

**ENERPAC®**   

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**TOOL GROUP**

September 2021

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 June 29, 2021. 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 accompanying the Q3 Fiscal 2021 earnings press release for a reconciliation to the appropriate GAAP measure.

# A Global Leader in Industrial Tools and Services

**110**

YEARS OF  
HISTORY

**Menomonee  
Falls, WI**

HEADQUARTERS

**~2,300**

EMPLOYEES

**100+**

MANAGEMENT TEAM  
YEARS EXPERIENCE

**100+**

# OF COUNTRIES  
PRODUCTS SOLD  
INTO

**Global leader in high  
precision tools, controlled  
force products and  
solutions for precise heavy  
lifting.**

## Products

Cylinders/Jacks,  
Pumps, Bolting tools,  
Presses, Pullers,  
Tools, Heavy Lifting  
Technology

## Service and Rental

Bolting,  
machining and  
joint integrity

## Extensive Global Distribution

**1,500+** long-standing  
distribution relationships

**3,500+** distributor  
locations

## Diversified Customer Base

Specialty Dealers

National  
Distribution

Large OEMs

**STRONG  
BRAND  
RECOGNITION**

**ENERPAC** 

Premium Industrial Tools  
Heavy Lifting

**hydratight**

Service  
Rental  
Training

**CORTLAND**

Medical  
Industrial Ropes

## Revenue Mix

**~75%**



**Tools**

**~25%**



**Service**

Manpower

Rental

# Positioned to Deliver Long-Term Value



## **Sustainable business model**

built on well recognized brands, robust global distribution and broad reach of end markets



## **Clear strategy**

to drive core growth above market and expand margins



## **Disciplined capital deployment**

powered by strong balance sheet and free cash flow conversion



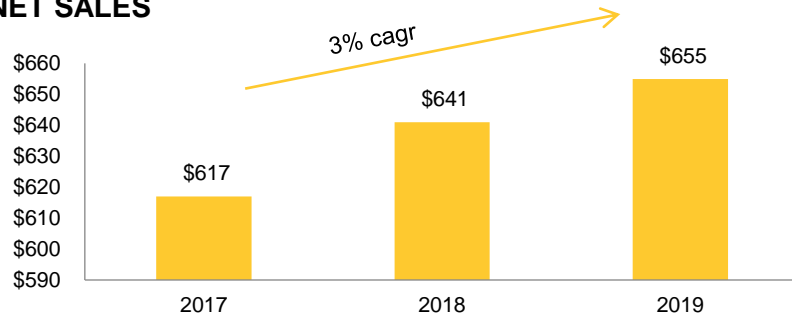
## **Experienced leadership team**

capable of executing to win

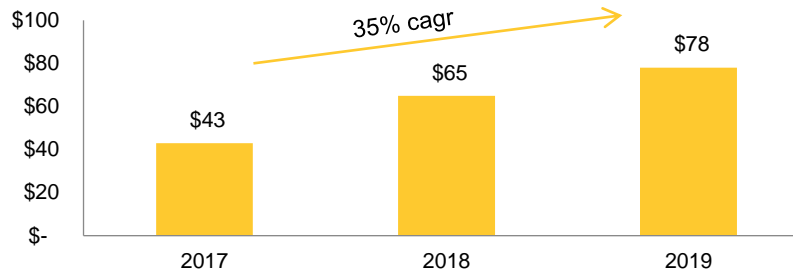


**BEST IN  
CLASS  
RETURNS**

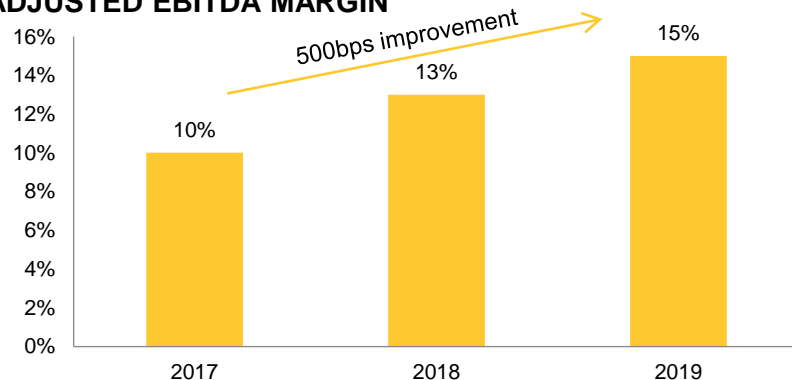
## NET SALES



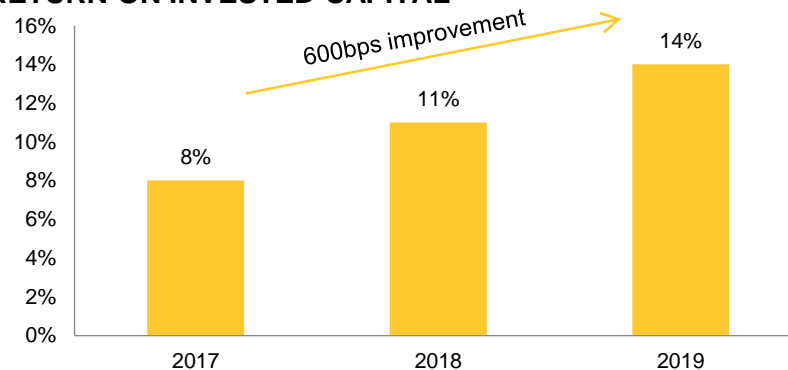
## ADJUSTED OPERATING PROFIT



## ADJUSTED EBITDA MARGIN



## RETURN ON INVESTED CAPITAL



## Growth in Alternative Energy

Products and services span multiple alternative markets including nuclear, wind, oil & gas

Mission critical tools are required for difficult conditions

## Increasing Product Complexity

Products are high precision matched to the increasing standards and tolerances.

