



Fiscal 2023 First Quarter Earnings

December 21, 2022

Forward-Looking Statements/Non-GAAP Measures

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All estimates of future performance are as of December 20, 2022. 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.

This presentation also contains financial measures that are not measures presented in conformity with GAAP. These non-GAAP measures include EBITDA from continuing operations, adjusted EBITDA from continuing operations, adjusted earnings from continuing operations, adjusted diluted earnings per share from continuing operations, adjusted operating profit from continuing operations, segment adjusted operating profit and adjusted EBITDA, free cash flow and net debt. The supplemental financial schedules appended at the end of this presentation include reconciliations of historical non-GAAP measures to the most comparable GAAP measure. Enerpac Tool Group acknowledges that there are many items that impact a company’s reported results and the adjustments reflected in these non-GAAP measures are not intended to present all items that may have impacted these results. In addition, these non-GAAP measures are not necessarily comparable to similarly titled measures used by other companies.

New **T**eam

New **M**ission

New **P**lan

New **G**oals

**RAISING
THE BAR** 

**Premier Industrial Solutions
Provider** Serving a Broad and
Diverse Set of Customers Globally

Defined Organic Growth Strategy Focused on
Maximizing Shareholder Value and
Capitalizing on Global Macro Trends

Transformation Plan to **Elevate
Performance, Create Resiliency and Manage
Through Cycles** – Already Yielding Results

Strong Balance Sheet With a
Disciplined Capital Allocation Plan

New Leadership Team Positioned to
Achieve Long-term Targets

Durable Business Model Provides Stability and Fuels Strategic Priorities

Resilient, Cash-Generative Business Model

Continued Focus on Margin Improvement

Balanced Capital Allocation Strategy

Proven Ability to Maintain Balance Sheet Strength

FY26 TARGETS

>25%

Adj. EBITDA Margin

6-7% Organic Revenue CAGR*

>100% FCF Conversion

RAISING THE BAR 

Initiatives

Key Actions

Commercial

- Through our **channel simplification strategy**, refocusing our efforts on and disproportionately investing behind those partners that are focused on helping to grow the Enerpac business and best positioned to win in the marketplace
- **Simplified our channel discount structure** to a tiered approach that rewards growth of Enerpac sales, by allowing partners to focus on our line and earn the potential for more attractive discounts at higher levels of growth performance

Procurement

- Analyzed **direct material and indirect costs globally**, identified **spend reduction opportunities** through **spend consolidation using 80/20 and supplier negotiations**
- Tightened discretionary spend control to drive greater visibility and **generate additional cost savings**

SG&A

- Some back-office functions moving to a shared service center model in **lower cost regions**
- **Simplified legal entity** structure to facilitate cash repatriation and simplify intercompany transactions

We continue to anticipate \$12 to \$18 million of EBITDA benefit related to ASCEND in Fiscal 2023.



Overview

- Solid top line performance, despite currency headwinds, driven by strong customer demand
- While some distributors are cautious, we do not see signs of a recession
- Continued to manage supply chain challenges, with a slight decrease in past due backlog quarter over quarter
- Starting to see the favorable impact of our ASCEND initiatives reflected in EBITDA margin and in our SG&A levels



IT&S Regional Core Sales

- Americas growth: ~high teens%
- Europe growth: ~low double digits%
- Asia Pacific growth: low single digits%
- MENAC growth: low single digits%



Americas

- Another quarter of solid year-over-year core growth in the Americas
- Key Verticals
 - Rail was favorable due to investments in ongoing rolling stock maintenance
 - Wind is creating some nice future opportunities for HLT business
 - Aero experienced steady demand with a nice pipeline
 - Oil & gas was strong with solid rental activity
- Distribution
 - While demand has been steady, dealer sentiment was neutral due to the possibility of a recession



Europe

- Solid year-over-year core growth
- Key Verticals
 - Infrastructure was favorable as a result of continued government investment in aging infrastructure
 - Rail experienced a nice project win in the quarter and also benefits from government investment
 - Oil & gas was strong due to pent up demand related to the Russia/Ukraine crisis
- Distribution
 - Dealer sentiment is generally neutral, with caution in some areas given current macroenvironment



Asia Pacific

- Slight year-over-year core growth
- COVID continued to be a challenge in China
- Key Verticals
 - Mining continued to be positive due to demand for iron ore, coal, and some precious materials
 - Shipbuilding activity largely driven by the transportation of liquefied natural gas

