



# **Fiscal 2021 First Quarter Earnings**

**December 21, 2020**

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 Enerpac Tool Group’s Securities and Exchange Commission filings.

All estimates of future performance are as of December 21, 2020. Enerpac Tool Group’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 or accompanying the Q1 Fiscal 2021 earnings press release for a reconciliation to the appropriate GAAP measure.



## **Employee Safety Remains #1 Concern**

- Plants continue to operate with appropriate safety measures in place
- Non-production personnel have started to return to the office (following guidelines from local governments) with ~40% currently working from home
- Travel to customer/project sites varies by region but consistently finding ways to promote Enerpac products



## **Quarter over Quarter Improvement**

- Sales and EBITDA all improved – despite quarantine challenges faced at a few plants
- Decremental margins
- Generated free cash flow year on year



## **Remain Focused on Long-Term Strategy**

- NPD continues to deliver results
- Capital allocation priorities remain unchanged
- Balance sheet remains strong



## **Supporting our Communities**

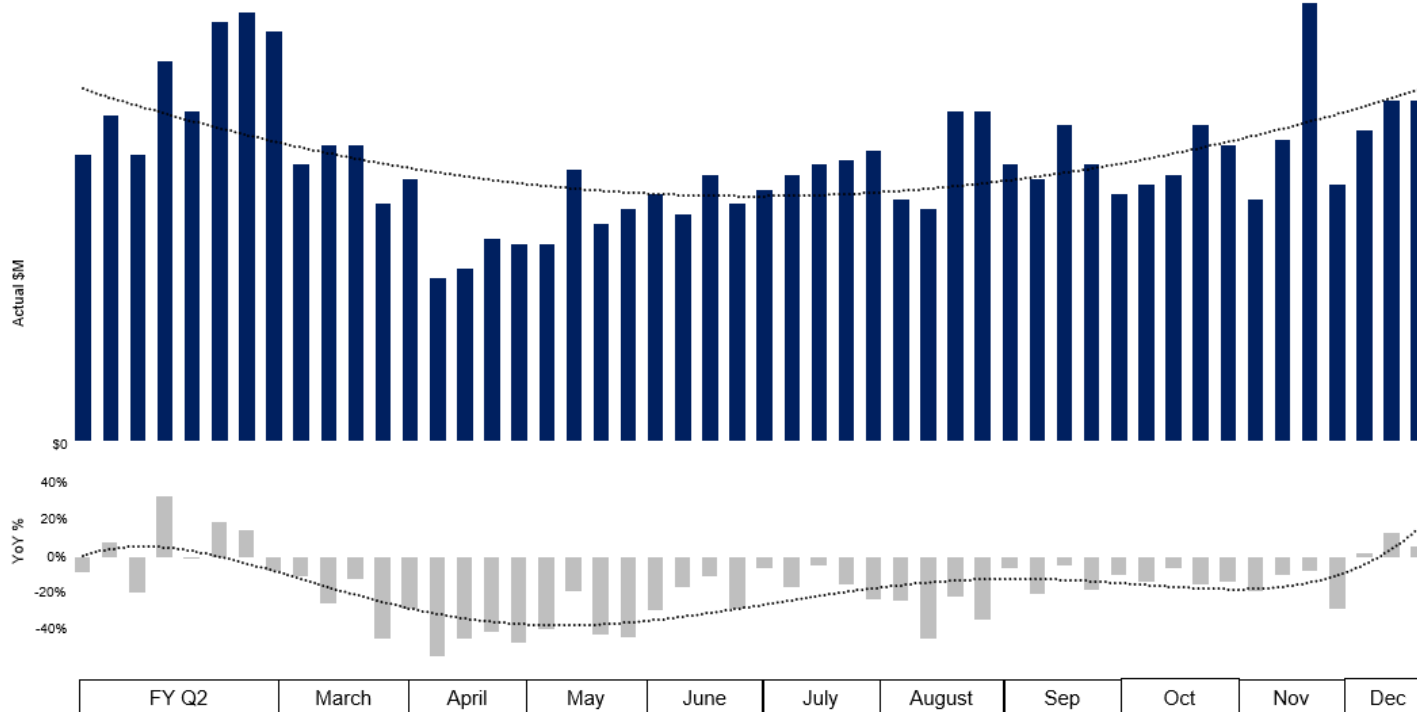
- Education support / scholarships
- Making Enerpac an employer of choice



## Product Order Rates

- Order rates continued to improve during the quarter, with IT&S product core sales declines improving sequentially to 14% in Q1 from 20% in Q4

Weekly ITS Standard Product Orders since January 2020



Top Graph - IT&S standard product orders in actual dollars; order dollars are trending positively.

