WELCOME AND AGENDA

Tania Almond: Good day, and welcome to the 2021 Helios Technologies Investor Day. My name is Tania Almond, Vice President of Investor Relations and Corporate Communications. We are thrilled to be hosting this event today at our brand-new headquarters' facility in Sarasota, Florida. We are physically sitting in our brand-new customer experience center.

Of course, we will make forward-looking statements today that include risks and uncertainties that could cause our results to differ materially from where we are today. These risks and uncertainties are covered in our latest 10-K filing with the Securities and Exchange Commission, which can be accessed both through our website as well as the sec.gov site. We will reference some non-GAAP financial metrics, and we have reconciled those metrics to GAAP metrics in the appendix of our presentation. This morning, we issued a press release where we detailed some of our updated long-term financial targets and talked about how we are accelerating our growth and profitability goals. Additionally, we reconfirmed the guidance that we gave on our 1Q earnings call for our full year 2021 estimates.

As you know, we are all doing things a little bit differently these days. This event is a perfect example. This is a hybrid event where many of you were not able to travel and be with us here in person. But we did have some folks that were able to come out, and we are very thrilled about that. As a thank you gift to all of you for participating today, we wanted to make a donation on your behalf to a local organization that is very near and dear to our hearts here at Helios. They are the Sarasota Bay Watch. They are very involved in local good works around cleaning up the oceans. They do shoreline cleanups. They do clam drops to put natural filters back into the ecology, and we are just very proud to partner with an organization like this. As you saw from the opening video, it is very important to our corporate culture to support the communities that we live and work in.

Let's take a quick look at the agenda. We will talk about logistics and some timing. Very shortly, I will be handing it over to our CEO, Josef Matosevic, who will be talking about our augmented strategy to drive growth and performance. After Josef, our newly appointed President of CVT, Jason Morgan, will come up and talk about how we are expanding our leadership in hydraulic applications. Then the dynamic duo of Billy Aldridge, our Senior Vice President and Managing Director of Enovation Controls; and JP Parent, our Senior Vice President of Sales for Balboa Water Group, will come up and talk about how we are leading the way in engineered electronic controls and the long runway of opportunity that we see in that category. Following that team will be John Shea, our new Chief Commercial Officer, and John, I think you are on day 15 of your new role. John will be coming up to talk about how we plan to deliver improved customer experiences through our integrating go-to-market strategy.

Following John will be Doug Conyers, our Vice President of Engineering Excellence for Helios, and he joined us from the BJN acquisition. He will talk about how we are going to accelerate our diversified growth through innovation and this new model that we will be using across our companies. Then Rick Martich will come up, our Senior Vice President of Manufacturing Operations. Rick will talk about how we are driving profitable growth through operational excellence. Following Rick will be our Chief Financial Officer, Tricia Fulton, who many of you already know very well. Tricia will come up and talk about the financial implications of this new strategy and how we intend to create value.

Josef will then come up for some small brief closing remarks, and we will then take a short break, both for the virtual audience as well as the group here in the room, probably about ten minutes, and then we will bring the whole team back up front for some panel Q&A. We are scheduled to end the session at 12:30p.m. EDT. We will just run as long as we either exhaust questions or get to the end of our time together.

With that, it is now my great pleasure to introduce our President and Chief Executive Officer, Josef Matosevic.

AUGMENTING STRATEGY TO DRIVE PERFORMANCE

Josef Matosevic: Good morning, everyone. Thank you. I cannot tell you how excited we all are to finally tell our entire story. The stock was up this morning. It is always a good thing when investors walk in, and the stock is up, so please feel free to stay a couple more days. It is a good sign. Let me also welcome you to our new customer experience center. This is a special moment for us as the entire building was designed around creating the best customer experience and showcase our current and future innovations.

For folks in the room, there is a little simulation gizmo here on the right-hand side. When we bring in customers, we can walk them through every SKU we sell, design, and develop. If there are any changes required on the customer front, we can adjust quickly and agile to support the change. That is a technology that we leveraged from Enovation Controls.

In that spirit, you guys hear from Tricia and myself once a quarter, and we believe it is extremely important that you meet and hear from the entire team how aligned we are, how well we understand the strategy, and most importantly, how we are going to execute. What you will hear today is, number one, our augmented strategy and how we are going to apply our force multiplier and achieve our goals. Number two, our outsized growth driven by diversification and innovation organically and inorganically; and third, we have been a strong financial performer for a long time but believe there is still much room to grow organically, through acquisition as well as improve our margins.

This is the newly designed Helios business system, and it starts in the middle. This is the heart of everything we do. Our trusted global brands deliver technology solutions that ensure safety, reliability, connectivity, and controls. On the outer rings, you can see our shared values. Continuing our four key mission pillars that we will stay laser-focused on and spend a lot of time incorporating, designing, and developing. Probably equally important, when we started the journey of developing this business system, let alone managing through COVID, we truly had a lot of learnings.

Very importantly, we ran two independent studies. One study was a customer perception study, and the other one was an investor perception study. I want to take a moment and thank each our customers and our investors who participated in that study. We learned a great deal. It was transparent. It was an anonymous, we incorporated those two voices, pulled in the entire organization to work together, and map out what the next three years look like post-COVID, how we are going to win, and how we are going to design and build that business system to create a strong differentiation and separate ourselves from the competition.

Number one was to protect our business. Protect the cash flywheel so we can reinvest in our business, we can reinvest in innovation, and we can grow through acquisition and organically. We have to think and act more globally. We were founded here in North America, and most of our sales were in the North American region. We will start branching out with our current products and focus more on "in the region, for the region" so we can avoid freight costs and quality issues because every time you put a product overseas, something will happen.

We will embrace diversity and we will develop our talent. The development of our talent is probably what I am mostly excited about. We have made some changes, the team will talk about it, and you will meet those guys and girls here very soon. Our supporting strategies for our mission are drive the cash flow engine, cultivate customer centricity, and leverage existing products to protect our business, just to name a few. Champion a global operating mindset. As we worked on our talent management profile, we have also added folks internationally who possess the core values, diverse backgrounds and experience, and can move the needle on the customer front as well as execute on the manufacturing front. We will continue to diversify our end markets, lead with technology, and monetize our synergies. You will hear this monetization and leverage throughout the entire presentation over the next three hours.

To be successful in strategy deployment, there is an order to the process. We have defined our purpose and our mission, which informed our strategy and augmented our value stream. To make this work, we need to have the right operating structure. We have made a few changes to the team and to the organization so we can achieve that, and most importantly, working on the tactics and plans. You can have the greatest vision and mission and strategy, but you have to be able to execute. Having folks who understand, embrace, and contribute towards this journey as well as know how to execute, we have worked extremely hard over the last eight to ten months to achieve that.

Just a summary of 2020 here, and the neat part is, we are truly just getting started. All of you guys know, I started on June 1. We have been a very disciplined dividend payer for a long, long time and very recently announced our 99th dividend payment. Late last year, we upsized our credit facility to $900 million. In return, that allowed us to acquire the Balboa Group, to acquire BJN Technologies, and very recently, we announced two acquisitions that we are planning on closing over the next three months with Joyonway and NEM S.r.l.