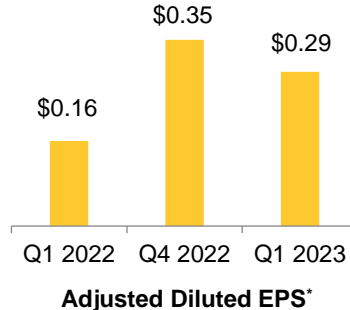
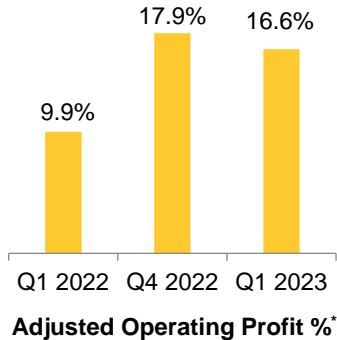
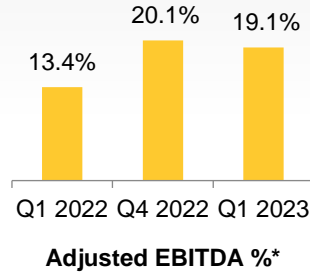


Middle East/North Africa/Caspian (MENAC)

- Slight year-over-year core growth
- Maintenance work that had been postponed the past few quarters has begun to take place
- Key Verticals
 - Oil & Gas
 - Remained strong due to oil and gas prices
 - Energy producers are making large investments in downstream activity shifting away from standard oil refining and gas processing
 - Power Generation (including renewables) and Infrastructure continued to be favorable in the quarter

First Quarter 2023 Comparable Results

(US\$ in millions except EPS)



NET SALES*

- Core sales growth of 13%
 - IT&S product sales 14%
 - Other product 26%
 - Service 3%
- Unfavorable impact of FX ~\$7M, reducing core sales by 6%

ADJUSTED EBITDA*

- Incremental EBITDA margins of ~64%, excluding the impact of currency

ADJUSTED OPERATING PROFIT*

- Year-over-year increase is primarily due to higher product volume, price/cost realization and mix