The right tool makes all the difference when precision and safety are of the highest importance

## Infrastructure Demand

Heavy lifting technology provides reliable solutions to match challenging infrastructure demands

Aging infrastructure demands products to safely build and repair infrastructure across the globe

## Growth in Aerospace

Tools are used throughout the Aerospace industry for the building and on-going maintenance and repair of jet engines with greatest opportunity in military applications

Highest reliability and precision in critical functions

## 13 VERTICAL END MARKETS



Civil Construction



Power Gen  
& Utility



Oil & Gas



Off-Hwy  
Vehicle Repair



Industrial MRO



On Hwy  
Vehicle Repair



Manufacturing  
and Machine  
Tools



Paper/Wood



Mining



Military



Aerospace

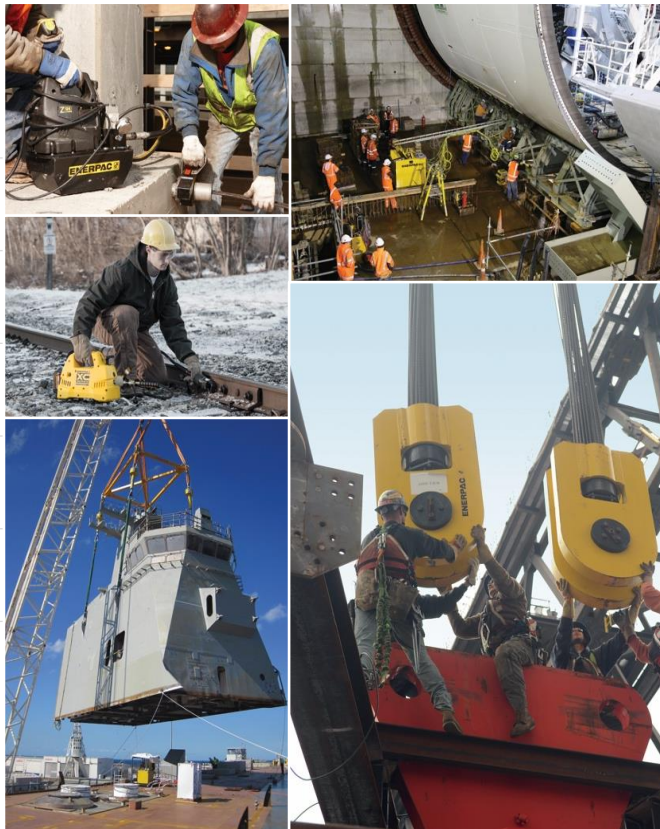


Steel & Metal

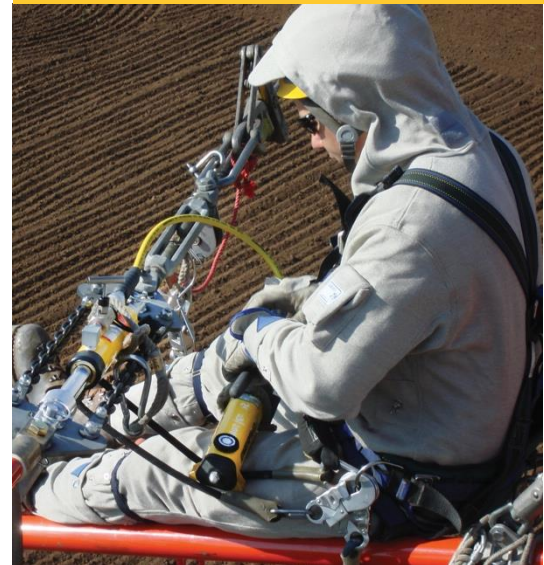


Rescue

**NEVER COMPROMISE**



**Diverse verticals provide  
reduced cyclicalty and  
increased predictability**



# Wide Array of Products

## Bolting



## Cylinders



## Heavy Lift



## Presses



## Pumps



## Work Holding



## Pullers



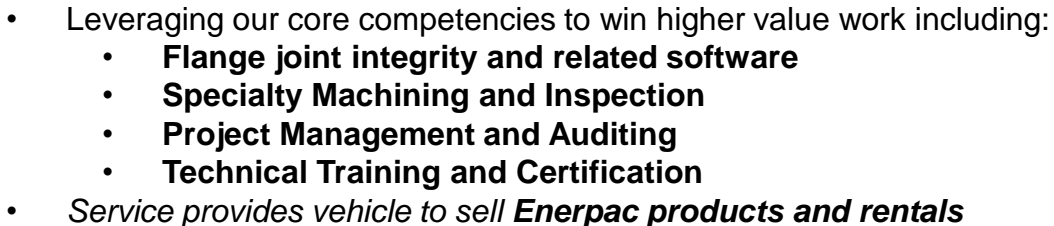
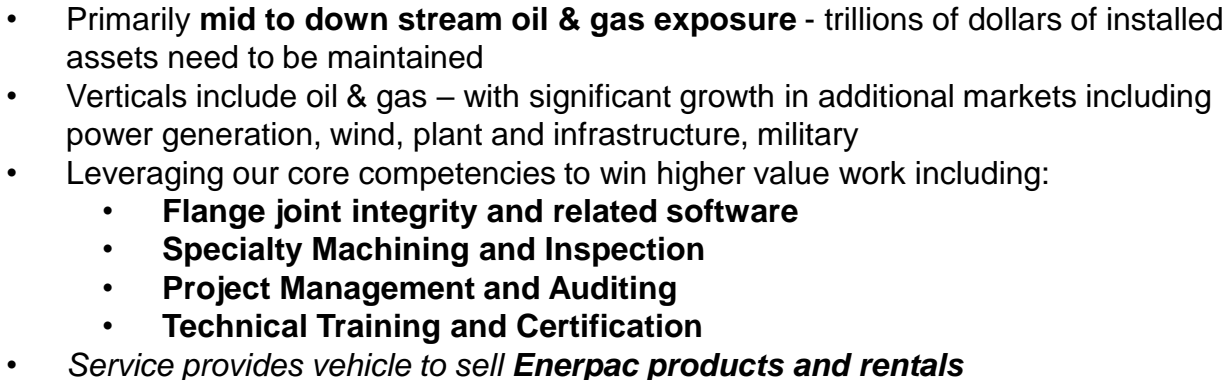
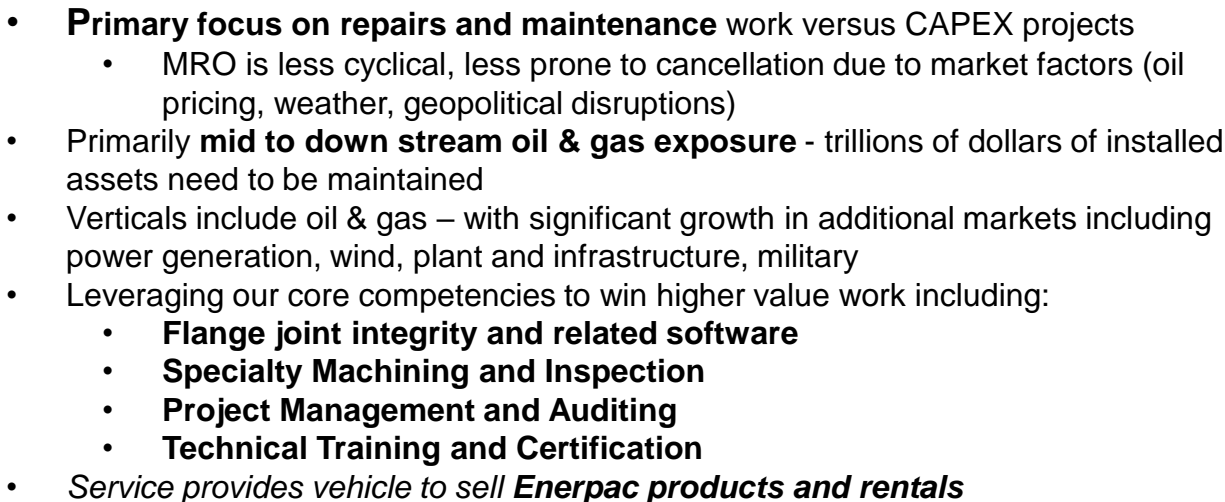
## Spreaders