At the same time, from a talent management standpoint, we upgraded our talent. We have appointed Tania Almond, who you just met, in the opening remarks. Jason Morgan took over as the Managing Director of CVT and very recently promoted to President, and you will hear from Jason in a few minutes. We have appointed John Shea, our Chief Commercial Officer; and Billy Aldridge, our SVP and Managing Director of Enovation Controls. All this is designed based on our strategic imperatives.

The final step was our manufacturing and operations strategy. We needed to have an operating strategy that we can leverage, that we can structure the product growth around sales and marketing and make manufacturing a competitive weapon for us, so we can leverage the supply chain globally, integrate and bring our partners closer to where we do business and have a "in the region, for the region" strategy. That drove the appointment of Rick Martich, who you will meet in a few minutes.

As part of our customer perception study, one of the key responses we received was that in many cases we are tough to do business with. We have a few key brands and, in many cases, we called on the customers individually by brand and started to compete against each other. So, we dug in, fixed the process, and we decided that we are going to head towards a future state where we can have the proper leverage and proper team in place to execute. Let me be crystal clear, we are going to lead with our brands. We are not changing that, but we are going to leverage three key areas: sales, innovation, and manufacturing. We will leverage those three areas as a company to avoid the duplication in the process and have a single leader appointed who will cut across all the businesses and collaboratively work with the team on structuring and executing those plans and winning new customers. This is where we are heading as a company.

You heard me talk about new applications in diversified markets. Make no mistake, we still have plenty of room to grow in our existing markets and you will hear a lot more detail on how we are going to achieve this over the next couple of hours. Focusing on diversified markets, the notion of connectivity, safety, and reliability is extremely important. When you look at Helios and our brands, we are truly a pure-play player in the industry. We can laser-focus on Hydraulics and Electronics, invest, and have a go-to-market strategy that represents a unified front. You look at those rugged applications on the bottom here, whether it is a specialty vehicle, commercial HVAC or foodservice, we have products for all those applications. In some cases, we were already very successful on winning orders with our current products. In other applications, we are leveraging our acquisition with BJN, and Doug will talk more about our breakthrough technologies, where we will continue to position us for future organic growth with new applications in diversified markets. Those orders are more fixed firm orders, and they last three to five years. This is a very exciting journey for us, and once again, you will hear a lot more detail.

Our acquisition strategy was the next step in our process. As we sat down and developed this, there were key KPIs that are super important for us. We do not want to buy a company just to add top line. We want to buy a company that can add value to all our brands, either through talent, closing product gaps, helping us with manufacturing capabilities, diversify end markets, or “in the region for the region” manufacturing. We will not buy companies that are turnaround candidates. Our funnel is very healthy, both in terms of flywheel and transformational acquisitions. We will buy companies that are very disciplined, niche-driven technology players that are accretive to EPS and add shareholder value from day one.

However, in order to achieve all this, our business system will kick-start that engine. Everything around our business system has to be aligned in order for us to be able to do M&A. It is a full circle, closed-loop environment here.

In summary, this morning we announced that we accelerated the original goals we had outlined a couple of years ago. We are confident in this decision after pulling in the entire company to have a voice, digging very deeply in our current state, and establishing a future state, getting very close to our customers, outlining future customers and the discussions that are currently ongoing. With a few of these customers we have NDA’s in place already. Now, our accelerated goals state that we will achieve $1 billion in sales by year-end 2023 with an organic sales growth of approximately two times the market rates, with an adjusted EBITDA margin of approximately 25% by 2023, and an organic non-GAAP cash EPS CAGR greater than 22%.

This is probably my most favorite slide. You will meet most of these folks today besides Matteo, the President of our Faster business. He is in Italy, Europe and was not able to come due to travel restrictions. Let me step back and look at every one of them and extend a very genuine thank you. It has been a very tough year managing through COVID. We have not missed a beat. We have announced four acquisitions and closed two. We will close the other two very soon. We have a very diversified team in terms of background, but they all have a commonality that really fits with the leadership style and the company. They are very passionate, driven, they want to win, have a strong integrity, and I could not be prouder of having folks like that on my team. I am looking forward to the next three to five years as we work towards separating ourselves from the competition and become extremely tough to follow.

With that, thank you for your time, and please enjoy great detail of information now as we will be as transparent as you may wish for.

EXPANDING LEADERSHIP IN HYDRAULICS APPLICATIONS

Jason Morgan: Good morning. I would like to extend my personal welcome to each of you. It is exciting to have visitors once again and for those participating virtually, we look forward to hosting you very soon. COVID travel restrictions have limited our opportunities to demonstrate the great progress we are making at Helios here and around the world. I trust that you will find through today's session that fluid power is a moving force in our lives.

Sun Hydraulics' over 50-year history, coupled with Faster's 70th anniversary this year, represent the base business that provides that solid foundation for Helios to achieve our strategic objectives. Specifically, the Hydraulics segment provides that rotational force that powers Helios' cash flywheel. Our astute management team is laser-focused on liquidity performance metrics designed to fuel our growth. As a niche player, our product portfolios have captured strong market share and are enabling us to expand our reach with diversified applications and into diversified end markets. There exists within our organization a level of divine discontent that drives our strong execution in an effort to continuously improve and delighting our customers. Building on our solid foundation, leveraging our performance, and diversifying our opportunities are paving our pathway to superior growth.

Now let us take a deeper look into the Hydraulics segment and our brands. Sun Hydraulics is our legacy screw-in cartridge valve business. The Sun brand has powerful recognition in the market as the premier product due to our lead times, quality, and delivery performance that, in most cases, is industry leading. Our electrohydraulic product, branded FLeX, is winning attention. I will discuss more about that later. Our Seungwon product, manufactured in Korea, is a key component in delivering our Good, Better, Best strategy. Custom Fluidpower delivers value-added product and services direct to consumers or customers in Australia, New Zealand, Thailand, Vietnam, among others. Faster similarly delivers as the industry standard for quick-release couplings. As we released yesterday, we look forward to welcoming NEM into our business soon.

As a segment, we empower the exceptional performance you trust from Helios. We delivered over 70% of the revenues of the organization over the last twelve months. Helios continues to invest in the Hydraulics segment, specifically, we have worked diligently to close the portfolio gap of our electrohydraulic products. With the addition of NEM, our EH line will now cover the majority of EH functions. Faster continues to make progress with their MultiFaster product, and we will discuss a recent innovation here in a few minutes.

We avail our legacy markets across mobile, industrial, and ag through robust channels to market that are decades strong. Sun's distribution channels are, in some cases, as old as the company, paired with Faster's OEM relationship, represent a valuable off-balance sheet asset. This asset provides a conduit for our growth. One example is our new product innovation program. This allows our channel partners to engage directly with our engineers to enhance, modify, and develop products to meet a customer-specific need. Our ability to nimbly react to market-driven innovation is part of our strategic positioning.

The hydraulics addressable market is far greater than just construction and ag. Hydraulics touch our lives multiple times a day, from your coffee to the gas in your car, to the elliptical machine that you worked out on at night. Hydraulics is an ever-expanding force. We continue to see diverse application of our products that are enabling market expansion, recreation, pharmaceutical, health and wellness, and potential opportunities in thermodynamic as heat transfer through the use of fluid power gains with larger and more expensive data centers.

Our healthy geographical diversification allows us to weather market cyclicality in isolated geographies. Expanding our international distribution and OEM opportunities by adding dedicated global and regional sales forces in underserved white and gray spaces and by signing on new distributors, we will further expand our opportunities for global growth. Rick Martich will discuss later today how our manufacturing footprint is expanding to support this geographical reach.