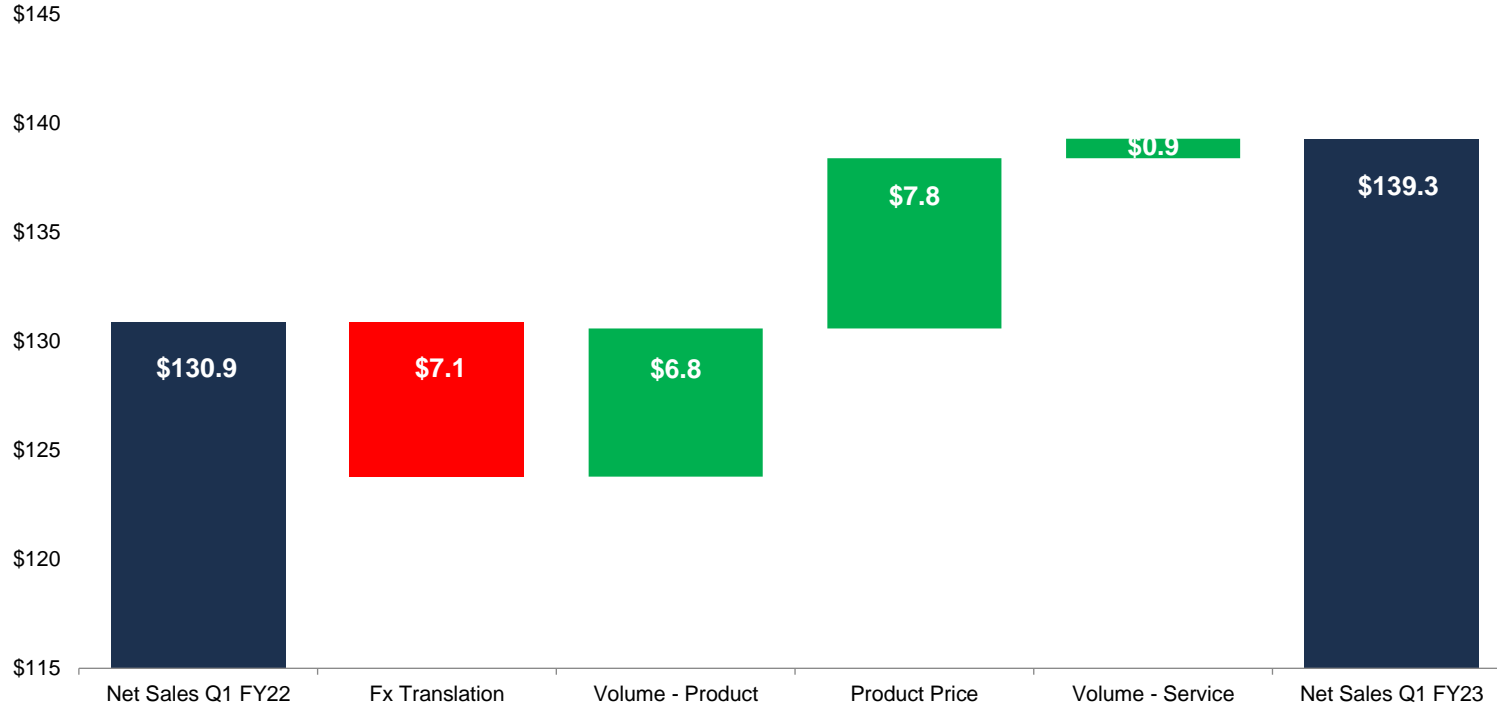
ADJUSTED DILUTED EPS*

- Year-over-year increase (greater than 80%) is due to the increase in operating margin
- Adjusted effective tax rate for the quarter ~16% vs ~15% in the prior year

*Adjusted Operating Margin, EBITDA Margin and EPS excludes restructuring 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 Waterfall*

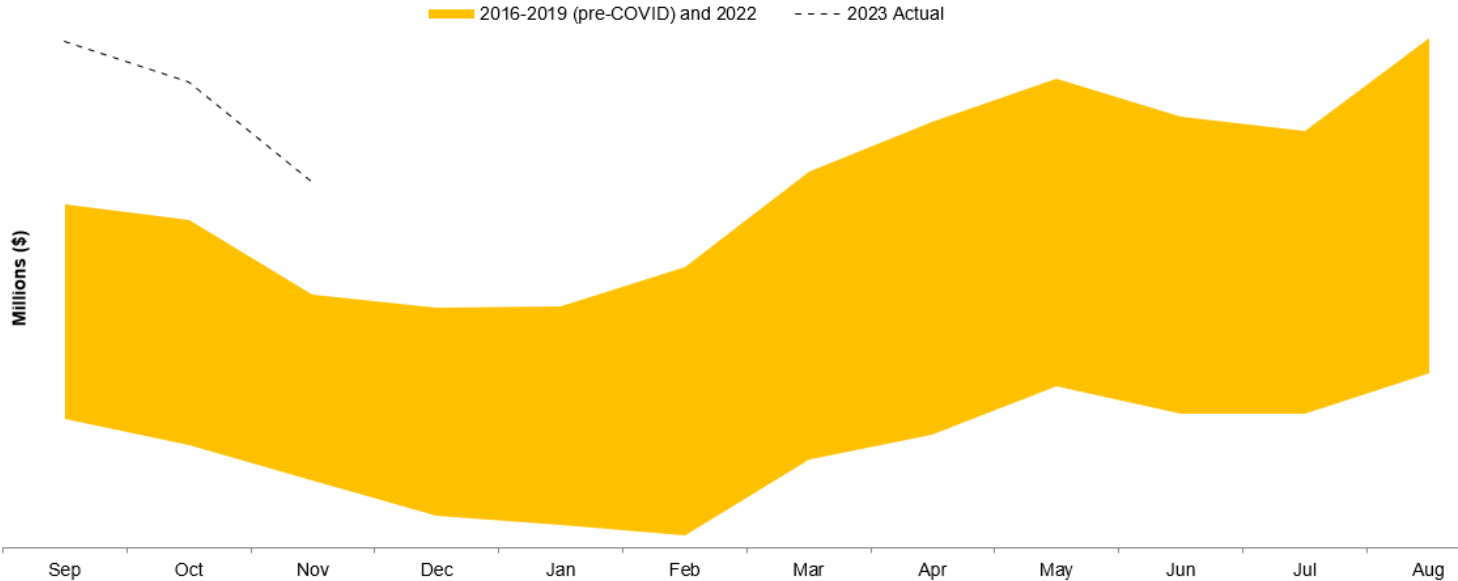
(US\$ in millions)



