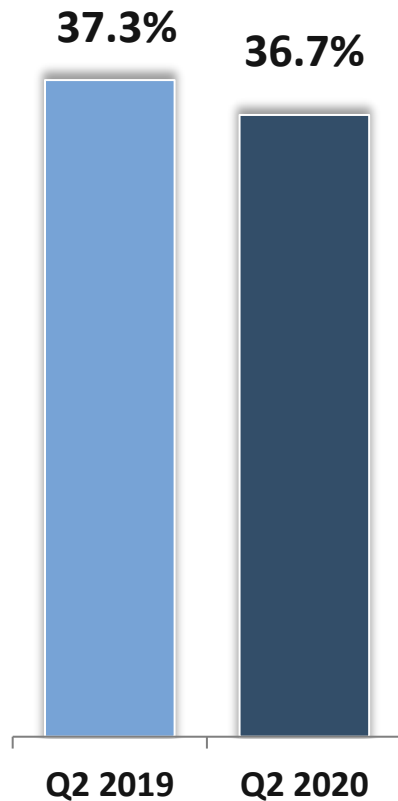
(\$ in millions)

Second Quarter Highlights

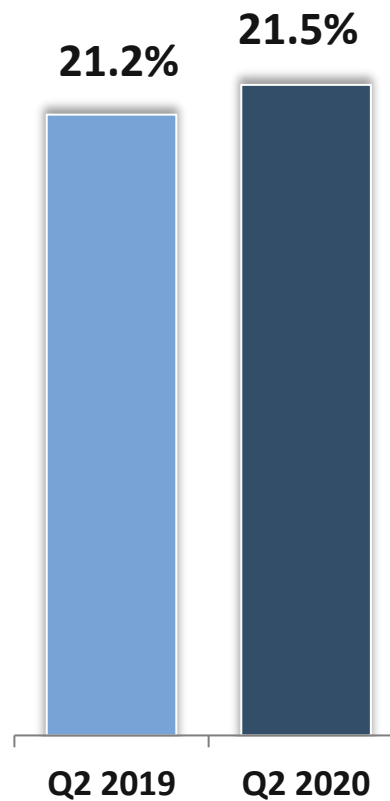
Sales



Gross Margin



Operating Margin



Drivers of Sales Decline

- Softer end market demand and reduced order taking due to COVID-19 pandemic
- \$1.6 million of unfavorable changes in FX

60 bps Gross Margin Reduction

- Favorable mix and cost containment efforts partially offset negative impact of lower volume

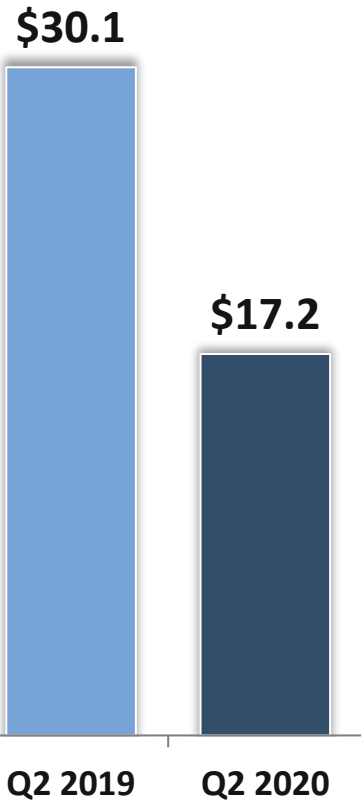
30 bps Operating Margin Improvement

- Reduction of SEA expenses drove operating margin expansion

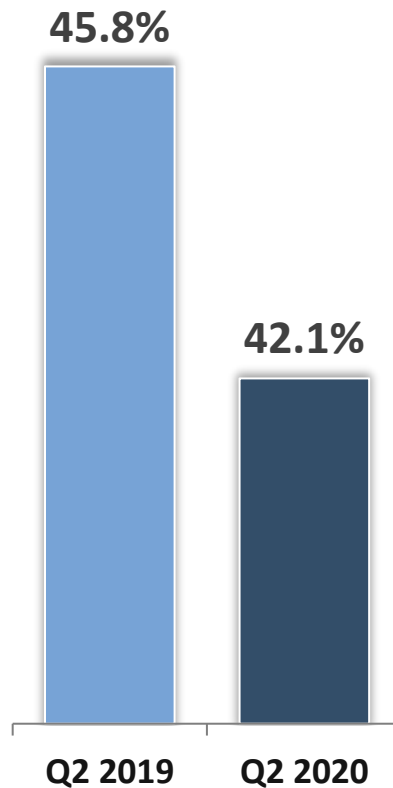
(\$ in millions)