## Cutters



**ENERPAC**   
**TOOL GROUP**



## Revenue Mix

**~75%**



**~25%**



### Manpower



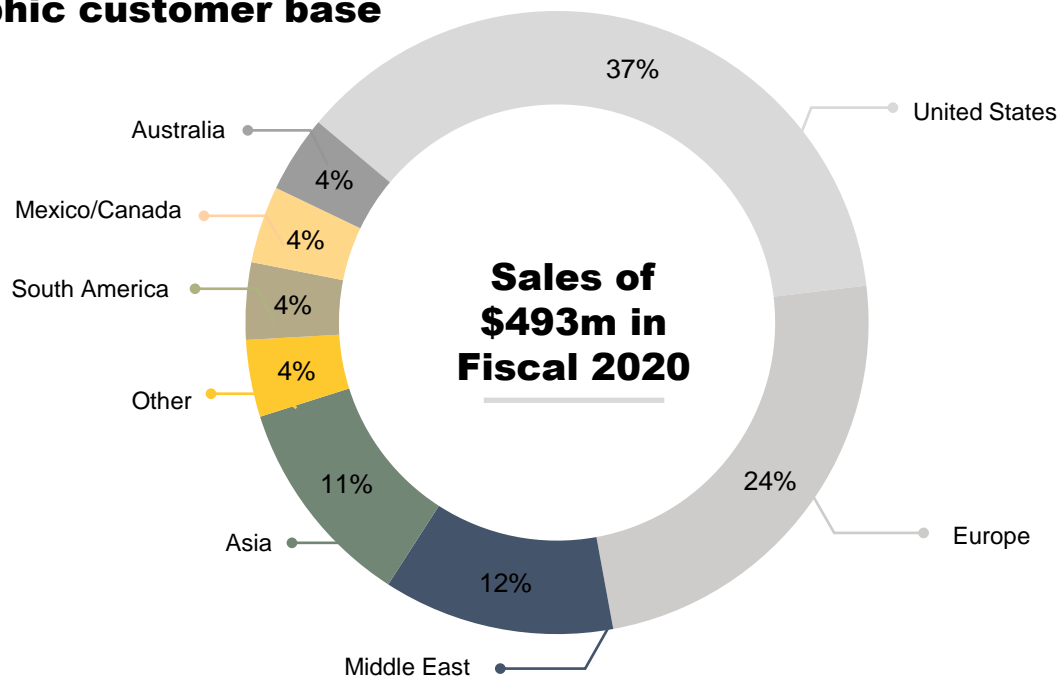
Rental

## Tools

## Service

# Serving a Wide Variety of Geographic Regions

**Enerpac Tools and Services benefit from having a diverse geographic customer base**



**Geographic diversification of sales reduces overall exposure to regional economic downturns**



**Our Global Footprint Allows Us To Better Serve Our Customers and Shareholders**

- **Producing near our customers leads to a quicker response time**
- **Understanding local market needs and demand**
- **Some projects require in-country production**
- **Low cost country manufacturing/sourcing drives competitive margins**

★ Corporate Headquarters    ● Manufacturing Locations    ● Enerpac Tool Center    ● Service Center and/or Sales Office



**1500+  
distributors**



**3500+  
points of sale**



**100+  
countries**

## **Global Distribution Network is a competitive advantage**

- **Most robust distribution network in the competitive space**
- **Application experts with hands-on product demonstrations**
- **Local access to world-class tools quickly and conveniently**
- **Buy or rent the right tools when & where you need them**
- **Ability to support Global customers in all regions**



# Clear Value Creation Model – Long Term Vision

## 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

- Incremental margin expansion
- 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

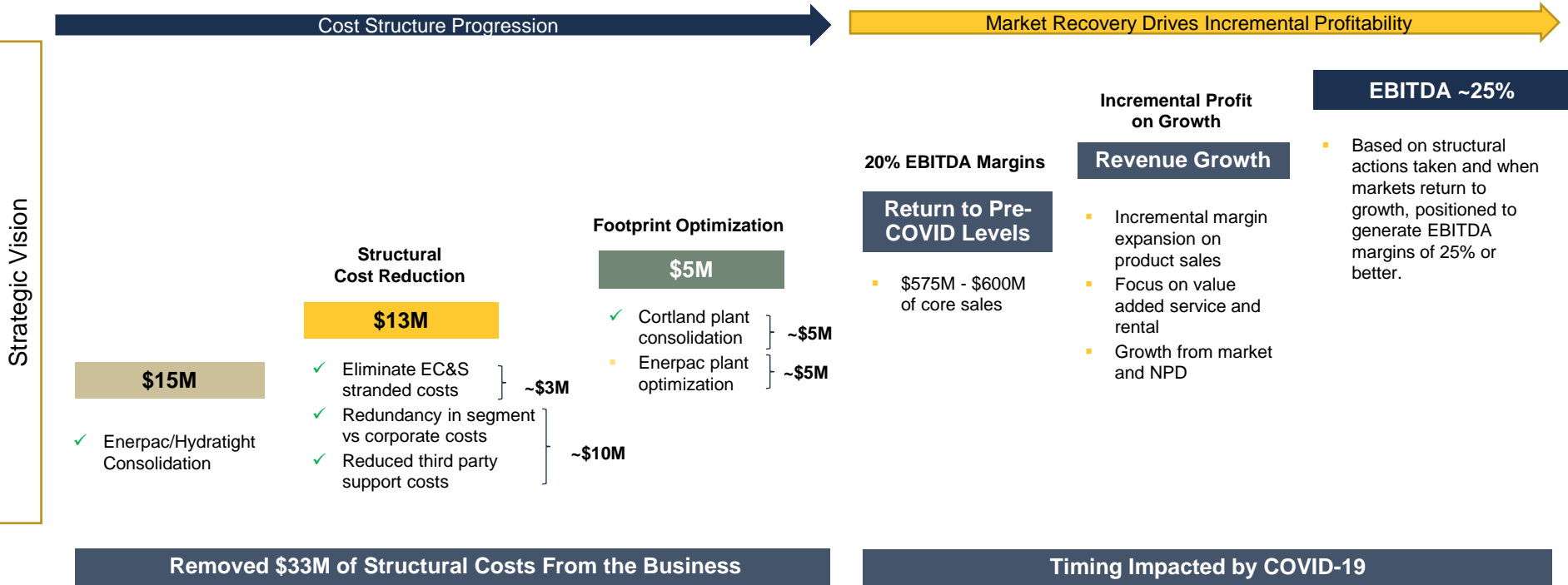
## BEST-IN-CLASS RETURNS AND DISCIPLINED CAPITAL DEPLOYMENT