Product volume driven by solid demand and product pricing were the primary drivers of the year-over-year net sales increase, offset by FX headwinds

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

IT&S Total Product Net Sales (including Acquisitions from date of purchase) (excluding Strategic Exits)



Due to the combination of increased volume and the benefit of pricing actions, first quarter net sales were well in excess of the peak IT&S product sales the 4 fiscal years prior to COVID and fiscal 2022

Adjusted EBITDA Waterfall*

(US\$ in millions)



Adjusted EBITDA primarily benefited from product volume and product price/cost benefit & mix, along with Cortland mix/productivity

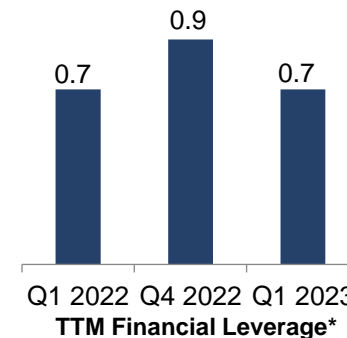
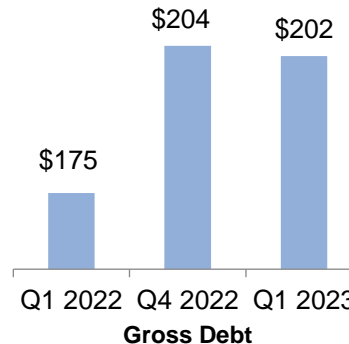
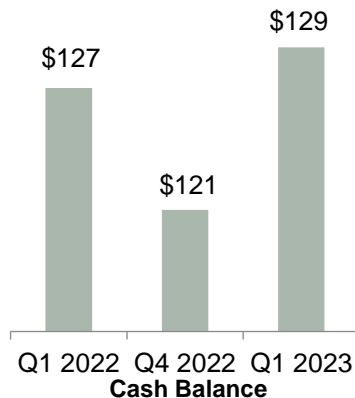
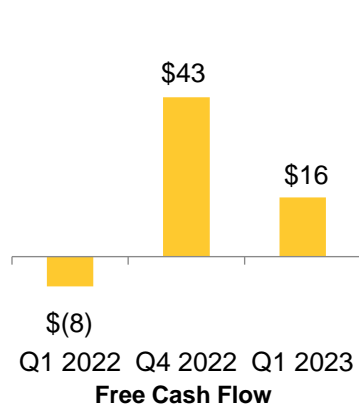


Supply Chain Update

- Supply chain challenges continued during the quarter but seeing some overall improvement
- Past due backlog decreased slightly quarter over quarter
- Component availability is still a challenge, particularly for some plastic parts and electronics
- Continued to see easing of commodity price increases and freight costs returning to normal levels
- While seeing some positive signs, expect some headwinds will continue into calendar 2023
- Announced additional pricing actions to preserve margin

Liquidity – Positioned for Success

(US\$ in millions)



Free Cash Flow (FCF)

- \$10M decrease in accounts receivable in the quarter, driven by strong collections in Q1 (excluding FX)
- Inventory increased \$6M compared to the fourth quarter (excluding FX)
- \$2M increase in accounts payable (excluding FX)

Leverage

- Remain well below target range of 1.5-2.5x
- Refinanced credit facility in September

Fiscal 2023 Guidance – No Change



Fiscal 2023 Full Year Guidance:

- **Net Sales in the range of \$565 to \$585 million, with core growth of 3%-6%**
- **Projected year-over-year core growth by category**
 - IT&S Product ~ up mid single digits%
 - IT&S Service ~ down mid single digits to flat%
 - Other ~ up low to mid single digits%
- **Adjusted EBITDA range of \$113 to \$123 million, including an ASCEND EBITDA benefit of \$12 to \$18 million**
- Guidance is based on exchange rates noted below and assumes no broad-based recession



Fiscal 2023 Annual Modeling Assumptions:

- Adjusted Tax Rate: ~25%-30%
- Depreciation/Amortization: ~\$16-\$18 million
- Interest Expense: ~\$11 million
- Capital Expenditures: ~\$10-\$15 million
- Cash Taxes: ~\$7-\$9 million
- Free Cash Flow: ~\$50-\$65 million
- Key FX rates :
 - \$0.98/1€
 - \$1.11/1£

We continue to be cautious and are closely monitoring potential headwinds. With the benefits of our ASCEND initiatives we believe that we are well positioned to respond to macroeconomic events