Second Quarter Highlights

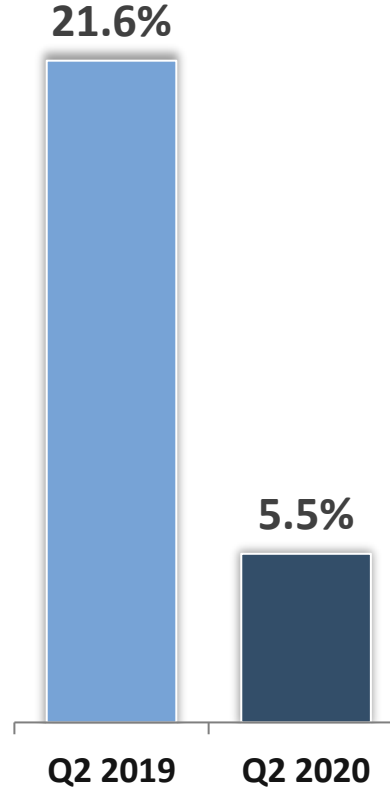
Sales



Gross Margin



Operating Margin



Drivers of Sales Decline

- Volume reduction due to COVID-19
- Soft demand in oil & gas markets
- Lost revenue from OEM shutdowns

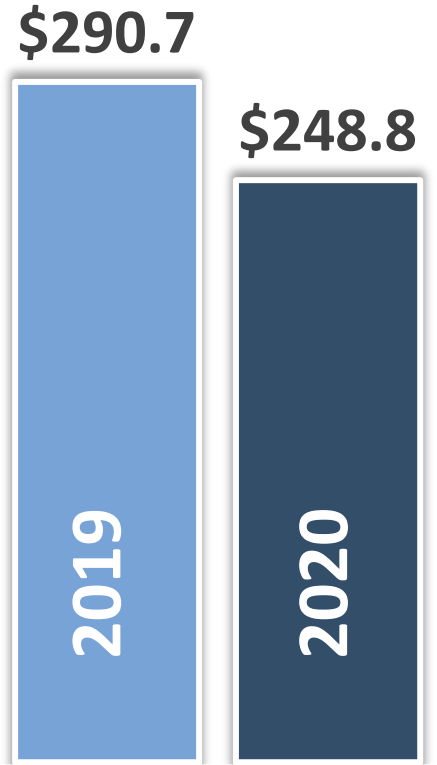
370 bps Gross Margin Reduction

- Decline in volume partially offset by continued cost management efforts

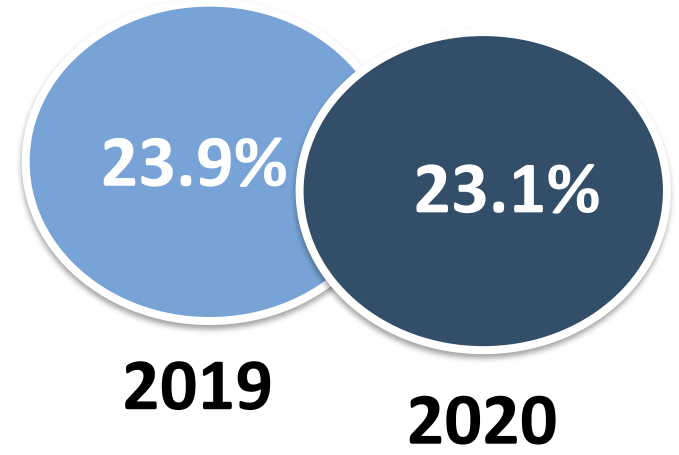
Drivers of Operating Margin Decline

- Lower sales volume and reduced leverage of fixed cost base

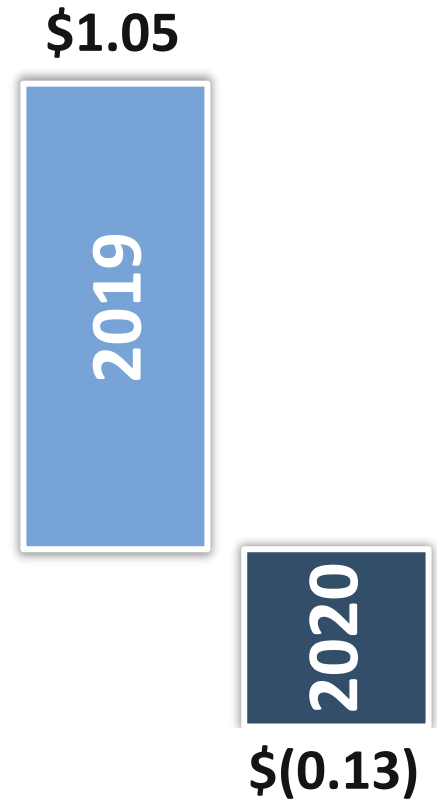