As I mentioned previously, our network of relationships positions us for market-driven innovations. Here are just a few that I would like to highlight. Let us start with a diversified application example. We were approached through our channel to develop a solution in a high-viscosity application. We were able to quickly modify an existing product to eliminate warranty losses due to product failures below the customer’s warranty period. By dramatically extending cycle times, we conquered complexity for our customer and opened the line of diversified applications for our products into these high-viscosity applications.

Next, I would like to highlight a project with a customer in Vietnam. This opportunity leveraged the capabilities of our team at Custom Fluidpower to assemble a package of valves, manifolds, electronic controllers, and innovation displays for the customer. Each truck represented over $60,000 in Helios content, and this demonstrates the synergies of our Helios portfolio.

Lastly, I would like to highlight how our EH product, paired with our integrated package capabilities, has positioned us to support a large manufacturer of excavators with their next-generation intelligent grade systems. We are clearly seeing the payoff of our investments in market-driven, customer-centered product innovations.

The industry is taking note of our innovations and another market-based development. To reduce the circuit complexity, increase reliability and improve our performance, our engineering teams at Faster and Sun collaborated to design a solution that leveraged the recently developed MultiFaster product with Sun's electrohydraulic FLeX valves. This favored solution won the acclaim of John Deere in their recently announced Supplier Innovation Awards, which we disclosed to you at the end of Q1.

In May, OEM Off-Highway magazine, nominated our recently released FREP electrohydraulic valve for their 2021 Top New Product Awards. These innovations are positioning the Hydraulics segment of Helios for new market penetration by leveraging the diverse application of existing products and developing new products for adjacent markets, we are poised to both expand and diversify our end markets, propelling Helios to greater growth.

An example of our expanding wallet share opportunities through synergies, we are finding ways to leverage each company's products. For example, in 2021, we will add the Faster couplings into the Sun Hydraulics manifold design software, allowing application engineers across Sun's distribution network to tap into the Faster product.

Growth opportunities abound for Helios and specifically in the Hydraulics segment. We have exceptional opportunities to expand what we sell through new product development, brand expansion, diversified applications, and integrated offerings across the Helios family of brands. Additionally, we are growing our wallet share, filling in geographical spaces and leveraging each company's channels to market. This will increase our opportunities for where we sell and how we sell our products. These three dimensions demonstrate the pathway to ongoing development as a diversified industrial niche company.

In summary, the Hydraulics segment of Helios provides the platform base for which we are positioned to grow from. Our products and our brands have us poised to grow and diversify. Our execution, delivered by our exceptional colleagues around the globe, paves the way for continued expansion.

Thank you for your time this morning and I would like to turn it over to the Electronics segment, beginning with a brief video.

LEADING IN ENGINEERED ELECTRONIC CONTROLS

Billy Aldridge: Wow, what a cool video. Kind of want to go boating after watching that. We are so grateful to have everyone here today, either in person or online. Our Electronics segment has a great story to share. We have a rich legacy and an exciting future. My name is Billy Aldridge, I am the Managing Director of Enovation Controls. I have been with Enovation a little over 13 years, been in and around electronics for the last 21 years.

JP Parent: I am JP Parent, the Executive Vice President of the Balboa Water Group. I have been with Balboa for about twelve years, came through the acquisition of the spa business Pentair in 2008. Prior to that, I was already in the spa industry for eight years, a total of 38 years in the health and wellness altogether.

Billy Aldridge: We are going to get right into it. Key takeaways. Number one, we have a robust product foundation. Josef mentioned about protecting our business, our robust product foundation lets us protect that business and allows us to grow our base business. We have proven experience and deep application knowledge of the markets that we go after today. Speaking about our large end markets, they are growing. Our customers look to us to provide solutions to them to conquer the complexity of their applications.

JP Parent: In the Electronics division, we have a lot of pride in the way we consistently met and exceeded our customers' expectations over the years. There is no reason why we are not going to continue to concur those new adjacent markets with the same drive and the same determination. Now everybody nowadays wants to be able to remotely control their devices. Of course, no exception in our division. We have to design and make products that correspond to the consumer lifestyle, the connected lifestyle that everybody is expecting.

The Electronics division represents 29% of the total Helios revenue. We expect this percentage to grow in the year to come because of the Balboa acquisition, obviously. Now we are extremely

OEM-focused, as you can see, with 81% of our sales with OEMs. This is really ingrained in our DNA. We know how to customize products for very specific OEM applications. We will continue to do so, but it does not mean that we are not going to look at other channels, obviously, such as the distribution channel that only represents 14% of our sales today. We are developing specific products for the applications such as retrofit kits, for example. We have plenty of products to choose from between Enovation and Balboa, and soon, the Joyonway acquisition is going to add to that portfolio of products.

Now there is a common thread in the product that we design. They are all designed to withstand the test of time. We know what a harsh environment our products are exposed to. We design products that have to resist either water penetration, dust, chemicals, sun, you name it. All our products are designed to ensure safety, reliability, and connectivity.

Billy Aldridge: We have a long history in Electronics. Enovation has been producing solutions in the industrial recreation market for the last 80 years. Balboa has been producing solutions in the health and wellness market for the last 40 years. During our timeline, both companies have released game-changing technologies that have advanced our customers. What is really exciting is where we are today and what we are investing in our Electronics segment to extend our future well beyond 80 years in the future, so really excited about that.

JP Parent: Obviously, this $176 million, which was the sales of the Electronics division as of March 2021 for the last twelve months, is going continue to grow because of the Balboa acquisition and because of the growth of Enovation. There is a lot of potential growth in the industrial, mobile, and creational sector that Enovation is working on right now. This growth is probably even larger relative to the health and wellness industry, which is why we expect the growth to be more balanced over the next couple of years, even though the recent growth came from the Balboa acquisition.

In the health and wellness segment, there are some niche markets that we are working on. Just to name a couple, the walk-in baths and the swim spa sector that have been growing double digits for the last five years offer nice opportunities in this industry to continue to grow.

Now if you look at the total electronics market, obviously, the opportunity can be measured in trillions, right? If you try to be a little bit more pragmatic and look at the type of product that we design and make and the industries that we could service, we evaluate this market to be approximately $4 billion large. If you zoom in even further on the industry that we are currently servicing with our products, then you are down to about $2.4 billion. I say down to $2.4 billion, but when you compare that with the $200 million, that gives you an idea of the magnitude of the opportunity that we have in front of us.

Billy Aldridge: Like I mentioned, we have a large current market today, just like the Hydraulics segment. Today, we produce maybe a single display to replace the gauge cluster on a dash or it could be a complicated solution that we provide to our customers or several displays, several I/O devices or several controllers. We are going to protect that business for sure.

But if you start thinking about stepping back and look at our growth markets and taking our products across different segments, we are actively gaining knowledge in these segments that you see today, gaining that experience with our commercial teams, with our engineering teams to go out and attack these markets to grow.

JP Parent: Definitely. We already benefitted off a pretty large footprint worldwide, whether it is through sales and customer service support, we have representatives in many different countries to serve our customers locally, whether it is through distribution, we have warehouses in several continents already or manufacturing. And obviously, with the upcoming acquisition of Joyonway, we are going to expand that manufacturing footprint even more in low-cost areas, which is going to give us a nice competitive edge.

