

INDUSTRIAL
TOOLS & SERVICES

ENERPAC 

EQUALIZER
INTERNATIONAL

hydratight

LARZEP
HYDRAULIC

SIMPLEX

MIRAGE

CORTLAND

Actuant

Actuant Signs Securities
Purchase Agreement for
Engineered Components
& Systems (“EC&S”)
Divestiture

July 9, 2019

ENGINEERED
COMPONENTS
& SYSTEMS

crosscontrol



GITS MFG. CO.

maximatecc

POWER-PACKER



ATU
LISTED
NYSE

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 July 9, 2019. 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 in the press release dated July 9, 2019](#) for a reconciliation to the appropriate GAAP measure.

EC&S Securities Purchase Agreement Signed

Signed agreement to sell EC&S segment (except Cortland US) to an affiliate of One Rock Capital Partners

Agreement reached following a comprehensive and wide-reaching sale process, including over 200 prospective buyers

Sale price of \$214.5 million, with \$3 million to be paid in quarterly installments. Represents ~6.3x multiple on projected adjusted FY'19 EBITDA* (inclusive of stand-alone and one-time costs)

Transaction expected to close in calendar fourth quarter, subject to normal closing conditions

Proceeds will be allocated in alignment with our Capital Allocation priorities

Post-close, Pro Forma capital structure (with its very low net leverage) will provide significant flexibility to execute our Tools growth strategy

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By focusing on our Enerpac Industrial Tools business, we have the opportunity to create significant shareholder value

*See FY'19 projected EBITDA reconciliation in Appendix

Capital Allocation Framework

Capital Allocation Priorities

Invest in ourselves

- to achieve organic growth, we invest in new product development, sales force effectiveness, etc.

Maintain a strong balance sheet

- prudent debt reduction as required and/or drives value

Invest in strategic tools acquisitions

- through a disciplined process at a fair valuation and conducted in a manner such that does not risk the balance sheet. All targets will be evaluated versus share repurchase

Return capital to shareholders

- via opportunistic share repurchase at the right price

Goal of enhancing our position as a premier industrial tools and services company and our commitment to sustainable shareholder value creation

EC&S Transaction – Further Details

Bridge to adjusted EBITDA included in Appendix

- Excludes Cortland US, PHI and Fibron
- Includes incremental standalone costs (in excess of current allocation)
- Includes one-time costs to stand up EC&S as an autonomous entity

Discontinued Operations

- EC&S (except Cortland US) becomes a discontinued operation effective in current quarter (Q4)
- Continuing operations includes all previously-allocated corporate costs
 - Not reflective of future state of the business, post-close
 - A portion of corporate costs will scale with EC&S; will review remaining costs as we near close
- All tax planning and discrete items are included in continuing operations
 - Not reflective of future tax rate of the business, post-close
 - Continue to believe an average tax rate of ~20% is appropriate; will update with FY'20 outlook
- FY2018 and FY2019 YTD restated statements of operations are included with today's press release

Impairment

- In conjunction with the SPA, expect to record a non-cash impairment charge of approximately \$300 million in Q4 to write down the EC&S assets to their net realizable value (including a charge of \$90 million related to foreign currency losses)

Fiscal 2019 Core Sales Expectations – *no change*

Core Growth	2019 (Revised guide)	2019 Q1 Actual	2019 Q2 Actual	2019 Q3 Actual	2019 Q4	FY 2019
Industrial Tools & Services (IT&S)	4 – 8%	+4%	+12%	+8%	+1-4%	+HSD
Engineered Components & Systems (EC&S)	Flat to -5%	+2%	Flat	-2%	-MSD	-LSD
Consolidated	3 – 5%	+3%	+7%	+3%	+MSD	+MSD

- Industrial Tools & Services

- Markets expected to continue steady growth
- Tools: Continued positive core growth driven by commercial actions, NPD and pricing partially offset by reductions in HLT
- Services: Fourth quarter is seasonally slowest also impacted by service restructuring actions

- Engineered Components & Systems

- On-Highway: Lower demand in China and European markets
- Off-highway: Manufactures are controlling inventory through constrained wholesale plans

Updating Fiscal 2019 Guidance for Continuing Operations

(US\$ in millions except EPS)

	Guidance	Continuing Operations
	Full Year	Full Year
	2019E	2019 E
Net Sales	\$1,125-\$1,135	\$664-\$669
EBITDA	\$151-\$155	\$99-\$102
Diluted EPS	\$1.15-\$1.21	\$0.69-\$0.73

	Guidance	Continuing Operations
	Fourth Quarter	Fourth Quarter
	2019E	2019 E
Net Sales	\$265-\$275	\$167-\$173
EBITDA	\$38-\$42	\$26-\$30
Diluted EPS	\$0.25-\$0.31	\$0.16-\$0.20

Assumptions - Continuing Operations

- Free cash flow remains at ~\$62-\$70 million
- Continuing Operations
 - Includes incremental corporate costs previously allocated to the EC&S segment (~\$3 million for the quarter and ~\$12 million for the year)
 - Includes all tax planning and discrete items
 - Effective tax rate:
 - Q4'19 ~25%
 - Q4'18 ~1%
- ~20% effective tax rate for FY2019
- Shares outstanding ~62 million

2019 guidance excludes restructuring, impairment & divestiture charges and other tax adjustments. 2019 guidance also excludes any future acquisitions, divestitures or stock repurchases not specially identified.