**~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

# Achieving EBITDA Margin Expansion with Market Recovery



Structural Cost Reductions Expected to Drive Stronger Incremental Margins on Future Growth

# Return on Invested Capital - Deploying Capital to Create Long-Term Sustainable Returns



**Invest in Ourselves to  
Drive Organic Growth**



**Disciplined M&A within  
Tool Space**



**Reduce Debt and Maintain  
a Strong Balance Sheet**



**Opportunistic Share  
Buybacks**

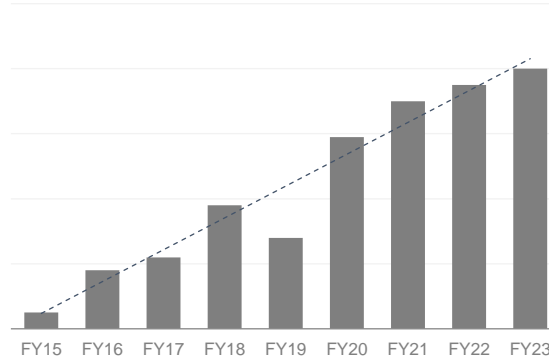
**Goal of enhancing  
Enerpac's position as a  
premier industrial tools and  
services company and its  
commitment to sustainable  
shareholder value creation**



## NEW PRODUCT DEVELOPMENT

- Focusing on innovation through Centers of Excellence (CoE) and Vertical Market teams
- Bringing new products to market faster
- Improving utilization of resources between CoE's, supply chain and regions to drive launch execution

## NEW PRODUCT SALES



## NEW PRODUCT VITALITY

FY15	FY19	FY20	FY21+
3.5%	7%	11%	10+%

Investment in NPD which began in FY'16 has driven acceleration in new products as a percent of sales



E-Pulse Hydraulic Pump



New Self Locking Cube Jack



XC-Torque Wrench Pump



Clamshell Cutters



RSL Torque Wrench



Lock-Grip Pullers

## CHANNEL DEVELOPMENT

- Partnership with Program Distributors and National Accounts
- Selectively expanding network of value-added distributors targeting key vertical markets
- Strengthening distributor relationship via expanded product offerings and technical support

## EXPANDED NETWORK OF VALUE ADDED DISTRIBUTORS

- Enhancing distributor capabilities and coverage



## COVERAGE

- Increasing distributor support from field-based Product and Market specialist teams
- Expanding key / national account coverage leveraging Enerpac and Hydratight relationships
- Sales and Marketing aligned to leverage our strong brand, drive demand, generate leads and sell more products

## ENERPAC TOOL CENTERS

- Opened pilot ENERPAC Tool Center with launch in Deer Park, TX
- Expanding Enerpac Tool Center capability- Product Sales, Rental, Service, Calibration, Training, Product Demos
- Enhances distribution coverage
- Drives additional rental of Enerpac tools





## Opportunity to Drive Profitability

- Enhancing EBITDA growth through operational improvements



## Value Added Service

- Focus on value-add service – joint integrity, custom machining, bolting
- Eliminating commodity service creates profit improvement



## Manufacturing Excellence

- Facilities/locations
- Employing lean techniques and continuous operational improvements/SQDC
- Optimized manufacturing, service and distribution



## Strategic Sourcing & Supply Chain

- Proven competency of leveraging global supply chain
- Sales & operations planning (S&OP)

## Philosophy of continuous improvement





## DISCIPLINED STRATEGY

- Targeting bolt-on and strategic acquisitions of small to mid-sized companies
- Any target must meet our financial and operational criteria
- Margins in line with Enerpac line average

## DRIVING GROWTH THROUGH M&A

- Goal is to become larger, more meaningful provider
- Any acquisition must support the extension of product lines and/or provide technology, which gives Enerpac a competitive advantage

## STRONG BALANCE SHEET

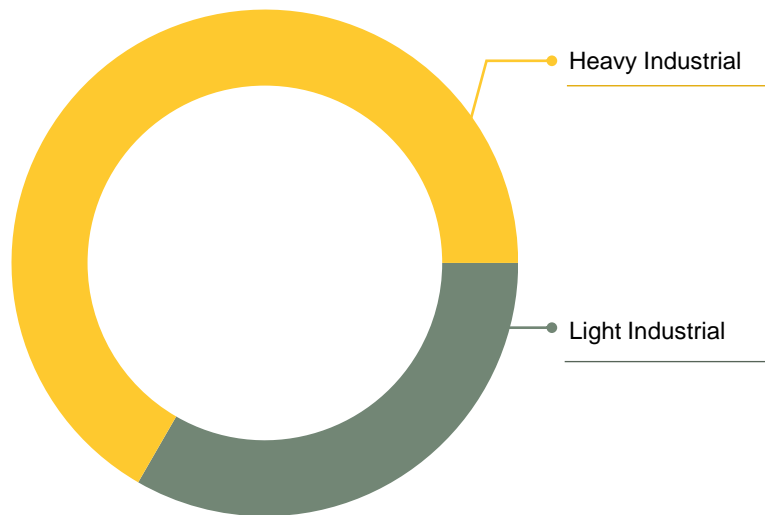
- Will maintain strong financial position
- Current liquidity gives us ample capacity between our cash on hand, existing credit facilities and access to debt markets