Sales
 (\$ in millions)



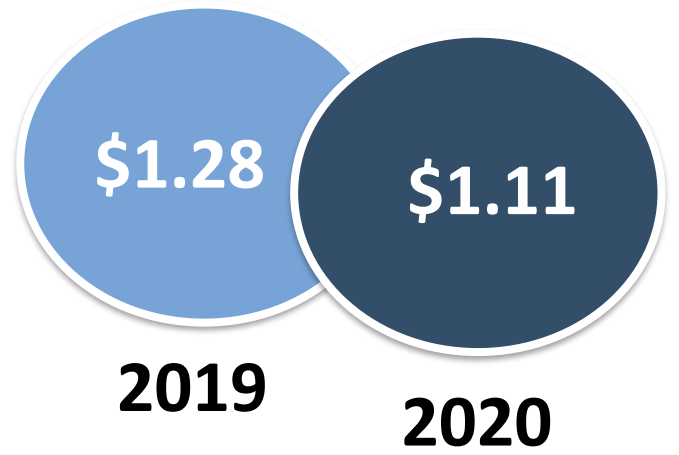
Adjusted EBITDA Margin⁽¹⁾



GAAP EPS⁽²⁾



Non-GAAP Cash EPS⁽³⁾

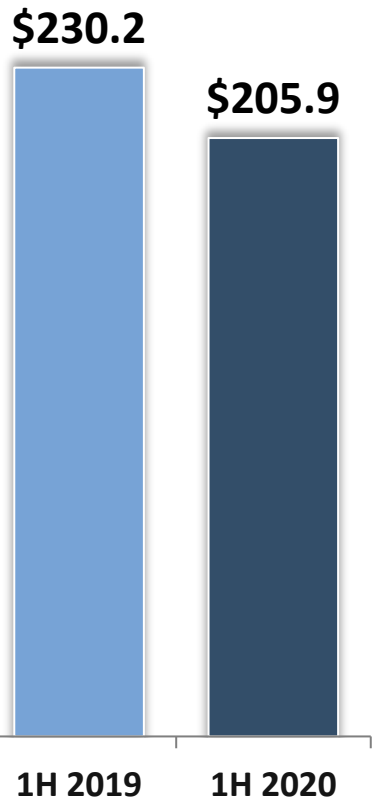


(1) See supplemental slide for Adjusted EBITDA reconciliation and other important information regarding Helios's use of Adjusted EBITDA
 (2) 2020 includes \$0.99 per share charge for goodwill impairment (after-tax)
 (3) See supplemental slide for Non-GAAP Cash Net Income reconciliation and other important information regarding Helios's use of Non-GAAP Cash Net Income and EPS