Expect to see solid growth from core products and services, offset by reductions from Heavy Lift (shift to standard product) and Commodity Services (restructuring)

Appendix

Bridge to Adjusted EBITDA

	Millions of \$
FY'19 Q3 Trailing 12 month EBITDA (excluding Cortland US)	\$45
Less: Divestitures (PHI and Fibron)	<\$2>
	\$43
Less: EBITDA Change - Q4 '19 vs. Q4'18	<\$4>
Standalone/Stand-up costs	<\$5>
Adjusted EBITDA	\$34

Normalizing EBITDA for sale price consideration

EC&S EBITDA excludes both Cortland US and previous divestitures

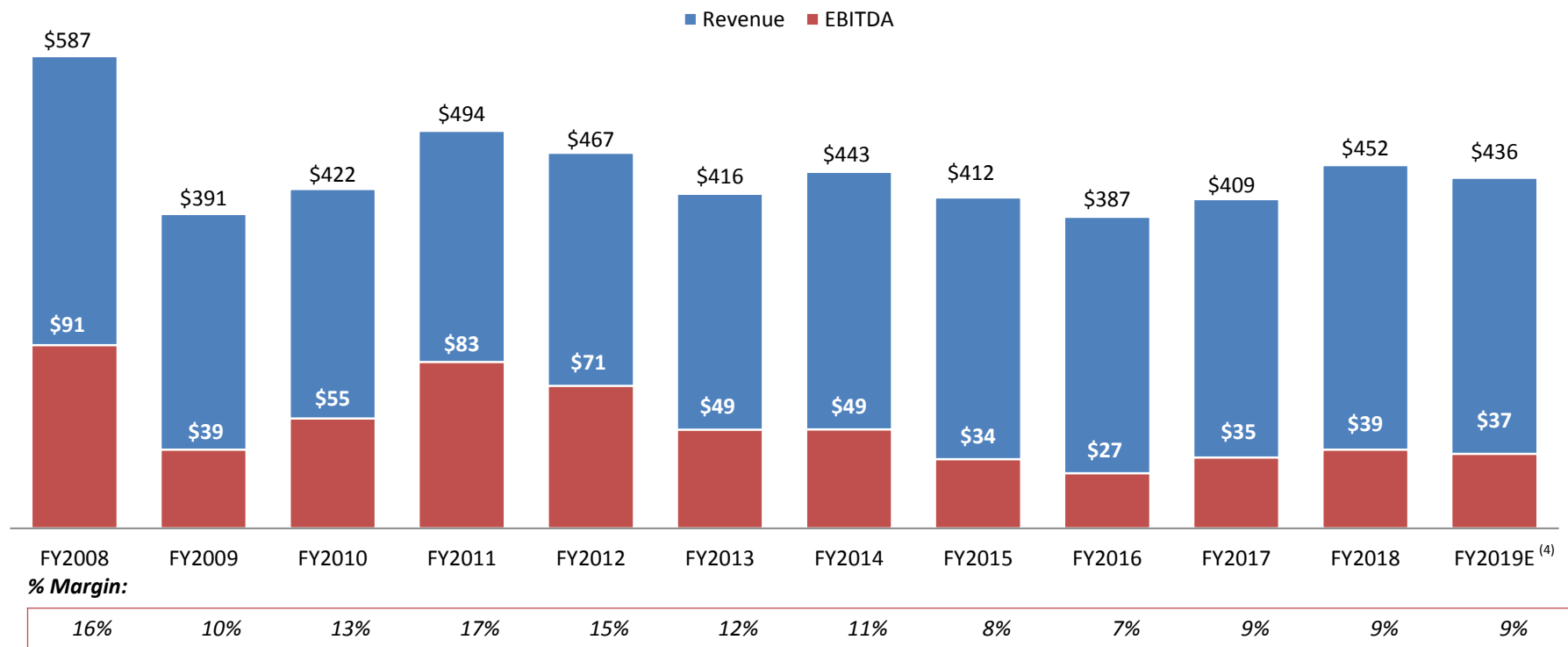
Impact of end markets drove reduction in year-on-year results

Incremental ongoing stand-alone costs and one time costs to operate as an autonomous business

EC&S FY'19 adjusted EBITDA projection (excluding Cortland US) as a stand-alone business is approximately \$34 million

EC&S Long-Term Financial Performance¹²³

EC&S business pro forma for acquisitions and divestitures through the period



(1) Illustrative financials for historical comparative purposes

(2) FY2010-FY2019E presented on a constant currency basis; FY2008-FY2009 presented at actual currency rates.

(3) EBITDA excludes impairment charges, restructuring charges and gain / loss on product line divestitures. Does not reflect remaining standalone costs

(4) Represents adjustments for ongoing standalone cost but does not include incremental costs for one-time standup activities