# Fiscal 2016 Second Quarter Earnings

March 16, 2016

Actuant

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. This includes statements pertaining to, among other things, the planned divestiture of the Electrical segment, the potential timing thereof, and the prospects and expected financial results of Actuant after the planned transaction. Those factors are contained in Actuant's Securities and Exchange Commission filings.

All estimates of future performance are as of March 16, 2016.

In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation, accompanying the Q2 Fiscal 2016 earnings press release, or refer to the Investors section of Actuant's website (www.actuant.com) for a reconciliation to the appropriate GAAP measure.

# Second Quarter Highlights

- Consolidated core sales declined 8% – weakening upstream oil & gas, industrial and off-highway markets.
- EPS of $0.21 (excluding impairment and restructuring charges) as lower sales, unfavorable segment mix and reduced absorption was offset by lower taxes.
- Restructuring activities continue to progress – incurred $3.6 million of charges in the quarter for facility and staffing reductions.
- Deployed $5 million of capital on the repurchase of 0.2 million shares of common stock.
- Completed acquisition of Larzep, an MRO hydraulic tool tuck-in to Industrial platform in Europe.

# Second Quarter 2016 Results

(US$ in millions except EPS)

| | GAAP | Impairment | Restructuring | Adjusted |
|---|---|---|---|---|
| Sales | $263 | $0 | $0 | $263 |
| Operating Profit | ($172) | $187 | $4 | $18 |
| Net Income | ($159) | $169 | $2 | $12 |
| EPS | ($2.70) | $2.87 | $0.04 | $0.21 |