When you look at this slide, it is clear that our sales are not very well balanced. We are very focused on North America right now and on OEM businesses, so we have some work to do. However, we did not wait for this slide to get to work, obviously, we are actively engaged right now with some key distributors in Europe and Middle East as well as Asia Pacific. We expect those sales to become more balanced over the next couple of years.

Billy Aldridge: The most exciting slide is product innovation. It is key to who we are. Our customers, like I said, look to us to provide solutions. For those of you that are here today, you actually get to see a couple of innovations. You have the motorcycle display that is over here. There is a hot tub outside, you can see that later in the day.

JP mentioned that our products have to live in these rugged environments. We are really good at that, but also the consumer expectation from our display standpoint. Customers want it to work just like they see in their cars, like they see it on their phone, like they see on their tablets. I think when you guys touch the display today, you will realize we are really good at that.

However, we are not just a display manufacturer. There are so many more things that we produce today from the Electronics segment. There are things that are under the deck or under the hood that we produce that puts the solutions together. One of the recent innovations from Enovation Controls is the machine controller. When you pair that with a display, you get a powerful tool to go take to our customers and go win that business.

JP Parent: And some of you might wonder what this little snowflake tries to illustrate over there. Well, this is probably the most exciting product introduction for Balboa in many, many years. We are going to be able to provide consumers with a wonderful experience when they want to exercise in their swim spa. Now we are going to be able to cool the water as efficiently as we were heating it before thanks to the heat part integrated control that we are developing and launching in the fall. This is exciting because we are talking about totally incremental sales in a segment that is already growing leaps and bound. We are going to be the first ones to bring this technology to market, which is going to allow people in Phoenix in the summertime to finally exercise in their swim spa in normal temperatures water.

Billy Aldridge: This is our most important slide today to take away from the Electronics segment. We know that there is not a one size fit all when it comes to electronics. But if you step back and you look at our Enovation product, the Balboa product and the recent Joyonway products, how you step back and can you get to a one size fit most. When you start looking at all the different offerings that we have, to put those offerings together, to go attack these new growth markets, it is going to be really powerful. We are right in the middle of that right now, putting our products together, shaping the future of our Electronics segment.

In summary, robust product foundation, protect the base business. Josef hit on that right up front. Not only protect our base business but to grow our base business also is very key to what we do.

We talked about our large growing end markets; they are growing with us. They are growing. We are growing. We are excited to go and provide solutions for our end markets.

JP Parent: And Billy, I think our track record shows that we know how to conquer markets. We will do that through new products, new channels, new geographical areas that we will be able to reach. Thanks to the very innovative team of engineers that we have worldwide and with the upcoming acquisition of Joyonway, we are even increasing that pool of talented engineers that we can tap from, we are going to be able to really increase the Helios brand equity through products that are cutting-edge and meet customers' expectations.

Having said that, new products are not the only way to grow. We have been working hard, and Rick will talk about it in a minute, on expanding our capacity in our manufacturing facilities to meet an increasing demand. We did that through capital expenditures, we did that through significant productivity improvements, and we will continue to do so. Finally, to fuel this growth, our very focused M&A strategy, of course, is going to be key. The upcoming acquisition of Joyonway is a perfect example for that, so a lot of opportunities ahead. Innovation is going to be key to our strategy in the future, and we are really excited about it. Thank you.

Billy Aldridge: Thank you. Now we would like to welcome Mr. John Shea, our Chief Commercial Officer.

Delivering Improved Customer Experiences

John Shea: Thank you, Billy, and JP. You guys have a lot of passion. I love it. Good morning. My name is John Shea. I am the Chief Commercial Officer for Helios Technologies. I started on June 1st, so away we go right to the deal.

For the last 27 years, I have been in commercial roles with industrial manufacturers such as BorgWarner, Regal-Beloit, ZF and Enovation Controls. I spent the last seven years at Enovation in a variety of commercial roles, the last three as the VP of Global Sales. In that role, I have responsibility for our end markets globally, which are OEM, distribution, and engine. Glad to say that we have onboarded many OEMs in the last few years. We revamped our entire distribution network, and the funnel is full in Enovation Controls. Really excited to work with Helios now and help this great team.

Today, we want to talk about a new integrated sales process. As Josef mentioned, we are centralizing a lot of the disciplines inside the company: manufacturing, engineering, and sales. Today, we want to talk about what we are going to do from the sales side. Well, we want to put a new process in place to make our customers have it easier to do business with us, as Josef said. So first, we are going to talk about how we get to that point. We're not there yet. We have a lot of work to do to deliver and get to that area. Two, we are going to talk about, once we get there, how do we go to market? We will get ourselves prepped, but who and how will we deal with and how will we make it work? And finally, what is the value proposition for all our stakeholders, our customers, our investors, our employees, and our community? How do we win when we do this?

This is a very powerful slide. You have seen it on Josef's presentation, and you will also see it with Rick Martich and Doug Conyers going forward. It talks about the future state and how we are going to centralize some of these operations to cut across all our different brands. As you can see on the left, currently, we have some very powerful brands that are all going to market independently. We have several brands like we call in on the exact same customer, and Josef said, that can be a little bit confusing. It has worked well. Do not get me wrong. We are not going to abandon that strategy. What we want to do is augment it, so our customers have a new way to do business with us. We want to reduce the supply chain, reduce the number of vendors, sell them systems, and knock components and have one point of contact of Helios.

As you guys know, we have had several good synergies recently. We had the release of XMD. We have MCx and Project Harmony that Jason just talked about that won the innovation award at John Deere. We have also integrated some of our sales teams in Asia. Sun and Enovation have integrated together, and we are starting a new process out in the West Coast of the U.S. We are actually going to do the same thing, and we will see how that plays out.

So new process and action; how do we make this happen? First thing we need to do is shore up our internal communications. Right now, we have our brands operating in silos. Everybody has their own CRM system. Everybody does their own go-to-market strategies. We need to buffer that up so we can do it from a Helios perspective. We are going to do that with a new CRM system. This will allow us to share information. This will allow us to look at trip reports, contacts, voice of customer and feedback. But just having that data is not enough. We have to use the data for something. We will set up internal meetings on a regular cadence to review the information that is inside the system, get next steps and follow through with the customer. We do not want anything to fall through the cracks.

Next, we need to make market segment experts. We are going to train our sales force. We have a wonderful sales force, actually the best I have ever worked with, but they're all experts in their own field. We want to train them across functions so they can sell hydraulics and electronics. We will call them market segment experts. It is not just going to be very random. We are going to be very strategic on how we do it. We are going to leverage geographic markets, so in the region, for the region, for the customers that we are going to attempt to go after. These customers will both be our end market diversification customers and current end markets.

What are we going to tell The Street, what are we going to tell our customers, what are we going to tell the industry? First, we want to elevate Helios as a brand. We have got four great brands now, and we are continuing to add more. We could call it Sun by Helios, Faster by Helios, Enovation by Helios, NEM by Helios, Joyonway by Helios going forward. Helios is going to be part of the brand moving forward. We will standardize our marketing materials and put a marketing campaign along that line to start introducing slowly to the market. We will standardize our trade show booths, a Helios booth, really, really working into our system sales. We are going to develop mobile marketing kits for our market segment experts that are able to go to the customer and show the integration, show the synergies, show the system sales together.