Bottom graph - The year-over-year % change of IT&S standard product orders.



## Financials

- Sales: \$119M
- Core sales decline of 18% (Product down 16% and Service down 24%)
- Adjusted EBITDA decremental margins of 18%, an improvement over our target range of 35-45%
- Adjusted EPS: \$0.09
- Temporary cost actions provided ~ \$6M in benefits in the quarter
- Free Cash Flow: \$7M of cash generated compared to \$25M usage in the comparable prior year period
- Leverage of 1.9x



## IT&S Regional Core Sales

- Europe **growth**: ~low single digits%
- Americas decline: ~high teens%
- Asia Pacific decline: ~low 20%
- Middle East decline: ~mid 30%



## Americas / Europe

- Continued sequential improvement in the quarter with Europe's recovery (year-over-year growth in the quarter) still ahead of the Americas
- Key Verticals
  - Positive trends continued in Power Generation (Wind/Nuclear), Construction, Rail and Aero (non-commercial)
  - Mining activity picked up, particularly in Latin America (copper and iron ore)
- Distribution
  - Increase in customer / distributor site visits, but access is limited
  - Started to see an uptick in stocking orders from larger distributors along with a decrease in drop ship requests



## Asia Pacific

- Recovery varied by country with China and Australia seeing fewer travel restrictions and a pickup in sales activity, while parts of South East Asia are still facing lockdowns
- Key Verticals
  - Mining continues to remain strong in Australia, Indonesia and parts of China (iron ore, gold and precious metals)
  - Continue to see positive trends in Power Generation, especially wind energy

Heavy Industrial laneway (where majority of our products are sold) is improving but appears to be recovering more slowly than Light Industrial, Commercial and Consumer laneways



## Service

- Experienced significant sequential improvement in the quarter (down 24% year-over-year compared to 45% last quarter)
- Routine maintenance projects picked up and some larger projects that were stalled due to COVID-19 resumed work
- MENAC region continued to be pressured with continued COVID-19 related lockdowns and curfews
  - However, region is beginning to see change in spending habits as new annual budgets are released in January, with more maintenance work scheduled to start in coming months

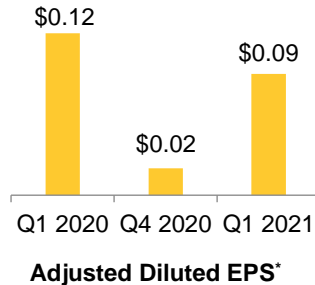
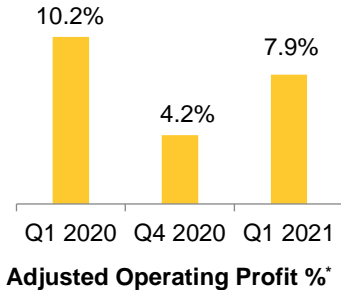
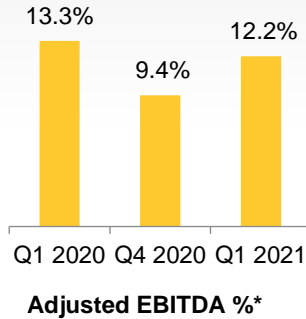
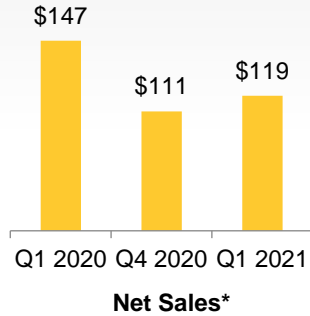


## Operations

- Safety, Quality and On-Time Delivery remain a focus
- Uptick in utilization and efficiencies drove strong decremental margins
- Balancing customer demand with inventory management to ensure that we have product to meet orders without burdening the balance sheet
- Monitoring rising air freight and commodity costs

# First Quarter 2021 Comparable Results

(US\$ in millions except EPS)



\*Adjusted Operating Margin, EBITDA Margin and EPS excludes restructuring, impairment and other charges identified in the accompanying reconciliations to GAAP measures. In addition, see reconciliation of net sales to core sales in the appendix.