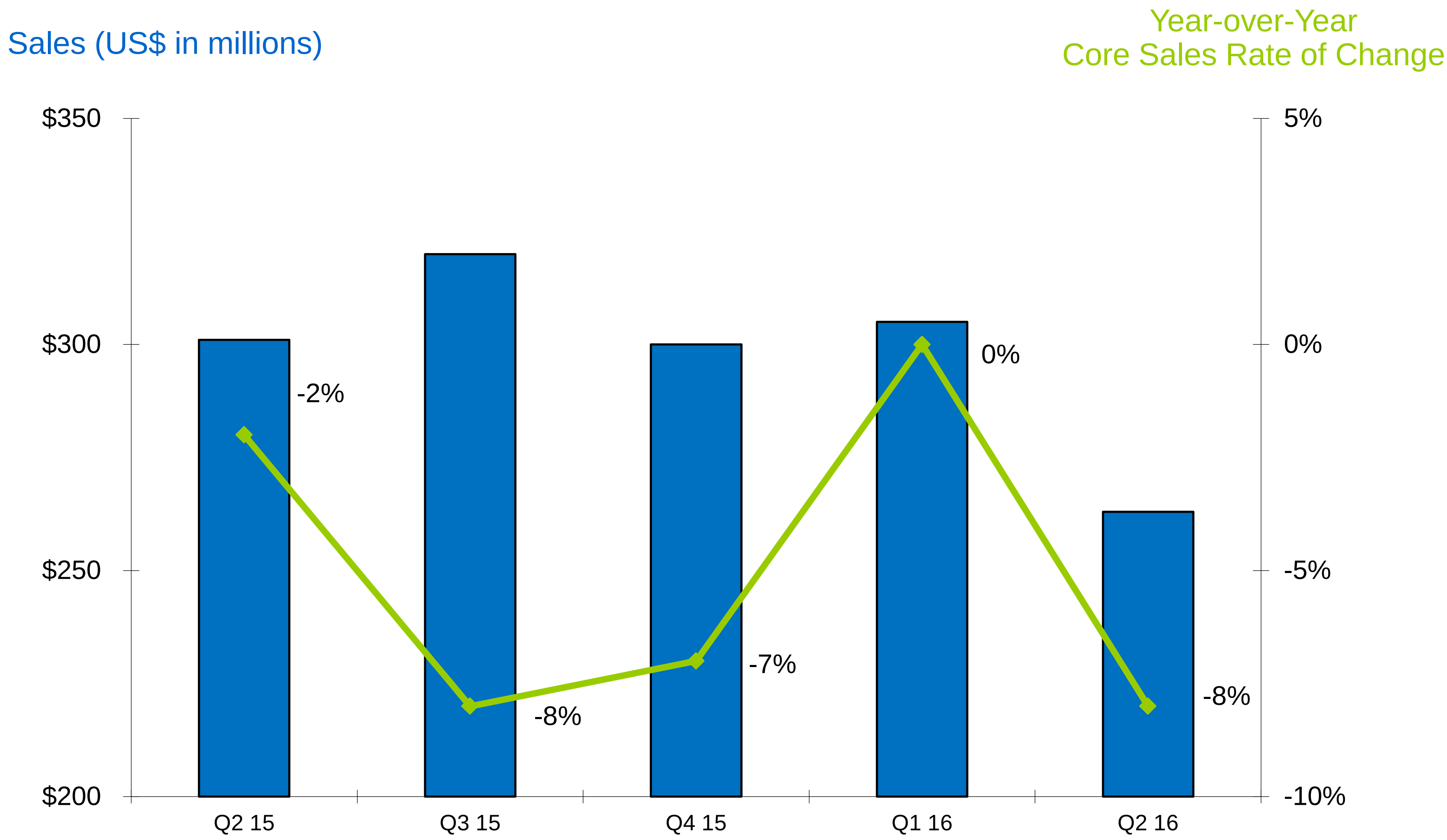
# Second Quarter Adjusted Results

(US$ in millions except EPS)

| | F' 2015 | F' 2016 | Change |
|---|---|---|---|
| Sales | $301 | $263 | -13% |
| Operating Profit | $28 | $18 | -35% |
| | *9.3%* | *6.8%* | *(250) bps* |
| EPS | $0.28 | $0.21 | -25% |