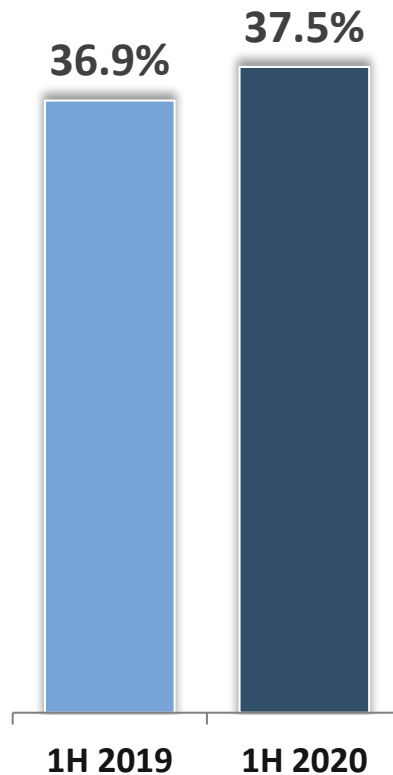
(\$ in millions)

First Half Highlights

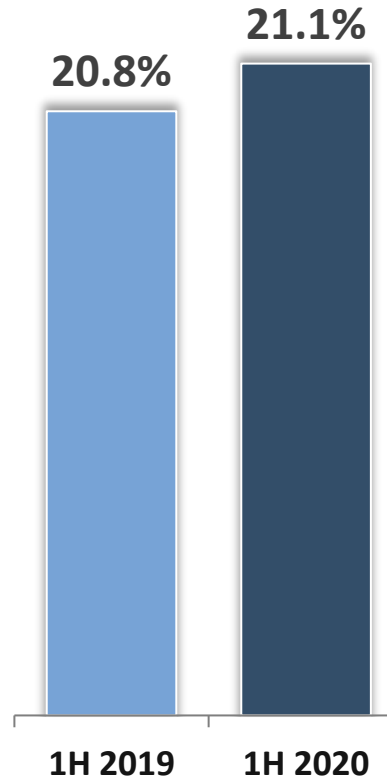
Sales



Gross Margin



Operating Margin



Drivers of Sales Decline

- Softer end market demand, reduced order taking and disruptions caused by the COVID-19 pandemic
- \$3.6 million of unfavorable changes in FX

60 bps Gross Margin Improvement

- Improved productivity and cost management efforts more than offset negative impacts of the pandemic

30 bps Operating Margin Improvement

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

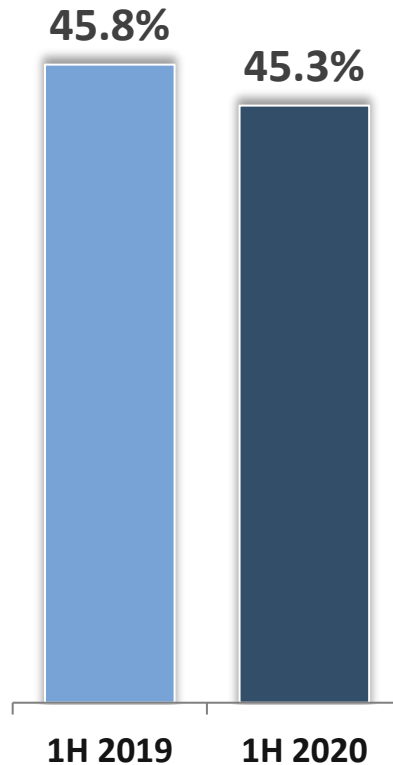
(\$ in millions)

First Half Highlights

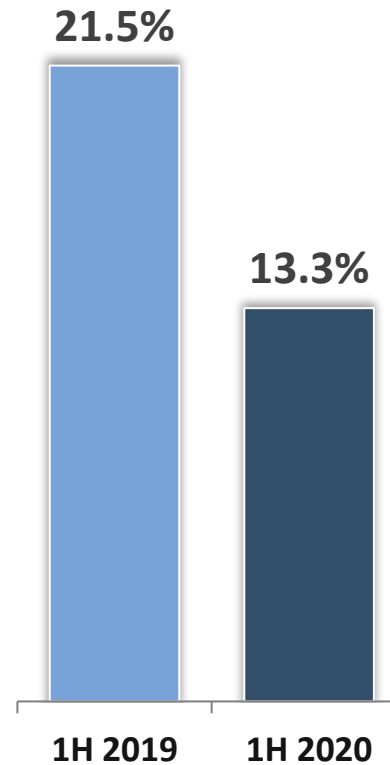
Sales



Gross Margin



Operating Margin



Drivers of Sales Decline

- Volume reduction due to COVID-19
- Softer demand in recreational and oil & gas markets