**Investing in strategic acquisitions through a disciplined process to capture new growth opportunities**



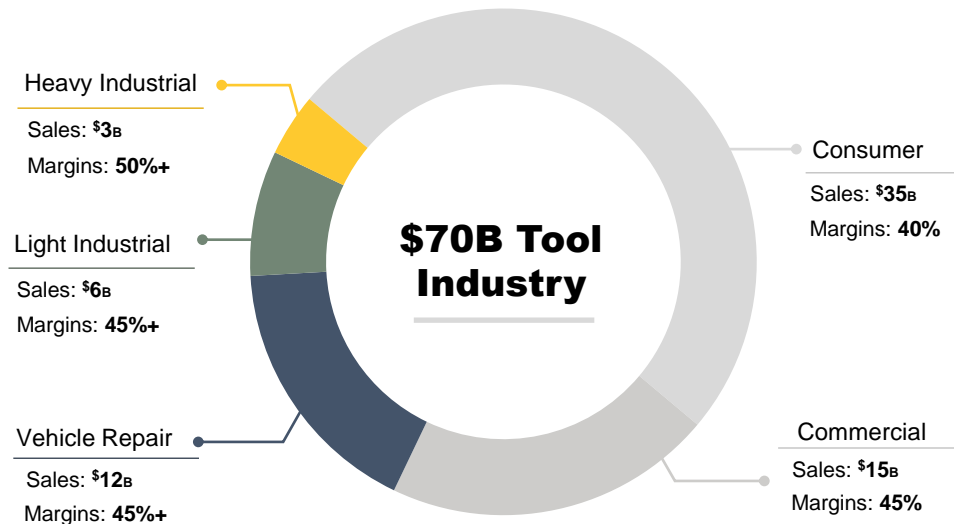
## Enerpac Today\*

Strong Market Position in Key Segments

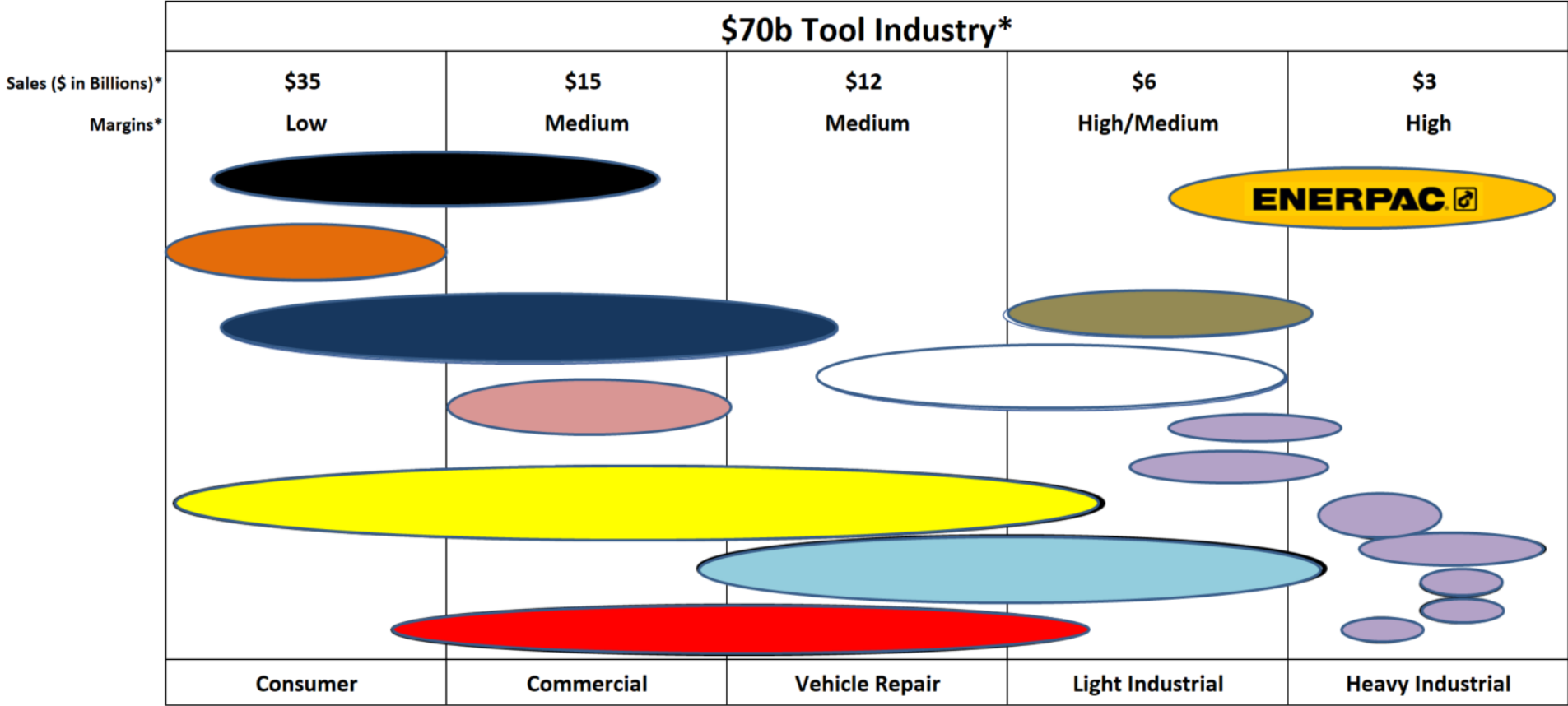


## Tool Industry Market\*

Targeting Growth in High Margin Segments

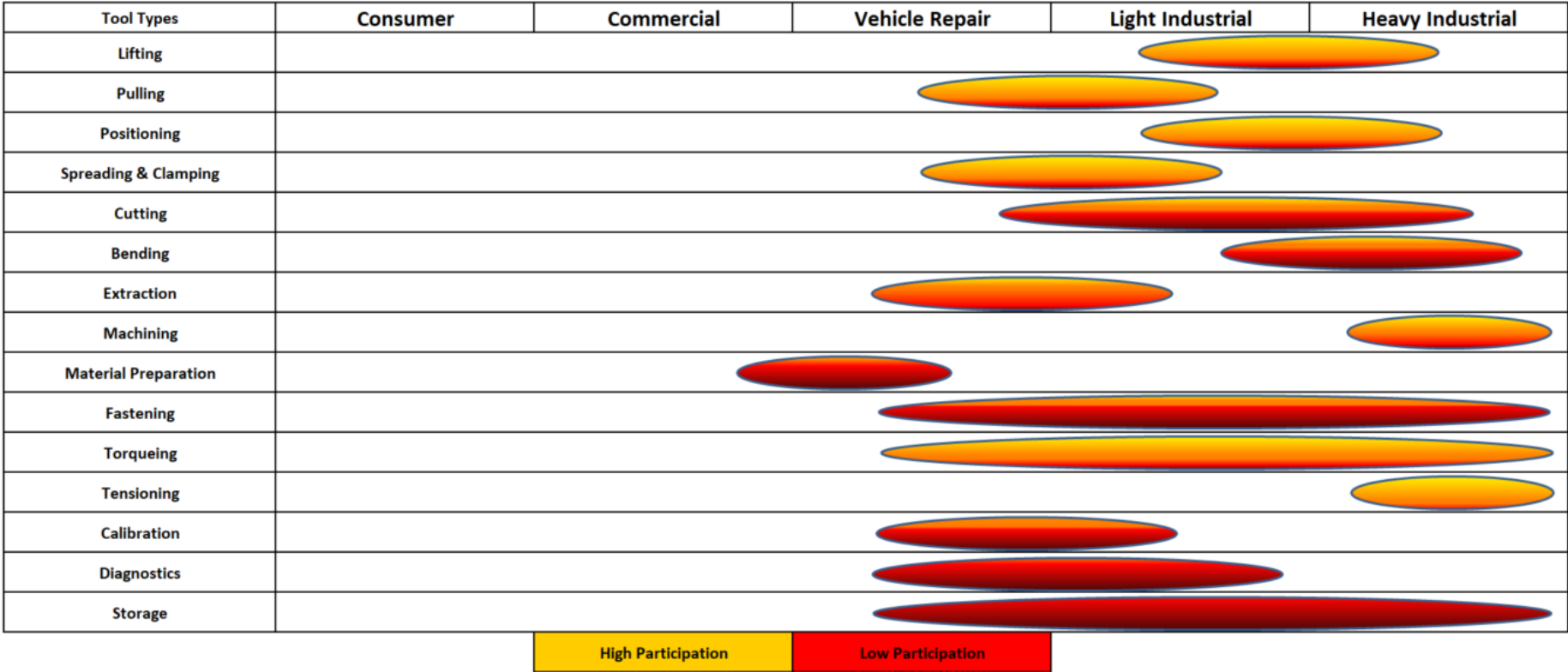


# Tools Industry — Consumer to Heavy Industrial



\* Based on management estimates

# Tools Industry – Consumer to Heavy Industrial





## OUR VISION

Is to be our customers' preferred partner through relentless innovation of industrial tools and services that help them safely and reliably tackle their toughest jobs around the world.



## OUR PEOPLE

Our talented teams across the globe are our most valuable asset. We recognize their hard work and dedication to make Enerpac Tool Group what it is today. We are focused on employee development and retention of our talent.



## OUR VALUES

- We put safety and integrity first
- We focus on our customers
- We work collaboratively
- We deliver on our commitments
- We support our employees and communities



## DIVERSITY, EQUITY & INCLUSION

Focused on building an accepting and welcoming culture where all ethnicities, genders, sexual orientation, points of view and backgrounds feel a sense of belonging.

Dedicated to creating an environment that allows for open communication about diversity and inclusion.

Launched Women's initiative to support development and success of diverse talent.

**NEVER COMPROMISE**





## **SAFETY**

Safety is our #1 priority.

We are committed to the safety, security and health of our people along with the safety and protection of the facilities and communities in which we operate.

Safety is deeply embedded in Enerpac's culture and is fully embraced by all leaders in our organization. We strive to achieve the highest health, safety, security, environmental, and quality standards for our products, services and solutions. We are committed to achieving the Goal of Zero harm to employees, customers and end users of our products.



## **COMMUNITY OUTREACH**

We strive to improve the quality of life and enhance the vitality of the communities in which we operate throughout the world.