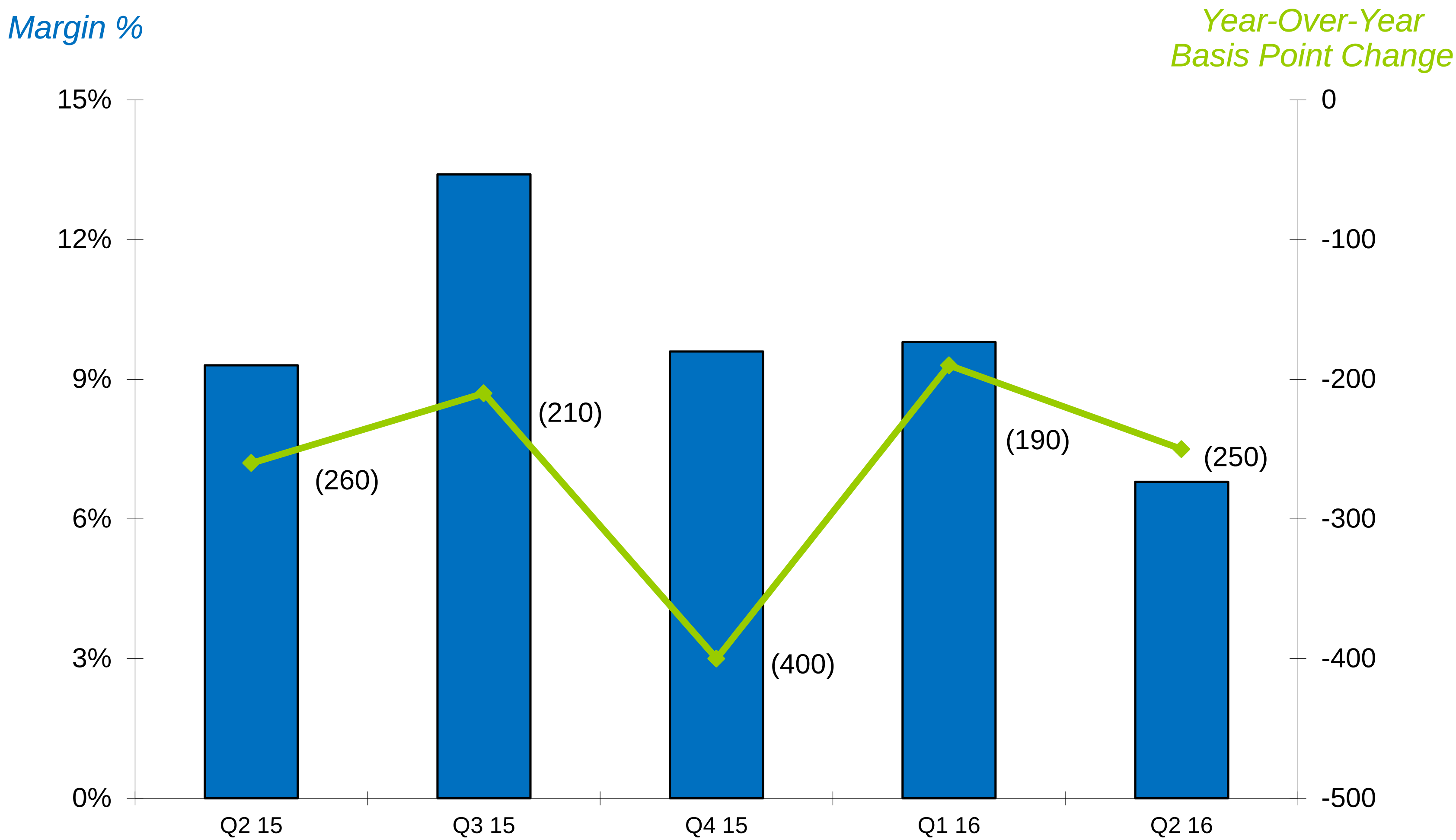
*Excluding impairment charges in both periods, and $3.6 million of restructuring costs in Q2 2016.*

# Core Sales Trend




Core Sales Decline Reflects Weak Upstream Oil & Gas, General Industrial and Off-Highway Markets

# Operating Profit Margin Trend (1)




**Unfavorable Mix and Unabsorbed Overhead Negatively Impacted Operating Profit Margins**

*(1) Excluding impairment and restructuring charges*

# Industrial Segment

- Demand continued to erode, most noticeably in the Americas, across a broad array of industrial end markets
- Larzep acquisition completed late in the quarter, strategic tuck-in to Industrial.
- Profit margins in line with expectations given lower volume and unfavorable sales mix

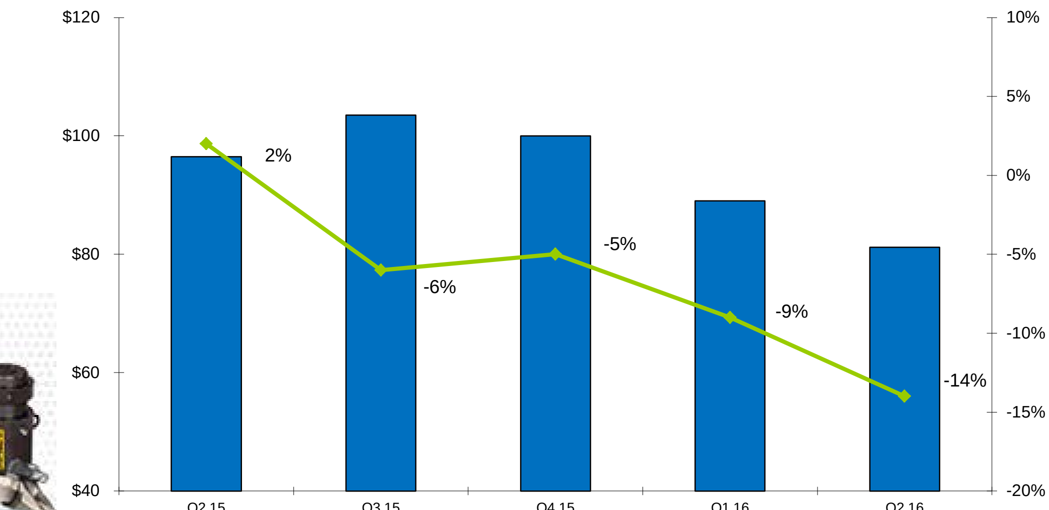
## Financial Snapshot

(US$ in millions)