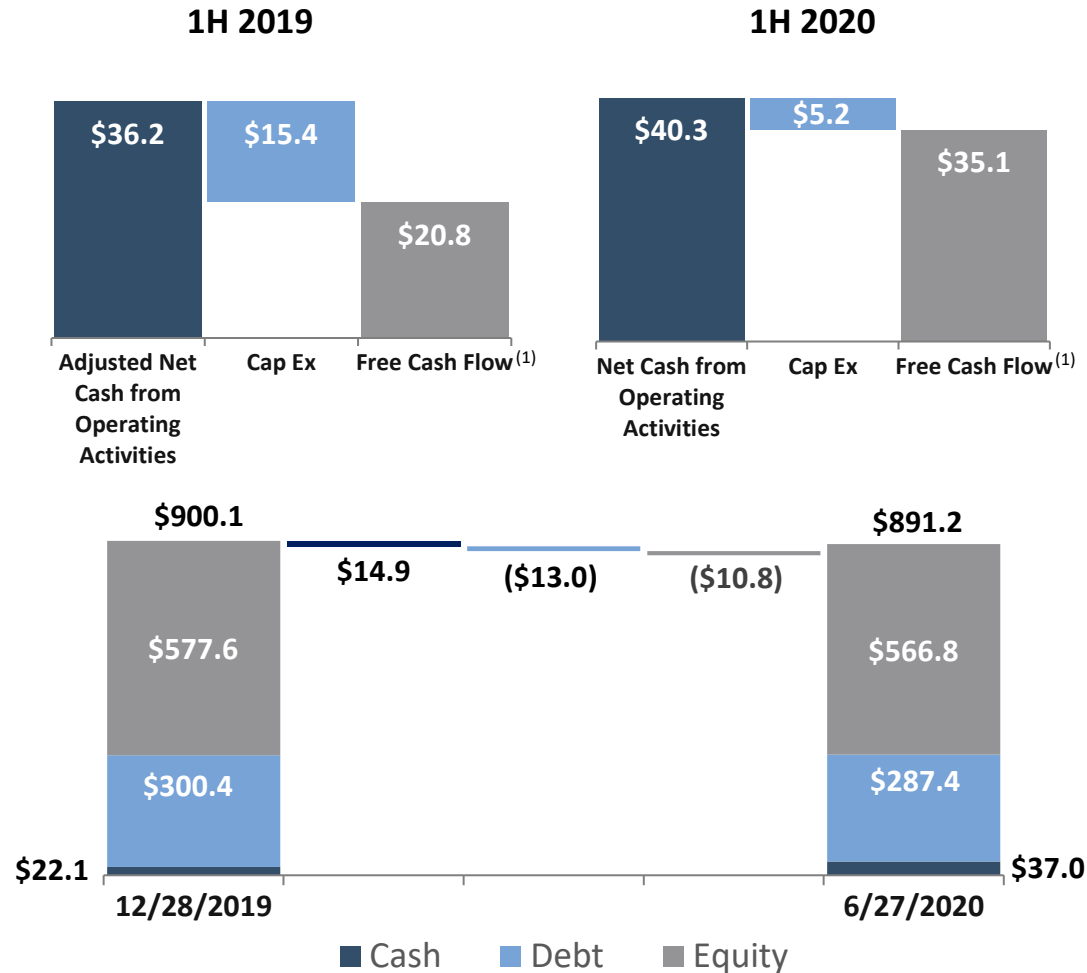
50 bps Gross Margin Reduction

- Decline in volume partially offset by continued cost management efforts
- Non-recurring benefit from the release of customer contractual obligations