We encourage our employees to volunteer their time and talent on behalf of the company and provide paid time off for team-related, sanctioned events.

Our "Give Where You Live" program supports local organizations both financially and through employee volunteer efforts.



## **SUSTAINABILITY**

Our company promotes awareness about protecting the environment, and considers environmental criteria when evaluating projects, products, processes and purchases.

We encourage technologies that do not pollute and employ processes and product designs that minimize waste.

Recently added Sustainability section to [enerpactoolgroup.com](http://enerpactoolgroup.com) highlighting our sustainability efforts.

# **Appendix**

**(Slides from Q3 Earnings Call)**



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

- Goal Zero
- Critical as return to normalized activity/volumes



## **Financial Highlights**

- Return to year-over-year growth
- Strong product sales with service at varying stages of recovery
- Incremental margins in line with expectations



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

- Capital allocation priorities remain unchanged with focus on organic growth and M&A
- Balance sheet remains strong



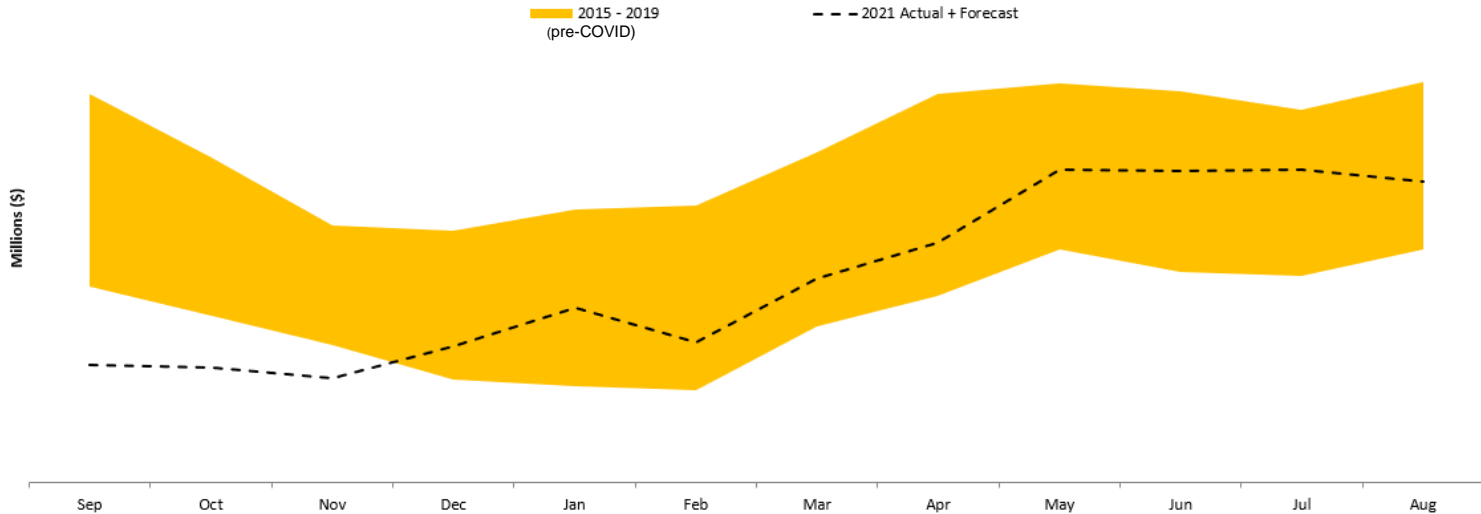
## **Environmental, Social & Governance**

- Actioning plan to reduce carbon footprint and landfill waste
- Continued progress on Diversity, Equity & Inclusion initiatives



## Product Net Sales

**IT&S Consolidated Product Net Sales\***



**The pressure wave shows that by May we were squarely back in the middle of the five-year pre-COVID sales range for IT&S product sales and expect to remain there in Q4**

\*includes acquisitions from date of purchase and excludes strategic exits



## Financials

- Sales: \$143M
- Core sales growth of 36% (Product up 40% and Service up 23%)
- Adjusted EBITDA incremental margins of 47%, excluding the impact of currency, exceeding our target range of 35-45%
- Adjusted Diluted EPS: \$0.28
- Free Cash Flow: \$35M of cash generated compared to \$11M generated in the comparable prior year period
- Leverage at 1.1x



## IT&S Regional Core Sales

- Europe growth: ~high 60%
- Americas growth: ~mid 30%
- Asia Pacific growth: ~high teens%
- Middle East growth: ~mid single digits%