Finally, we are going to take full advantage of this customer experience. This wonderful building is a real showpiece for our different brands, our different products. You can see here, as Billy pointed out, we have got the motorcycle, we have got the machine, we have got the hot tub and there are others out there as well. Enovation, we used a product development site to really, really entertain our customers. It is very similar to this. We would take them up there. It was a very relaxed atmosphere. We will let them touch and feel the product, and then we would have a nice dinner with them after. It was a very successful philosophy, and we want to extend that to other Helios brands across the world.

Now that we are trained, we have our information, how do we go to market? The first line of defense, of course, is our market segment leads. These guys will be experts in the commercial and the technical realm of this, and they will be the ones that will be located in the region, for the region, for the geography. We have already started to look at different partners, strategic OEMs in our end markets now or diversified markets going forward. We will select probably a dozen or so to get started with this and leverage our existing channel partners as necessary to help augment this strategy.

We have our targets. Now we have to go make the pitch. Our market segment leads, along with whoever else needs to join them, will go and pitch this to the customers. We are hoping to select one or two that we can partner with, and as we perfect the process, roll it out to more organizations throughout our global network and finally, we will swarm them. For those of you who do not know what swarm is, it is a very powerful method that we use to really accentuate the customers. I am going to take a minute to give you an example of what that might look like.

For the first three to ten months, the commercial team has been working with the potential customer out there. We are talking about how we go to market, how we operate, what our core values are, how our products fit, what we could do to bring value to them. The next step is we get them to the plant for a tour. They are greeted warmly by our reception with a nice sign. Typically, we would then take them up to the conference room to relax, have a cup of coffee and start introducing them to the other people that they have not met before. The key to this is the alignment between everyone in the organization.

Swarming means everyone in the organization works for the sales group. We take them down to a plant tour, our Managing Director, Billy, or our operations manager, will take them through the tour but augmenting and reinforcing everything that we have talked about, our core values, how we do business, what we would do for them and how we can make their value, very much aligned. Throughout the tour, we have experts that are all their stations. They are all totally prepared for this. At Enovation, we would go assembly, SMT, bonding, shipping, receiving and then the test labs. Then we go back to have the meeting, and I would be remiss not to mention our sales engineers. Our sales engineers are customer-facing engineers that can work with both the technical and the relationship side. That is very much part of our DNA.

So how do we win? We are all sitting here today because we want to know what is going to happen to Helios in the next three to five years. We will continue to increase market share and wallet share to drive value for all our stakeholders. We will create sticky solutions. As we augment with our M&A strategy and our flywheel acquisitions, we will continue to build systems that will create and make us sticky with our customers, drive operational efficiencies for the customers, reduce the number of vendors, simplify the supply chain, have one point of contact. We always are about deeper and strategic relationships. As we have these sticky solutions and we do more with the customers, they will get deeper and deeper. We want our customers to know that we are truthful and transparent, and that will come through in our dealings from day-to-day.

Finally, with the Helios Center of Engineering Excellence, we are going to need some new products for some diversified markets. We have already had some wins in the short period of time that we have gone after this. We have gotten some POS, as Josef has mentioned. But as we move forward, some of the big, big, big opportunities will require some products.

In summary, new process that we talked about. We have to train our people. We have to align our communication. We have to leverage our relationships. Second, we are going to use our market segment experts to drive this process. We will identify multiple customers as targets, and we are hoping to get a few seed customers wanting to work with us. We will always use the customer experience center as this is a great place for us to showcase our system capabilities and products. Finally, we have a great sales team at Helios. I said it before, I will say it again, they are some of the best I have ever worked with. We want to strengthen them through the diversification of their expertise so they can go out and be the market segment leaders. Finally, we are going to think and act globally in everything we do. Protect the business, diversified markets, think and act globally. Thank you.

I will now turn it over to Doug Conyers, Helios Center of Engineering Excellence.

ACCELERATING DIVERSIFIED GROWTH THOUGH INNOVATION

Doug Conyers: Thanks, sir. Good morning. What a fun day. I hope you guys are having as much fun as I am. My name is Doug Conyers. And as Tania mentioned, I joined Helios through the acquisition of BJN Technologies early in January of this year. So, it has been great to be here, and I am excited to play the role of being the leader of the Helios Center of Engineering Excellence.

The Helios Center of Engineering Excellence, that is a mouthful, so I will refer to as HCEE just to keep things simple today. I want to tell you about what it is all about, what we are doing and how we are going to ultimately add value to the shareholders. As Josef mentioned earlier today, it is really all about augmenting the strategy, it is about advancing technologies and accelerating growth. When Josef said augmenting the strategy, what Josef also said is that it is about protecting the business. HCEE has already stepped in done that. In today's world, we are challenged with global supply shortages. HCEE is a group of highly technical engineers who was able to jump in and address the needs by making changes in real-time to our engineering processes and our engineering products to keep that flywheel running and keep those products in markets.

As we talk about accelerating and a multiplier effect, this is what Josef said when he mentioned that we need to think and act globally as well as when he said that we need to diversify our markets. HCEE is focused on partnering with the individual lines of business to identify opportunities, to take current products and roll them out into broader markets as well as to innovate net new products that can benefit one or more of our lines of business. That is what HCEE is really all about.

Finally, delivering results. By having a centralized, integrated innovation group, we are able to elevate the innovation capabilities throughout each and every one of our lines of businesses without burdening them with additional overhead. By doing this, we are able to manage the bottom line while also focusing on generating new revenue by bringing new products to market.

I think this is the third or maybe the fourth time you have seen this slide so far today. So instead of talking to this slide, I want to share a use case of where we believe that HCEE can provide real value to Helios. JP earlier talked about the connected lifestyle. He talked about the need for a hot tub to be controlled by a cellphone. You are seeing lots of examples of different products, whether it is side-by-side or both throughout this fantastic center. Those are examples of devices that need telematics solutions so the distributors or sales, or customers can understand the status of their implements when they are not next to them, a connected device. And finally, when you think about

Faster connectors, you think about the need to be able to dynamically plug and unplug different implements and have those devices intelligently support those implements with ultimately countering complexity by making it easier for those users.

Every one of those is an example of where we, as Helios, need a cloud strategy. We need a way to be able to connect that user to that device through the cloud. As opposed to each one of our individual lines of businesses taking the time and efforts to go through and develop that, Helios Center of Engineering Excellence is uniquely positioned to be able to define that strategy, implement that capability in a secure and highly scalable manner and deploy that out to our businesses, allowing Enovation, allowing Balboa, Faster and Sun to be able to focus on their core competencies and bringing new products to market, generating higher levels of revenue.

When we talk about HCEE, we need to talk about what we are really focused on. We talked earlier about swarming these urgent engineering issues. When there is a challenge, as opposed to redirecting the individual lines of business, we are able to step in and augment their capabilities to solve those problems and keep the cash flywheel rolling. As we are talking today, we are always talking about growth, we are talking about how we take the great success we have had today and further diversify markets. How do we drive that into broader and more global areas? HCEE is here to be able to take the capabilities of our Enovation team, bringing those to the individual lines of business and ultimately drive higher revenue.