## NET SALES\*

- Core sales decreased 18% - product -16% and service -24%
  - IT&S product sales -14%
    - Heavily impacted by COVID-19 pandemic
    - Rate of decrease improved from -20% in Q4
  - Other product -35%
- New Product Development (NPD) – 3 new products families launched
  - NPD % of product sales ~10%
- Strategic exits ~\$6M
- HTL acquisition ~\$2M

## ADJUSTED EBITDA\*

- Decremental margins of ~18%

## ADJUSTED OPERATING PROFIT\*

- Year-over-year decline due to significantly reduced volume

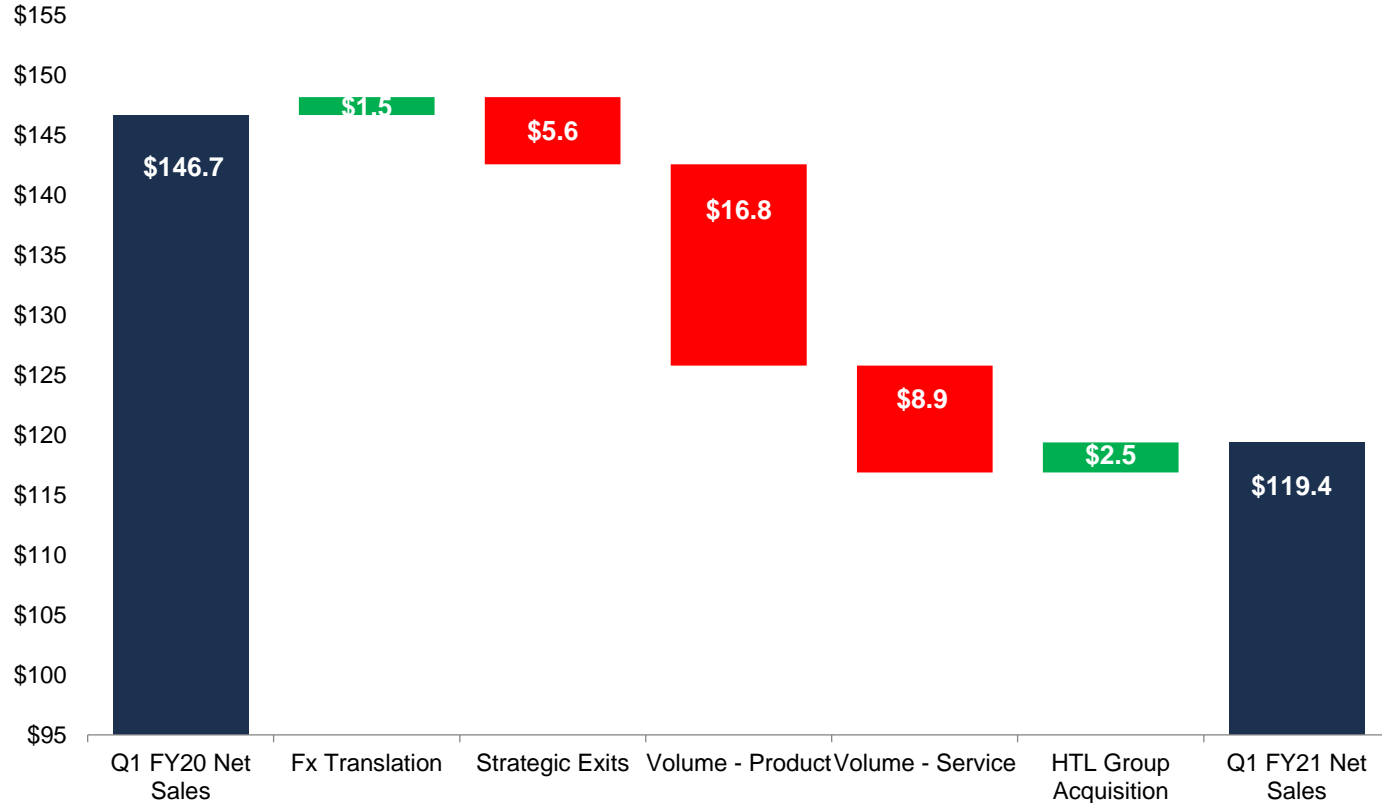
## ADJUSTED DILUTED EPS\*

- Year-over-year decline as the result of significantly reduced volume due to COVID-19



# Net Sales Waterfall\*

(US\$ in millions)



Final quarter of strategic exits (as outlined in Q4 of fiscal 2019) along with the impact of the COVID-19 pandemic, and sluggish Oil & Gas prices resulted in lower sales year-over-year

\* See the reconciliation of net sales to core sales in the appendix.