Drivers of Operating Margin Decline

- Lower sales volume and reduced leverage of fixed costs base

(\$ in millions)



Cash Flow Review

- Improved free cash flow benefited from reduction in capital expenditures
- 2020 CapEx focused on high priority and critical projects

Capitalization Review

- In the quarter, reduced total debt by \$7 million, net debt by \$17 million
- Net debt/Adjusted EBITDA of 2.1x⁽²⁾ at 6/27/2020
- Reduction in equity due to goodwill impairment charge

(1) See supplemental slide for free cash flow reconciliation, adjusted net cash from operating activities reconciliation and other important disclaimers regarding Helios's use of adjusted net cash from operating activities and free cash flow

(2) Based on adjusted EBITDA on a trailing twelve months basis. See supplemental slide for net debt-to-Adjusted EBITDA reconciliation and other important information regarding Helios's use of net debt-to-Adjusted EBITDA

Cautious near-term outlook given the uncertainty of the COVID-19 pandemic

- Expect Q3 to be trough

Continued focus on cash generation expected to build offensive position for growth

Advancing and Enhancing Vision 2025 Strategy

- Leverage already existing strengths and capabilities
- Development of four additional value streams to accelerate goal achievement

Continued confidence in successful management of current challenges

WELL POSITIONED TO NAVIGATE THROUGH CHALLENGING ENVIRONMENT



Supplemental Information

Segment Data

(\$ in thousands)

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
<i>Sales:</i>				
Hydraulics	\$ 102,089	\$ 113,710	\$ 205,907	\$ 230,173
Electronics	17,205	30,132	42,870	60,520
Consolidated	<u>\$ 119,294</u>	<u>\$ 143,842</u>	<u>\$ 248,777</u>	<u>\$ 290,693</u>
<i>Gross profit and margin:</i>				
Hydraulics	\$ 37,473	\$ 42,407	\$ 77,147	\$ 85,040
	36.7%	37.3%	37.5%	36.9%
Electronics	7,246	13,820	19,422	27,695
	42.1%	45.8%	45.3%	45.8%
Consolidated	<u>\$ 44,719</u>	<u>\$ 56,227</u>	<u>\$ 96,569</u>	<u>\$ 112,735</u>
	37.5%	39.1%	38.8%	38.8%
<i>Operating income and margin:</i>				
Hydraulics	\$ 21,989	\$ 24,123	\$ 43,471	\$ 47,885
	21.5%	21.2%	21.1%	20.8%
Electronics	939	6,488	5,717	13,000
	5.5%	21.6%	13.3%	21.5%
Corporate and other	(6,226)	(4,238)	(42,519)	(8,681)
Consolidated	<u>\$ 16,702</u>	<u>\$ 26,373</u>	<u>\$ 6,669</u>	<u>\$ 52,204</u>
	14.0%	18.4%	2.7%	18.0%

Sales by Geographic Region & Segment

(Unaudited)

2020 Sales by Geographic Region and Segment

(\$ in millions)

	Q1	% of Total	Q2	% of Total	2020	% of Total
<i>Americas:</i>						
Hydraulics	\$ 37.3		\$ 34.2		\$ 71.6	
Electronics	21.6		13.4		35.0	
Consol. Americas	58.9	45%	47.6	40%	106.6	43.0%
<i>EMEA:</i>						
Hydraulics	33.5		31.2		64.7	
Electronics	2.5		1.9		4.4	
Consol. EMEA	36.0	28%	33.1	28%	69.1	28.0%
<i>APAC:</i>						
Hydraulics	33.0		36.7		69.6	
Electronics	1.6		1.9		3.5	
Consol. APAC	34.6	27%	38.6	32%	73.1	29.0%
Total	\$ 129.5		\$ 119.3		\$ 248.8	