Finally, we are going to talk more about this. One of the four individual value streams that Josef mentioned was to develop talent. HCEE is a group of highly technical engineers. We will use that group to continue to develop new talent, bringing it into the business and deploying it out the individual lines of business. We are going to do that by doing all three of these things, we are able to drive intercompany innovation initiatives.

So that is great. But how are we going to do this exactly? First, we have developed a transparent process that allows each of the lines of businesses as well as our customers and as well as our partners to bring new ideas into Helios. We have a process that we will walk through where we take those ideas and ultimately identify the most value-added ideas. Those ideas will then be brought to Helios Center of Engineering Excellence. We will partner with one or more of the individual lines of business to develop those products. HCEE will focus on removing the risk, doing most of the R&D work and ultimately innovating that from ideation phase to productization phase.

One of the coolest parts to me is that when we move from productization into manufacturing, we are going to return that product or take that product as well as the IP related to it as well as the key talent from within HCEE, and we are going to deploy that into the business, allowing that business to have a smooth transition, moving from that idea ultimately to a product that can be manufactured and can be sold within that line of business. So, it is not about simply developing a product and dropping it into the business. It is about providing that smooth transition to allow them and continuing support that product and move forward.

I talked about this process. Once again, harkening back to the augmented strategy. We are looking for ideas that are intercompany-related. We are looking for ideas where we can provide a single solution that can serve multiple of our businesses, or we are looking for ideas that can be a single idea that can serve multiple diverse markets. Obviously, the global market is a huge focus of us moving forward. And finally, we are always looking for that next great idea for something innovative that can take us to a whole new level. Once we pass that gate, we balance the value proposition of that product, the time to market, the complexity and we balance that against the complexity, ultimately allowing us to have a quantifiable order list of opportunities that we are then able to identify and move forward on the highest value opportunities.

Earlier, when Billy was sharing with you that it was his most important slide. It was an infographic that looks very similar to the thing on the right here. I would like to take a few minutes to show you a little bit about how we moved from focusing on a single OEM to looking at a platform that can more broadly solve problems for all our customers. Historically, some of our businesses were very good at partnering with individual OEMs, understanding their concerns, working through those concerns to ultimately delight the customer with a product that serve their needs impeccably well. We are going to continue to do that. Serving our customers is absolutely critical. We are going to protect the business, and we are going to do what we have always done well.

We are also, by adding HCEE to the mix, we also have the opportunity to take a moment through that process to dissect the real business needs of that particular OEM and to identify how do we more broadly provide value to the entire business. So, in addition to providing and delighting that target OEM with their solution, we also are going to focus on how we drive that to different OEMs, or how do we develop a Good, Better, Best strategy to serve that particular OEM's needs but also to serve a broader range or possibly a more diverse market or possibly, by making minor changes to the product, we may be able to provide a global solution. That is what HCEE is all about, providing that additional value.

Summing it all up, we are here to protect the business. We are here to focus on helping to keep that flywheel rolling. We are here to advance technologies. We are here to elevate the innovation capabilities within each and every line of our business by taking our Enovation team and injecting them, as it makes sense, into those lines of business to help them bring new diverse products to market to serve our global marketplace. That all adds up to two things. It adds up to increased top line revenue and it adds up to an efficient and effective way to do that, where we are able to manage our bottom-line revenue and ultimately our income.

Thank you, guys a ton for the time today. I appreciate it. It has been a ton of fun. Next, I will turn it over to Rick Martich.

DRIVING PROFITABLE GROWTH THROUGH OPERATIONAL EXCELLENCE

Rick Martich: Thank you, Doug. Good morning to those who are here in person, it is great to see you and good morning as well to those on the webcast. I am Rick Martich, the Senior Vice President of Global Manufacturing Operations for Helios Technologies, an engineer by degree. But for the past 27 years, I have been in a variety of roles throughout industry. The last 15 have been with Helios Technologies. Prior to my current role, I ran global operations for Enovation Controls. Last year, I was appointed as the Senior Vice President for Global Manufacturing and Supply Chain for Helios Technologies. Very excited to be here with you this morning to talk about how we are driving profitable growth through our operational excellence.

Three key takeaways from my presentation today. First, our growing manufacturing and supply chain footprint, enables a Good, Better, Best commercial strategy. John Shea, our Chief Commercial Officer, talked about tackling new diverse end markets. One of the things that will enable that is our ability to produce products across a range of value propositions and I am going to highlight my presentation on how our growing manufacturing footprint enables us to do that.

Second, the breadth of our resources across the Helios companies. If we leverage those properly, it gives us tremendous opportunity to drive profitability for the business. Lastly, our growing manufacturing footprint enables geographic and end market diversification, and that will allow us to grow the top line, but to do it in a diversified way that mitigates risk over the long term.

This map that you see really highlights our growing manufacturing footprint, and it literally continues to grow almost in real-time with our announcement yesterday of NEM, which we are so excited about. When you look at this map, we have hydraulics and electronics manufacturing capabilities in each region of the world, and that continues to grow. We have it in EMEA, we have it in the Americas, we have it in APAC. But we also have a developing range of manufacturing locations in developed countries in each of those regions, but then also in low-cost locations, which really gives us that opportunity to craft those Good, Better, Best commercial solutions.

We have added an electronics manufacturing location in Baja, Mexico with Balboa. We have recently announced with Joyonway in Southern China, another electronics manufacturing location in a low-cost location. Lastly, we have Enovation Controls expanding in India, in another low-cost location. We also have hydraulics manufacturing capability in China. This gives us a tremendous breadth of leverage in both developed and low-cost countries to craft solutions for our commercial opportunities. Lastly, we are developing an integrated global operating system across Helios. That is going to allow us to expand our capacity as well as leverage that capacity and capabilities across all the operating companies as efficiently as possible.

We now have a video that we would like to share with you that really highlights the breadth of those manufacturing capabilities globally.

[Presentation]

Rick Martich: That video really does a great job of highlighting the breadth of our manufacturing capabilities across both the Hydraulics and the Electronics segment. You have seen this slide before, you saw it when Josef presented, you saw it when John presented, you saw it when Doug presented. You see it again now as I present. When you look at across those global manufacturing operations, the whole is really greater than the sum of the parts. What we want to do is to do a much better job of integrating and leveraging that footprint.

We have been operating more in silos within each operating company and the future state, the now state, it is not future because it is occurring now as I speak, and it is something we have actually been working on now for the last six to nine months, is really much better integration across those companies and that manufacturing footprint. But it is much greater than just manufacturing. It is also our supply chains across those companies. If we leverage those manufacturing capabilities, those assets, the people, the talent as well as supply chains most effectively, we will be able to get great leverage across that operating footprint, which will really result in much better regional support and service delivery as we accelerate our in the region, for the region manufacturing and supply chain capabilities. It will shorten our supply chain lead times and inventory and it will reduce the risk and exposure to quality issues that occur from long lead times, and it will also allow us to further optimize our operating efficiencies.

Our approach, how are we going to do this and how are we already doing this? So, I am going to give an example and then use that example to talk through these steps. The first thing and the example I am going to use is we have recently chartered an inventory and freight team. That task force is focused on looking at as our businesses have grown and as business has been strong and as our revenues increase, our freight costs have gone up, and of course, inventory to supporting these growing sales are going up. So, we chartered a team that from each of the companies, from people all around the world, we have a finance person and an operations person from each of the operating companies. All regions of the world are represented, so we have engaged the global team. We have articulated a strategy of can we leverage the way we manage freight, coordinate freight across those companies to optimize that freight spend, to optimize our inventory levels? Also, are we using and coordinating best across our supply base and if we can consolidate and share suppliers at times, does that also further improve both our inventory levels as well as our freight spend?