| | 2nd Quarter 2016 | 2nd Quarter 2015 | y-o-y change |
|---|---|---|---|
| Sales | $81 | $96 | *-16%* |
| Op Income (1) | $17.0 | $23.5 | *-28%* |
| Op Margin (1) | *20.9%* | *24.4%* | *(350)* *bps* |

(1) Excludes Q2 2016 restructuring charges of $0.3 million.

## Sales Trend

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# Energy Segment

- Maintenance activity remains strong, upstream (cap ex) businesses seeing further declines
  - Hydratight benefitted from service activity globally across energy related infrastructure (refinery, petro-chem, etc.)
  - Cortland rope and cable declines in upstream oil & gas markets, including seismic where offshore vessels are idle
  - Demand for mooring rentals declining due to drill rig cold stacking
- Margins lower due to unfavorable sales mix (high service/low rental), partially offset by cost reduction actions

CORTLAND hydratight VIKING SeaTech

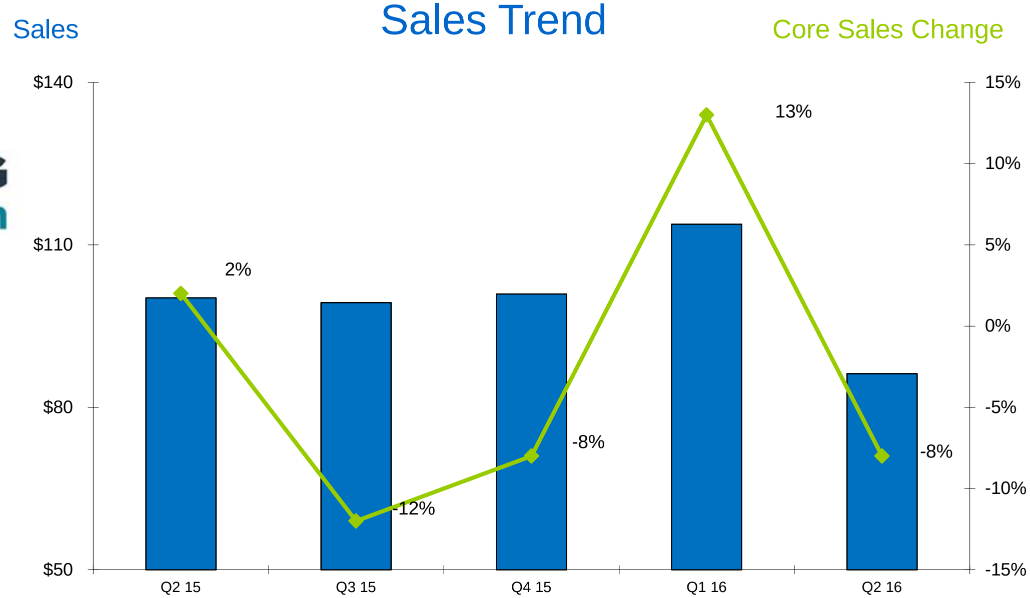
## Financial Snapshot

(US$ in millions)

| | 2nd Quarter 2016 | 2nd Quarter 2015 | *y-o-y change* |
|---|---|---|---|
| Sales | $86 | $100 | *-14%* |
| Op Income (1) | $5.4 | $8.7 | *-38%* |
| Op Margin (1) | *6.2%* | *8.7%* | *(250) bps* |

(1) Excludes Q2 2016 restructuring charges of $1.3 million, and $140.8 million and $84.4 million impairment in 2016 and 2015,respectively.