## Americas / Europe

- Return to significant year-over-year core growth in both regions
- Key Verticals
  - Positive trends continue in Power Generation, Construction and General Industrial in North America
  - Infrastructure and Power Generation remains strong in Europe
  - Mining and Power Generation strong in Latin America
  - Improving Oil & Gas fundamentals driving increased quoting activity
- Distribution
  - Dealer sentiment continues to improve
  - Now seeing more normalized stocking activity along with retail sell through
  - Gaining momentum with customer/distributor visits as vaccination rates improve



## Asia Pacific

- Return to year-over-year core growth
- Portions of the region still challenged with COVID related lockdowns/restrictions
- Key Verticals
  - Mining continues to be strong in the region driven by favorable iron ore prices
  - Oil & Gas have begun to see progress with major maintenance projects
  - Continue to see positive trends in Power Generation and Infrastructure



## **Middle East/North Africa/Caspian (MENAC)**

- Return to year-over-year core growth
- COVID related border lockdowns and restrictions on foreign national travel (India, Nepal, etc) affecting labor availability and movement
- Delayed maintenance projects slowly starting to come back online
- Key Verticals
  - Continued progress toward diversification beyond Oil & Gas
  - Improved product sales in the quarter
  - Other vertical opportunities include Mining, Infrastructure and Power Generation

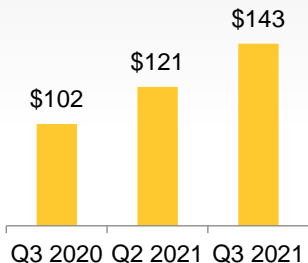


## **Operations**

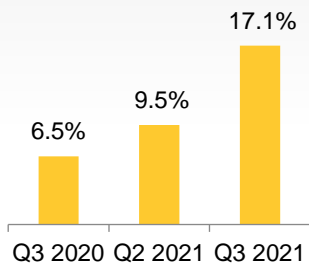
- Refocusing on Safety initiatives as worked hours return to higher levels
- On-Time Delivery remained strong despite supply chain and logistic challenges
- Plant utilization significantly improving
- Priority on managing logistics and supply chain challenges along with commodity pricing

# Third Quarter 2021 Comparable Results

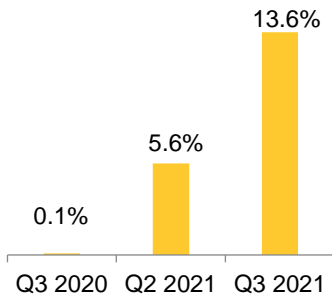
(US\$ in millions except EPS)



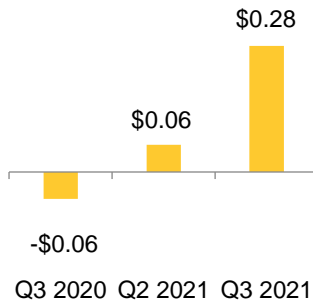
**Net Sales\***



**Adjusted EBITDA %\***



**Adjusted Operating Profit %\***



**Adjusted Diluted 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 growth of 36% (product 40% and service 23%)
  - IT&S product sales 44%
  - Other product 8%
- New Product Development (NPD) – 4 new product families launched
  - NPD % of product sales ~12%
- Favorable impact of FX ~\$4M

## ADJUSTED EBITDA\*

- Incremental margins of ~47%, excluding the impact of currency

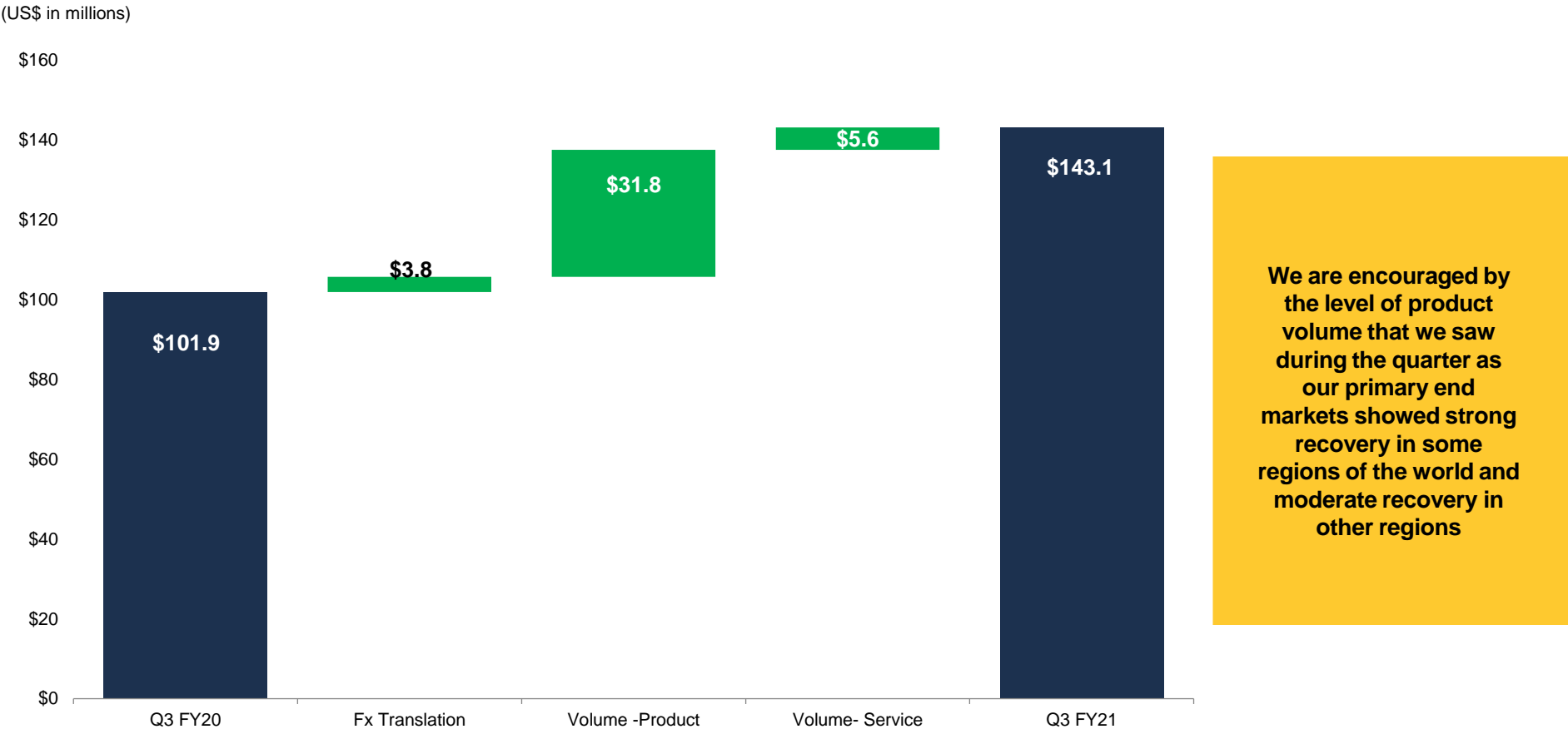
## ADJUSTED OPERATING PROFIT\*

- Year-over-year increase due to increased volume along with restructuring and other cost savings initiatives