We are going to lead with facts and data. The team has collected a phenomenal amount of information, and we are using that to identify opportunities to improve. With that, we are going to raise the visibility, and accountability is a big part of that. We have an understanding of just what is happening in the business so that it gives us a deeper understanding to invent the right solutions to achieve number five, which is better profitability, driving profitable growth across the business and in the long run as well through other initiatives like this diversification.

We are building a global operating system across all the Helios companies. The first pillar of that is our strategy. We have shared a disciplined strategy that we have developed. As Josef highlighted, the entire team worked together over the last eight to nine months to develop the strategy and we have rolled that out. That is our guiding principle as well as our shared core values. We are engaging the global talent pool. We have a tremendous breadth of colleagues across all of Helios in all regions of the world that brings great diversity and knowledge, both of the business but of culture, and we are engaging that talent. We are going to leverage our global assets and resources to get the best use out of those manufacturing resources as well as our supply chain partners resources. Ultimately, engagement for all that is the foundation, and that is what guides us as we go forward.

We are measuring our success. One measure and one dimension that we use to measure that success is our developing competencies. Are we developing the right manufacturing process technologies and operating system capabilities to unlock the commercial opportunities that John Shea both shared, but then also you heard Jason Morgan talk about it, you heard JP and you heard Billy talk about from the businesses, the different strategies? Do we have the right manufacturing capabilities to support that growth as we go forward?

Cost. Our goal is we are going to reduce and improve our cost over time, and that will add 180 basis points to our profitability by 2023. You saw that in the goals that Josef shared. You will see that again echoed in the financial information that Tricia shares and we are going to drive relentless improvements in quality and in our environmental footprint to achieve that. There are other performance measures that we will also measure ourselves by, quality, delivery, productivity, things that protect the business by ensuring we deliver the highest level of service to our customers so that we are the go-to supplier for them.

Our supply chain is a big part of this. It is manufacturing, but it is the whole operation of both our manufacturing footprint, but also our supply chain partners. Are we making the right strategic make buy decisions? Are we carefully crafting supply chains that mitigate risk and allow us to shorten lead times? Overall, the goal is global manufacturing ops will enable that top line growth that you have heard everyone talk about while driving profitability.

In summary, the global manufacturing ops for Helios presents a tremendous expansive reach globally for us. That growing manufacturing and supply chain footprint allows us, not just because we have locations in developed countries, but because in low-cost locations we have tremendous leverage to craft good, better, best commercial strategies to support our growth going forward. The leverage that we will get across the operating companies will allow us to drive profitability, and we will leverage that breadth of those resources to both craft the solutions but then deliver the profitability.

Lastly, our growth and diversification, that global manufacturing, operations, and supply chain footprint, enables geographic and end market growth and revenue diversification in the region, for the region that will provide the best level of service for our customers with optimal efficiencies.

Thank you for your time. Now I would like to introduce our Chief Financial Officer, Tricia Fulton.

CREATING VALUE

Tricia Fulton: Good morning, everyone. I am Tricia Fulton, Helios' Chief Financial Officer. I have been with the company for 24 years, and as you can imagine, seen quite a bit of change over that time period. Certainly, I know I am personally very excited about rolling out this augmented strategy. I think you can feel the excitement from the team also about the augmented strategy. I am going to talk to you today about how we are creating value for all of our stakeholders by executing on this strategy.

Josef showed this chart in his presentation and went through how we developed the purpose in the shared values over the last few months and as well as develop the missions. I am going to talk a little bit more about the missions. First, we are going to talk about protecting the business. We have heard a lot about protecting the base business. Our base business very important as it is what drives our cash flow engine, and the cash flow engine is what allows us to continue to invest in R&D as well as execute on our flywheel strategy.

Think and act globally. We have done a pretty good job of servicing our customers around the world as an international company over the years. I think now, as we are moving toward a global operating mindset, we will be able to leverage the global resources and assets that we have around the globe to help us design, build and sell products in the region, for the region.

Diversifying our end markets. We have showed you a lot of new applications and new end markets that we believe we can penetrate. We are going to do this through technology and development of new products. This will come through the businesses, but also through the help of the HCEE in developing these new products that will then serve these new diverse end markets. We will also diversify through growing our wallet share with our existing customers as we work toward a system sale.

Finally, developing talent. We have over 3,400 colleagues globally that we want to engage and develop so that we can continue to promote from within. We will do this by being a learning organization, where we provide opportunities for our colleagues to grow both personally and professionally. Here it is in nice one slide where we can see our purpose, our shared values, our missions and then the strategies behind each of those missions.

I think the headline here really says it all. We expect to hit our $1 billion revenue milestone two years early. I am going to pause there because I think this is a pretty incredible message. If we think back to a year ago and where we were in the middle of COVID, I would say Q2 of last year was probably one of the most challenging quarters that the company has been through, at least in the history that I can remember. We had a new CEO who had just started. He did not know us, and we did not know him, which is kind of odd to think about now because we have all come together really well as a team the last year. It seems like it has been more than just a year that we have been together.

But during that time, we really took an opportunity to protect our top line and protect our profitability, and I think we did a very good job of that, and that is one of the things that enables us to make this statement today. But during this time, we also rolled out the purpose, the shared values, and the missions and developed the strategies below those. In addition to that, we announced four acquisitions, one of them, a transformative acquisition of Balboa and three flywheel acquisitions. With all of that, it has been pretty busy last year. I do not think a year ago, we felt that we would be able to make a statement like that, but certainly, now we are very confident in our ability to do so.

If you look at the chart, over 2015 to 2020, we had a 21% compound annual growth rate over that period. That does include both organic and acquisitive growth. Tania said that we were reiterating our guidance, our most recent guidance, and that gets us for 2021 at end of the year to a midpoint of about $745 million. We expect a 10% compound annual growth rate on the organic sales between the end of '21 and end of '23. That gets us to about $900 million in sales by the end of 2023 on an organic basis, leaving us $100 million from acquisition sales. The purple part of the chart represents the acquisition sales, and that does include revenue that we will be anticipating from our most recent two flywheel acquisitions that have been announced but have not been closed yet.

So how are we going to do this? We expect that our markets grow on average between 3% and 5%, and we do expect to outpace market growth by 2x. We will continue to diversify our markets, our products, and our applications to help us grow revenue as well as leverage a strong pipeline of new innovative products. In addition to this, we will continue to execute on our flywheel acquisition strategy that will help us get the acquisitive revenue.

Revenue diversification is very important. We are going to look at it from a segment perspective as well as a geographic perspective. In 2016, we were primarily a hydraulics company only, and all our revenue was derived from hydraulics. By the end of Q1 '21 on an LTM basis, we were at about a 70-30 split, hydraulics to electronics. As JP pointed out in his presentation, we do expect that electronics will become a much larger percentage of the total revenue out to 2023.

On a geographic basis, in 2016, about half of our revenues were derived from the Americas, 30% from EMEA and 22% from APAC. By the end of Q1, on an LTM basis, we had almost 30% of our revenues coming from APAC, 27% from EMEA, and about 44% from the Americas. We do expect that on a geographic basis, each of these regions will represent ultimately about one third of our revenue.