Appendix



ASCEND Transformation Program

- Key Initiatives
 - Accelerating organic growth go-to-market strategies
 - Improving operational excellence and production efficiency by utilizing a Lean approach
 - Driving greater efficiency and productivity in SG&A by better leveraging resources and technology to create a more efficient and agile organization
- Focused on driving accelerated growth and EBITDA
 - Utilizing an 80/20 approach to help drive organic growth and operational excellence
 - Identified meaningful opportunities to meet or exceed our 25% EBITDA margin target
 - Expect total incremental annualized adjusted EBITDA of \$40-50 million, with some initiatives taking longer to action than others
 - Run-rate expected to be achieved by Fiscal 2025
 - Expect to invest \$60-\$65 million over the program period*
- Moved to implementation stage with contributions from all levels of the organization

Adjusted Operating Profit Waterfall*

(US\$ in millions)



Adjusted Operating Profit primarily benefited from product volume and product price/cost benefit & mix, along with Cortland mix/productivity

First Quarter 2023 GAAP vs Non-GAAP Reconciliation

(US\$ in millions except EPS)

	GAAP	Less				Adjusted
		Restructuring Charges	ASCEND Transformation Charges	Leadership Transition Charges	Debt Issuance Costs	
Sales	\$139.4					\$139.4
Operating Profit	\$12.3	(\$1.0)	(\$9.4)	(\$0.4)	\$0.0	\$23.1
Income Taxes	\$2.4	(\$0.1)	(\$0.7)	\$0.0	\$0.0	\$3.1
Net Income	\$6.4	(\$0.9)	(\$8.7)	(\$0.4)	(\$0.3)	\$16.8
<i>Effective tax rate</i>	<i>27.1%</i>					<i>15.6%</i>
Diluted EPS	\$0.11	(\$0.02)	(\$0.15)	(\$0.01)	(\$0.01)	\$0.29

Restructuring Charges include:

- \$1.0 million charge related to ASCEND initiatives

ASCEND Transformation Charges include:

- \$9.4 million charge, including third-party fees for program implementation support

Leadership Transition Charges include:

- \$0.4 million charge related to changes made within senior leadership

Debt Issuance Costs include:

- \$0.3 million related to the refinancing of the Senior Credit Facility

Reconciliation of Non-GAAP Measures

(US\$ in millions)

Adjusted EBITDA

	Q1 2023	Q1 2022
Net Earnings	\$6	\$3
Net Financing Costs	\$3	\$1
Income Taxes	\$2	\$2
Depreciation & Amortization	\$4	\$5
Restructuring Charges	\$1	\$3
Leadership Transition	\$0	\$4
ASCEND Charges	\$9	\$0
Adjusted EBITDA	<u>\$27</u>	<u>\$18</u>

Free Cash Flow

	Q1 2023	Q1 2022
Cash From Operations	\$ 18	\$ (5)
Capital Expenditures	\$ (3)	\$ (3)
Other	\$ 2	\$ -
Free Cash Flow	<u>\$ 16</u>	<u>\$ (8)</u>

Core Sales

	Consolidated			IT&S Segment		
	Q1 2023	Q1 2022	% Change	Q1 2023	Q1 2022	% Change
Net Sales	\$139	\$131	6%	\$127	\$121	5%
Fx Impact	\$0	(\$7)		\$0	(\$7)	
Core Sales	<u>\$139</u>	<u>\$124</u>	<u>13%</u>	<u>\$127</u>	<u>\$114</u>	<u>11%</u>

Incremental Margin

	Consolidated		
	Q1 2023	Q1 2022	% Change
Net Sales	\$139	\$131	
Fx Impact	\$0	(\$7)	
Net Sales adj for Fx	<u>\$139</u>	<u>\$124</u>	\$16
Adjusted EBITDA	<u>\$27</u>	<u>\$18</u>	
Fx Impact	\$0	(\$1)	
Adjusted EBITDA adj for Fx	<u>\$27</u>	<u>\$17</u>	\$10
Incremental EBITDA (a)			64%

(a) Change in Fx adjusted EBITDA divided by Change in Fx adjusted Net Sales

- The Enerpac Tool Group fiscal 2023 Q1 earnings release and full GAAP to non-GAAP reconciliation is available online at: <https://www.enerpactoolgroup.com/investors/quarterly-results/>
- The summation of individual components may not equal the total due to rounding

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