# Adjusted EBITDA Waterfall\*

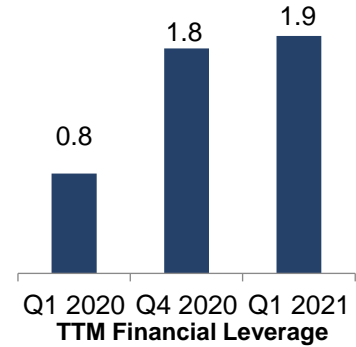
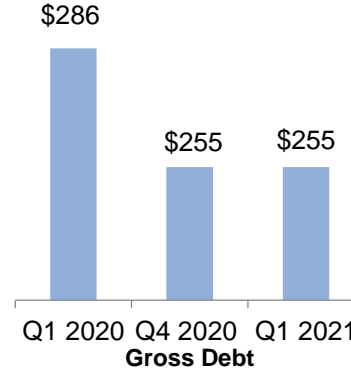
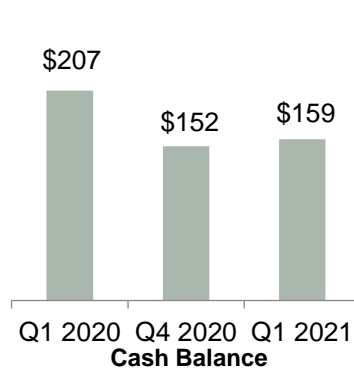
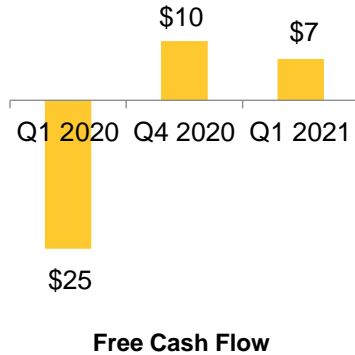
(US\$ in millions)



Adjusted EBITDA decreased year-over-year primarily due to COVID-19 product/service volume decreases, partially offset by restructuring and other cost savings initiatives resulting in decremental EBITDA margins of 18%, an improvement over our target range of 35-45%

# Liquidity – Positioned for Success

(US\$ in millions)



## Free Cash Flow

- Proactively managing Receivables and Inventory
- Divestiture of EC&S eliminated significant cash drag
- First time since fiscal 2017, generated free cash flow in Q1

## Leverage

- Remains well within target range of 1.5-2.5x
- Slight uptick was expected due to COVID quarters with lower EBITDA

# Thoughts on Fiscal 2021 Second Quarter



- Despite typical Q2 seasonality, we expect that Q1 trends will continue
- Continue to control what we can control
  - Remain focused on cost management to deliver comparable decremental margins
  - Continue to invest in long-term growth through new product development and commercial effectiveness
  - Manage liquidity and maintain strong balance sheet

## Near-term Industrial Production Estimates (Annualized q/q %) \*

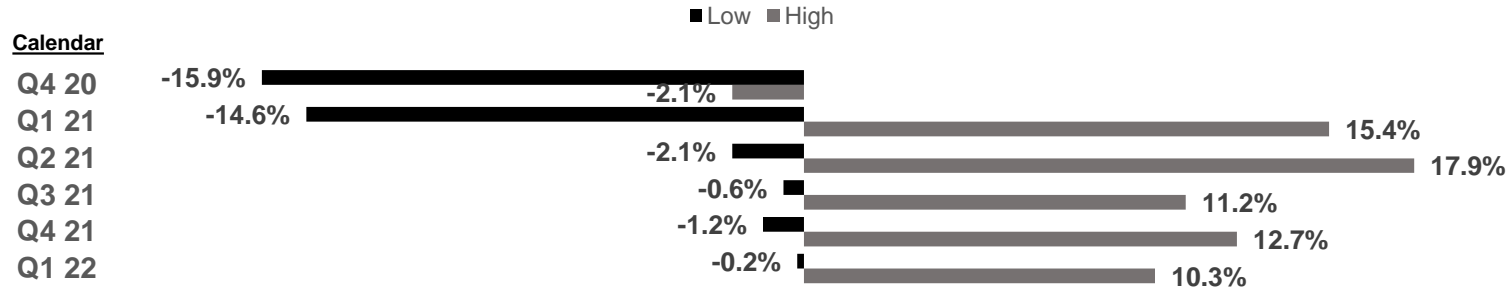


Chart shows high and low estimates of industrial production from certain economists. Continues to be a wide disparity of what the near future looks like