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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
GAAP operating income	\$ 16,702	\$ 26,373	\$ 6,669	\$ 52,204
Acquisition-related amortization of intangible assets	4,417	4,484	8,765	8,945
Acquisition and financing-related expenses	-	-	74	11
Restructuring charges	298	-	298	-
CEO transition costs	1,644	-	1,809	-
Goodwill impairment	-	-	31,871	-
Non-GAAP adjusted operating income	\$ 23,061	\$ 30,857	\$ 49,486	\$ 61,160
<i>GAAP operating margin</i>	<i>14.0%</i>	<i>18.4%</i>	<i>2.7%</i>	<i>18.0%</i>
<i>Non-GAAP Adjusted operating margin</i>	<i>19.3%</i>	<i>21.5%</i>	<i>19.9%</i>	<i>21.0%</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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income (loss)	\$ 12,908	\$ 17,265	\$ (4,315)	\$ 33,669
Amortization of intangible assets	4,417	4,545	8,765	9,066
Acquisition and financing-related expenses	-	-	74	11
Restructuring charges	298	-	298	-
CEO transition costs	1,644	-	1,809	-
Goodwill impairment	-	-	31,871	-
Change in fair value of contingent consideration	(34)	56	(34)	775
Tax effect of above	(1,581)	(1,150)	(2,728)	(2,463)
Non-GAAP cash net income	\$ 17,652	\$ 20,716	\$ 35,740	\$ 41,058
Non-GAAP cash net income per diluted share	\$ 0.55	\$ 0.65	\$ 1.11	\$ 1.28

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's 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		Six Months Ended		Twelve Months Ended
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	June 27, 2020
Net income (loss)	\$ 12,908	\$ 17,265	\$ (4,315)	\$ 33,669	\$ 22,285
Interest expense, net	2,891	4,048	5,842	8,433	12,796
Income tax provision	636	4,660	4,844	9,315	10,567
Depreciation and amortization	8,645	8,624	17,021	17,195	35,041
EBITDA	25,080	34,597	23,392	68,612	80,689
Acquisition and financing-related expenses	-	-	74	11	74
Restructuring charges	298	-	298	-	2,022
CEO transition costs	1,644	-	1,809	-	1,809
Goodwill impairment	-	-	31,871	-	31,871
Loss on disposal of intangible asset	-	-	-	-	2,713
Other	-	-	-	-	127
Change in fair value of contingent consideration	(34)	56	(34)	775	(157)
Adjusted EBITDA	\$ 26,988	\$ 34,653	\$ 57,410	\$ 69,398	\$ 119,148
<i>Adjusted EBITDA margin</i>	22.6%	24.1%	23.1%	23.9%	23.2%

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.

(Unaudited)

(\$ in thousands)

	Six Months Ended	
	June 28, 2020	June 29, 2019
Net cash provided by operating activities	\$ 40,331	\$ 25,445
Contingent consideration payment in excess of acquisition date fair value	-	10,731
Adjusted net cash provided by operating activities	\$ 40,331	\$ 36,176
Capital expenditures	(5,215)	(15,413)
Adjusted free cash flow	<u>\$ 35,116</u>	<u>\$ 20,763</u>

Non-GAAP Financial Measure:

Adjusted cash from operating activities is cash from operating activities plus the portion of the contingent consideration payment that was in excess of acquisition date fair value relating to the Enovation Controls acquisition. Adjusted free cash flow is adjusted net cash from operating activities less capital expenditures. Adjusted cash from operating activities and Adjusted free cash flow 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 cash from operating activities and Adjusted free cash flow is 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 cash from operating activities and Adjusted free cash flow are non-GAAP measures and are thus susceptible to varying calculations, Adjusted cash from operating activities and Adjusted free cash flow, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Net Debt-to-Adjusted EBITDA Reconciliation

<i>(Unaudited)</i> <i>(\$ in thousands)</i>	<i>As of</i> <i>June 27,</i> <i>2020</i>
Current portion of long-term non-revolving debt, net	\$ 10,216
Revolving lines of credit	193,948
Long-term non-revolving debt, net	83,267
Total debt	287,431
Less: Cash and cash equivalents	36,965
Net debt	\$ 250,466
Adjusted EBITDA, TTM ended June 27, 2020	\$ 119,148
Ratio of net debt to TTM Adjusted EBITDA	2.1

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



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