## Sales Trend

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# Engineered Solutions Segment

- Continued mid single digit core sales growth in European truck and convertible auto volumes
- Reduced build rates in agriculture, construction equipment and other off-highway vehicles reflect OEM and dealer destocking efforts
- Margins improved modestly year-over-year as cost savings offset lower volume and related fixed overhead absorption

POWER-PACKER
Weasler®
elliott manufacturing
maximatecc
GITS MFG. CO.

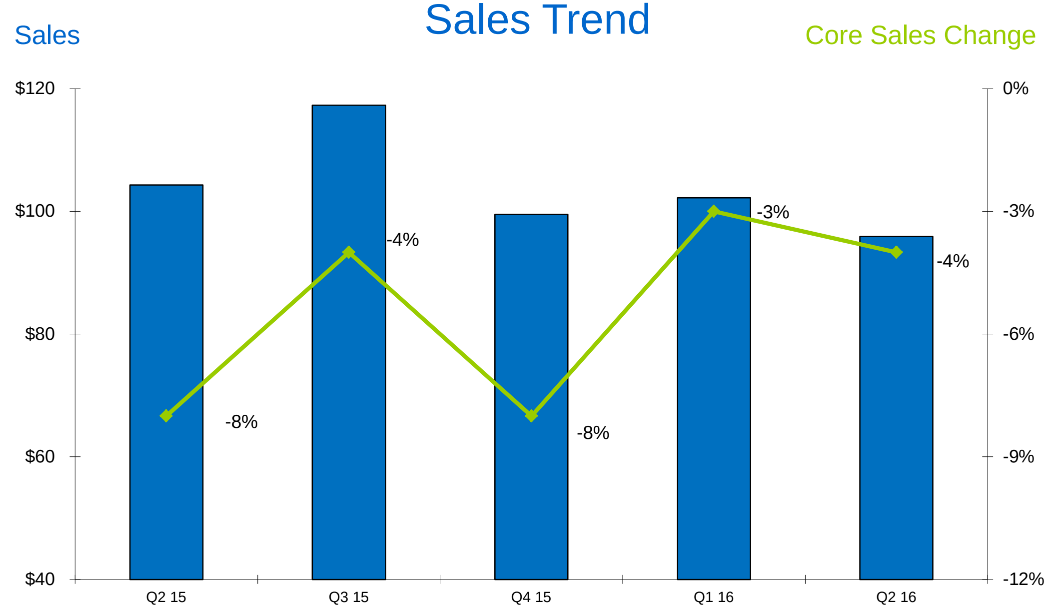

## Financial Snapshot

(US$ in millions)

| | 2nd Quarter 2016 | 2nd Quarter 2015 | *y-o-y change* |
|---|---|---|---|
| Sales | $96 | $104 | *-8%* |
| Op Income (1) | $2.6 | $2.0 | *27%* |
| Op Margin (1) | *2.7%* | *1.9%* | *80* *bps* |

(1) Excludes Q2 2016 restructuring charges of $2.0 million and $45.7 million impairment.

## Sales Trend



# Second Quarter Cash Flow / Net Debt

(US$ in millions)

## Free Cash Flow

| | |
|---|---|
| EBITDA | $27 |
| Capital Expenditures | (5) |
| Cash Interest | (11) |
| Cash Taxes | (9) |
| Working Capital/Other | 4 |
| Free Cash Flow | $6 |

## Net Debt Reconciliation

| | |
|---|---|
| Net Debt - Nov 30, 2015 | $416 |
| Share repurchases | 5 |
| Acquisition | 14 |
| FX/Other | 4 |
| Free Cash Flow | (6) |
| Net Debt - Feb 29, 2016 | $433 |
| Net Debt/EBITDA (1) | 2.5 |