Due to continued uncertainty and lack of forward visibility into market conditions, Enerpac Tool Group is not providing financial guidance at this time

## CORE GROWTH ABOVE MARKET

**~5%** CORE GROWTH CAGR OR

**200-300bps** CORE SALES GROWTH > MARKET

- Product innovation
- Expand industries and regions
- Commercial effectiveness & share capture
- Incremental growth through strategic M&A



## DRIVING EFFICIENCY AND PROFITABILITY

**~25%** EBITDA MARGINS

- 35%-45% incremental margins
- Optimized manufacturing footprint
- Structural cost reduction
- Completion of service & product line restructuring exits
- Strategic sourcing
- Proprietary products

## STRONG CASH FLOW GENERATION

**+100%** FCF CONVERSION = FUEL FOR GROWTH

- Margin expansion
- Low capital intensity (Capex ~2% of sales)
- Drive working capital velocity

## BEST-IN-CLASS RETURNS AND DISCIPLINED CAPITAL DEPLOYMENT

**~20%** RETURN ON INVESTED CAPITAL

- Organic growth: products, services & people
- Strategic acquisitions
- Opportunistic share repurchases
- Debt reduction; maintain strong balance sheet
- Leverage target of 1.5x – 2.5x

The timeline to achieve these goals will be re-established as soon as practicable once the market has appropriately recovered

**Q&A**



# **Appendix**

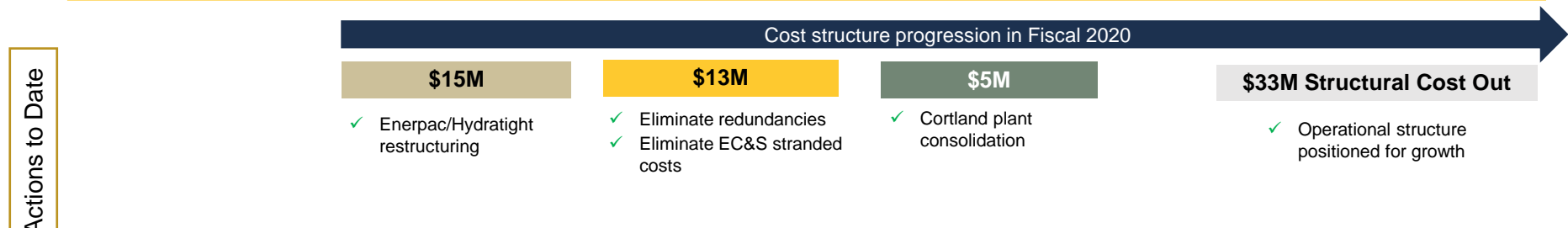
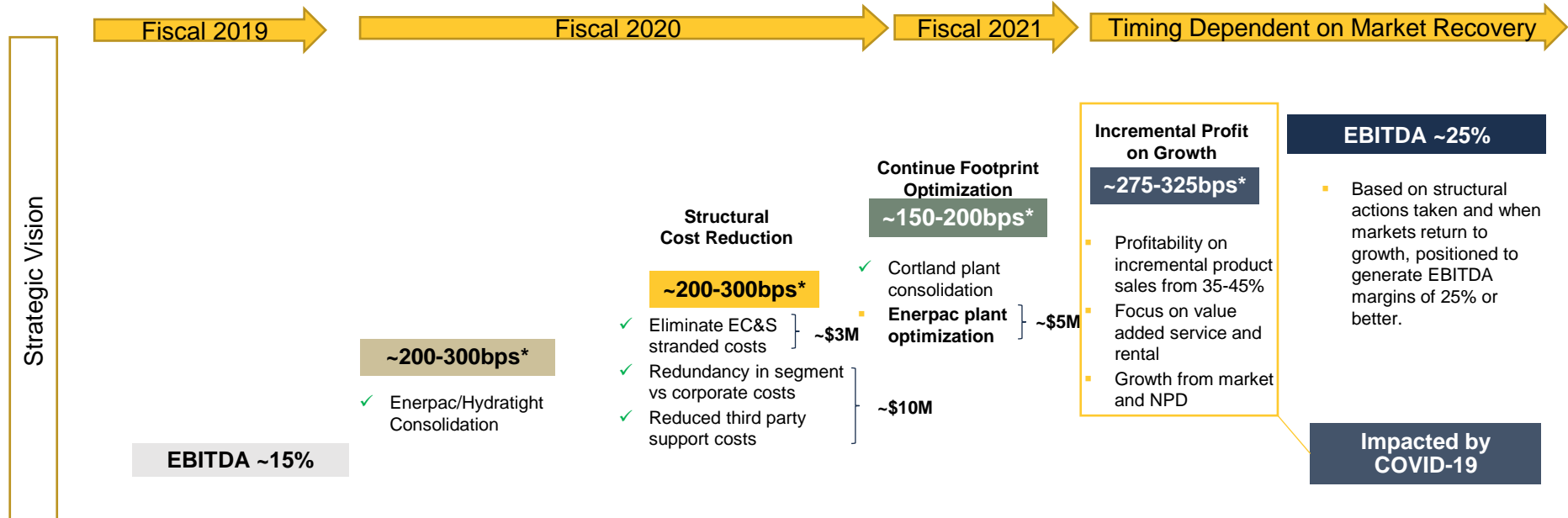