## ADJUSTED DILUTED EPS\*

- Year-over-year increase is due to operating margin increase and interest savings
- Adjusted effective tax rate for the quarter ~3%

# Net Sales Waterfall\*



**We are encouraged by the level of product volume that we saw during the quarter as our primary end markets showed strong recovery in some regions of the world and moderate recovery in other regions**

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

# Adjusted EBITDA Waterfall\*

(US\$ in millions)



Adjusted EBITDA benefited from higher volumes and restructuring savings partially offset by the year-over-year decrease in COVID related temporary cost savings put in place to offset reduced volume during the pandemic, resulting in incremental EBITDA margins of 47%, excluding the impact of currency, exceeding our target range of 35-45%

\* Includes certain Non-GAAP financial measures. See the accompanying reconciliation tables for additional details.



## **Commodity Costs**

- Steel and aluminum pricing has remained at all-time highs
- Negotiating supplier price increase requests
- Pricing actions taken, largely effective June 1



## **Logistics**

- Freight costs and availability remain a challenge
- Limited capacity driving costs up
- If rates continue to climb will evaluate a surcharge

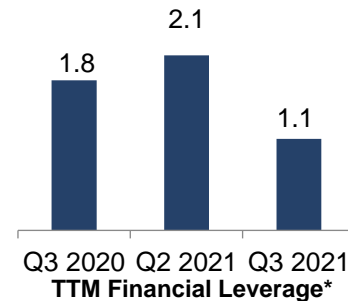
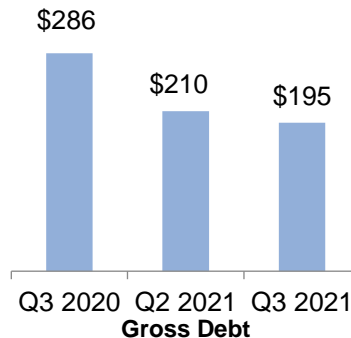
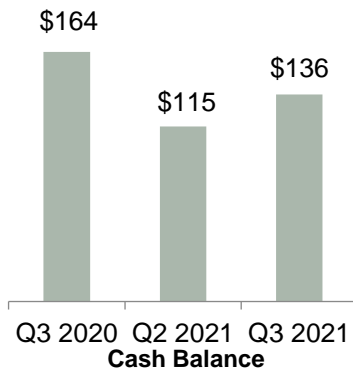
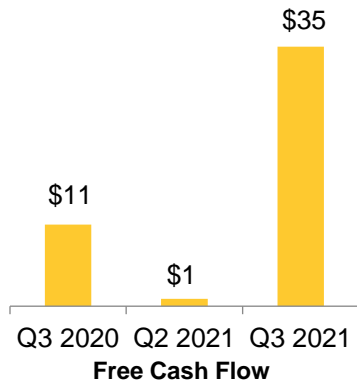


## **Execution**

- Continues to be a volatile environment but teams have executed well
- As many have reported, we have been experiencing and managing expanding lead times, supplier capacity constraints, labor availability and material shortages
- Brought on 2<sup>nd</sup> and 3<sup>rd</sup> suppliers to reduce capacity constraints
- Coordination between procurement, quality, operations and engineering has been key

# Liquidity – Positioned for Success

(US\$ in millions)



## Free Cash Flow (FCF)

- Proactively managing Primary Working Capital
  - Increase in AR due to timing of sales
  - Slight increase in inventory planned to facilitate expected increased demand and maintain our delivery performance
- \$18M from sale of manufacturing facility in China, net of transaction charges

## Debt & Leverage

- Paid down \$15M of debt in the quarter
- Below target range of 1.5-2.5x

# Thoughts on Remainder of Fiscal 2021

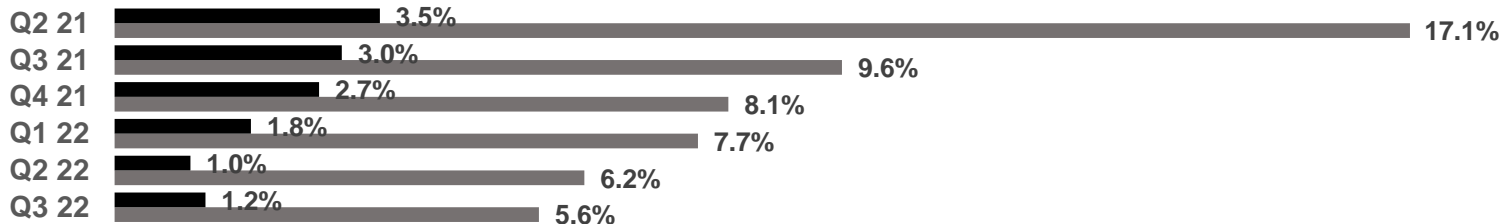


- Anticipate that net sales will return to pre-COVID levels as we exit the fiscal year
- Expect incremental EBITDA margins on the high end of 35%-45%, excluding the impact of currency
- Continue to execute our strategy
  - Strategic capital allocation focused on driving shareholder value
  - Continue to invest in organic growth initiatives including new product development and strategic M&A
  - Manage liquidity and maintain strong balance sheet
  - Remain focused on cost management to deliver solid margins

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

Calendar

■ Low ■ High



**Sentiment has shifted to growth in coming quarters but variance remains as to how much growth and how fast the recovery will happen**

We anticipate the top line returning to pre-COVID levels as we exit the fiscal year.

# Expectations for Second Half of Fiscal 2021\*



## Expectations for 2H of Fiscal 2021:

- **Sales in the range of \$290 million to \$295 million, implying Q4 sales of \$147 million to \$152 million**
- **Projected year-over-year core growth by category**
  - IT&S Product ~ low 30%
  - IT&S Service ~ low to high 40%
  - Other ~ low to high 20%
- **Incremental EBITDA margins on the high end of 35%-45% excluding the impact of currency**



## Fiscal 2021 Annual Modeling Assumptions:

- Tax Rate: ~20%
- Depreciation/Amortization: ~\$20-\$24 million
- Interest Expense: ~\$5-\$7 million
- Capital Expenditures: ~\$10-\$15 million
- Cash Taxes: ~\$5-\$7 million
- 100% Free Cash Flow conversion
- Key FX rates as of April 2021:
  - \$1.20/1€
  - \$1.37/1£

We are optimistic as we progress through the fourth quarter of our fiscal year but are closely monitoring headwinds which include:  
inflationary factors, the potential for supply chain disruption and COVID related shutdowns