*(1) Excluding restructuring charges*

**Full Year Free Cash Flow Conversion in Excess of 100% Anticipated As a Result of Cash Tax Savings and Working Capital Management**

# Current Environment / Core Sales Guidance

| Core Growth | 2015 | 2016 Previous Estimate | 2016 Current Estimate |
|---|---|---|---|
| Industrial | (3)% | (3) – (6)% | (10) – (12)% |
| Energy | (3)% | 1 – (3)% | 1 – (1)% |
| Engineered Solutions | (7)% | (1) - (4)% | (4) - (6)% |
| Consolidated | (5)% | (1) – (4)% | (4) – (6)% |

- Industrial demand expected to remain weak across most end markets, not related to distributor destocking
- Energy maintenance revenue up year-over-year, but weak upstream oil & gas capital spending impacts Viking and Cortland
- Customer destocking in off-highway, including agriculture, forestry, material handing and construction equipment

**Industrial Recession Headwinds**

# Fiscal 2016 Guidance Summary

(US$ in millions except EPS)

| | Full Year | |
|---|---|---|
| | 2015 | 2016E |
| Sales | $1,249 | $1,135 - 1,150 |
| EBITDA (1) | $191 | $155 - 160 |
| Diluted EPS (1) | $1.65 | $1.25 - 1.35 |

| | Third Quarter | |
|---|---|---|
| | 2015 | 2016E |
| Sales | $320 | $290 - 300 |
| EBITDA | $56 | $40 - 42 |
| Diluted EPS | $0.63 | $0.34 - 0.39 |

**Assumptions:**

- 3rd quarter core sales decline of 5-6%; Full year decline 4-6%
- Key FX rates – approximately $1.10/1€ and $1.40/1£
- Full year effective tax rate approximately 5%, lower in Q3
- Shares outstanding ~59 million
- Annual free cash flow ~$100-105 million
- Excludes restructuring and impairment costs, as well as any potential future acquisitions or share buy backs

*(1) Fiscal 2016 and 2015 excludes impairment charges and 2016 excludes restructuring charges.*

Challenging Operating Environment, Focusing on Cost Reduction

# CEO Introduction – Randy Baker

## Why Actuant

- Great history and growth
- Respected by customers and investors
- World class products
- Solid profit and cash flow
- Diversified products, markets and customers

## First 100 Days

Learning the company and spending time with:

- Management team
- Employees
- Operations
- Marketing / sales
- Product planning
- Key customers

**Driving to Deliver Superior Results for Stakeholders**

# Q & A

Future Key Dates:

- Third Quarter Fiscal 2016 Earnings – June 22, 2016

# Appendix

# Restructuring Actions

- Restructuring activity underway and on pace; $25 million total with two year payback on track
- SAE headcount continues to trend down
- Second quarter restructuring of $3.6 million, $8 million year-to-date. Major activities in the quarter include:
  - Maximatecc North America final facility relocation
  - Staffing reductions
  - Satellite office closures

**Expect Similar Charge in Third Quarter**

# Reconciliation of Non-GAAP Measures

(US$ in millions)

EBITDA

| | Q2 2016 | Q2 2015 |
|---|---|---|
| Net Earnings | ($159.2) | ($64.8) |
| Impairment Charges, net of tax | $169.1 | $82.6 |
| Restructuring Charges | $3.6 | $0.0 |
| Net Financing Costs | $6.8 | $7.0 |
| Income Tax (Benefit) Expense | ($2.6) | $3.8 |
| Depreciation & Amortization | $12.4 | $13.2 |
| EBITDA | **$30.1** | **$41.8** |

Free Cash Flow

| | Q2 2016 | Q2 2015 |
|---|---|---|
| Cash From Operations | $7.6 | $20.6 |
| Capital Expenditures | ($5.5) | ($4.9) |
| Sale of PP&E | $3.2 | $0.5 |
| Other | $0.7 | $1.9 |
| **Free Cash Flow** | **$6.0** | **$18.1** |