- Tax Rate: ~25%
- Depreciation/Amortization: ~\$20-24 million
- Interest Expense: ~\$6-8 million
- Capital Expenditures: ~\$10-15 million
- Cash Taxes: ~\$5-7 million





# EBITDA Margin Expansion – Controlling What We Can Control



\*based on 2019 Adjusted Revenue and EBITDA

# First Quarter 2021 GAAP vs Non-GAAP Reconciliation

(US\$ in millions except EPS)

	GAAP	Less		Adjusted
		Impairment & Divestiture Charges	Restructuring Charges	
Sales	\$119.4			\$119.4
Operating Profit	\$9.1	(\$0.1)	(\$0.2)	\$9.4
Income Taxes	\$2.3	\$0.0	\$0.0	\$2.3
Net Income	\$4.8	(\$0.1)	(\$0.2)	\$5.2
<i>Effective tax rate</i>	31.9%			
Diluted EPS	\$0.08	\$0.00	\$0.00	\$0.09

Impairment & Divestiture Charges include:

- \$0.1 million charge related to the impact of previously divested product lines/businesses

Restructuring Charges include:

- \$0.2 million charge primarily related to footprint rationalization

# Reconciliation of Non-GAAP Measures

(US\$ in millions)

## Adjusted EBITDA

	Q1 2021	Q1 2020
Net Earnings	\$5	\$6
Net Financing Costs	\$2	\$6
Income Taxes	\$2	\$1
Depreciation & Amortization	\$6	\$5
Restructuring Charges	\$0	\$2
Impairment/Divestiture	\$0	(\$1)
Adjusted EBITDA	<u>\$15</u>	<u>\$19</u>

## Free Cash Flow

	Q1 2021	Q1 2020
Cash From Operations	\$ 9	\$ (23)
Capital Expenditures	\$ (2)	\$ (5)
Other	\$ -	\$ 3
Free Cash Flow	<u>\$ 7</u>	<u>\$ (25)</u>

## Core Sales

	Consolidated			IT&S Segment		
	Q1 2021	Q1 2020	% Change	Q1 2021	Q1 2020	% Change
Net Sales	\$119	\$147	-19%	\$112	\$136	-17%
Fx Impact	\$0	\$2		\$0	\$2	
Acquisition	(\$2)	\$0		(\$2)	\$0	
Strategic Exits	\$0	(\$6)		\$0	(\$6)	
Core Sales	<u>\$117</u>	<u>\$143</u>	-18%	<u>\$110</u>	<u>\$131</u>	-17%

- The Enerpac Tool Group fiscal 2021 Q1 earnings release and full GAAP to non-GAAP reconciliation is available online at: <https://www.enerpactoolgroup.com/investors/quarterly-results/>

# Adjusted Operating Profit Waterfall\*

(US\$ in millions)



Adjusted Operating Profit decreased year-over-year primarily due to COVID-19 product/service volume decreases, partially offset by restructuring and other cost savings initiatives

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