We have very strong margins and a pathway to grow those. Rick was talking about that in his presentation just a couple of minutes ago. You can see, historically, we have generated very strong adjusted EBITDA margins. We ended 2020 at 23.2%, and we do expect that we will be able to capture 180 basis points off that number as we grow through the end of 2023.

A lot of this will come from what we are able to do through our manufacturing strategy of leveraging our fixed cost base that is already in place, but also our shared global supply chains, integrating our manufacturing operations, looking at our low-cost locations and what products can be made there as well as understanding and fully utilizing the capacity that we have around the globe. In addition to this, our disciplined acquisition strategy, will play into it. We have a strong track record already of being able to add businesses that have solid margins.

Cash position is very important. You can see over time that we have been able to significantly grow not only our free cash flow dollars, but our free cash flow conversion. We ended 2020 with over 200% free cash flow conversion.

The second chart shows our leverage by year. The numbers in the boxes represent our year-end leverage ratio for each year. The light blue is the trough leverage for that year, and then the adder of the dark blue is to show what our peak leverage was for that year. We have the ability to convert free cash flow and increase it over time, which gives us a self-funding acquisition strategy. In addition, it allows us to continue to work toward our targeted leverage of less than 2x.

We also have a very strong liquidity position. At the end of Q1, we had about $450 million drawn on our term loans or revolving credit facilities. That left us with about $176 million of liquidity, but we do also have an additional $300 million available on the accordion feature within our credit agreements.

At the end of Q1, our net debt-to-adjusted EBITDA leverage was 2.65x and we are constantly working toward our target of less than 2x. We believe that this capital structure does enable our disciplined acquisition strategy.

Capital allocation. Our priorities are organic growth, which you have heard a lot about today, debt reduction, acquisitive growth, which we will talk about a little bit more in a couple of minutes, as well as support of our normal quarterly cash dividend. Over the last five years, because of our three transformative acquisitions, our capital allocations have been focused on acquisitive growth. As we work toward a more balanced approach in the near term, we do anticipate that we will see a better balance between our organic growth initiatives, coupled with our flywheel acquisition strategy as well as debt reduction.

We are a top performer among our peers. Because we are a pure play in hydraulics and electronics, we do not have any direct competitors, so we have broken down our peer groups by our two segments of Hydraulics and Electronics. The lines on the chart represents the average consensus 2021 adjusted EBITDA margin as well as top line revenue. As you can see, Helios performs above the average in both hydraulics and electronics and is clearly one of the top performers among the peer groups in both segments.

We have a proven M&A framework. I will review the goals in a little bit more detail on the next chart, but we are focused on flywheel acquisitions with acquisition prices of less than $100 million. We are looking for companies that are successful on a stand-alone basis where we can retain management, retain employees, retain the brands, and focus on the important customer relationships within those businesses.

We are also focused on hydraulics and electronics targets. In the past, we have talked about linked technologies being one of our target focuses, but that is really more of a midterm focus for us, and our short-term focus remains on hydraulics and electronics targets.

Looking at our M&A scorecard, these are the goals that were on the previous page. You can see from our transformative acquisitions of Enovation, Faster and Balboa, we hit, in those cases, all of the goals. When we turn to the flywheel acquisitions, we can take a much more targeted approach with those to meeting the goals.

Josef showed this chart and again, we are accelerating our plans, and we are very excited about the opportunity that we have to accelerate the growth of the company as well as the profitability. We expect to hit our $1 billion milestone two years early, and we will do this through organic sales growth at 2x the market rate. We will also have an enhanced margin profile where we will achieve 25% adjusted EBITDA margin by year-end 2023 with non-GAAP cash EPS compound annual growth of greater than or equal to 22% on an organic basis, and this covers the period from 2020 to 2023.

In summary, we did a recap of the strategy to bring that all together for you. As you can see, we are pivoting to an operating company. So, we are making that shift now. As Rick pointed out, it is already underway. We have tremendous growth opportunities on the organic side, and we have a robust funnel on the M&A side for the acquisitive growth.

We also believe that our operational efficiencies will drive additional margins that will help us achieve our margin goals. We talked about our current financial position and the new targets that we have put out for our augmented strategy. As a team, we are very confident that we can meet these goals.

With that, I will turn it back to Josef for some brief closing comments.

CLOSING

Josef Matosevic: Thank you, Tricia.

I have learned many years ago that you can have the best company, the greatest product, but it takes people to do it. I believe that I have assembled a very strong team. They all have great capabilities, passion, and the willingness to win.

We have spent, as a company, a tremendous amount of time of pulling in everyone we could, including our investors, customers, and people to build that closed-loop system, and I truly believe we are positioned to grow organically. I believe our plans are clearly outlined with targeted customers in different geographies to move the needle on organic growth. Our BJN acquisition will provide us with a vehicle to further develop our products and add a force multiplier, bringing those products to market quickly.

Again, one of the main goals is to separate ourselves from the competition as a pure-play company and become very, very tough to follow. That is what we are after. Tricia showed a chart on competitor comparison. We do not commingle in anything else but hydraulics and electronics. We are going to stay true to that strategy, coupled with a very strong manufacturing operating plan that will structure our product costs around sales and marketing, and develop that as a further weapon to win.

With that, I want to thank each and every one of you. We are looking forward to our Q&A. Tania, I hand it over to you.

Q&A SESSION

Tania Almond: Great. Thank you, Josef, and thanks, everyone.

We are running a few minutes ahead, so we are going to take a twenty-minute break and we will come back at 11:30 to start the Q&A session.

Thanks again for joining us.

[Break]

Tania Almond: Thank you, everyone, and thank you again for joining us for the 2021 Helios Technologies Investor Day.

We are going to start our live Q&A session now and we have gotten some questions that have come in over the virtual chat box. So, we will start with one of those, and then we will go to the audience, and we will go back and forth.

The first question is you have talked quite a lot about your vision for the company and the power of Helios, a number of things that you can do. What do you see as your biggest opportunities?

Josef Matosevic: We have outlined a comprehensive plan and a strategy that clearly outlines a pathway for profitable growth. If I would have to prioritize it, I would say due to the technology, the acquisitions we have made, and our performance in the industry, not in any specific order, but onboarding new customers and supporting that organic strong growth that we have seen would be two of them.

Another one would be our margin improvement journey. With having a comprehensive manufacturing strategy now and having everyone aligned to it, we have identified opportunities that will continue to improve our margins.

Thirdly, our new products. With the BJN acquisition and the cross-pollination with the hydraulics and electronics folks, we believe we have gotten very close to our customers and understand their strategy by simplifying their supply chain. They are really interested in all the Helios brand now and outlining how can we participate, where appropriate, in more of a system sale versus component sales.

This product, on the right-hand side here, the little excavator is a perfect example of it. It has an Enovation Controls around Faster couplings and hydraulic valves. So, you will continue to see that system sales approach with specific targeted customers in the industrial sector.

Tania Almond: I am sure we have a question or two from the room. We have got a microphone if you can hand it right here.

Mig Dobre: Mig Dobre from Baird. My first question is for you, John, and Josef, you can maybe chime in as well. I think I can appreciate the strategy of having an integrated way that you are coming to market. I think I can appreciate the system approach as to what you guys are trying to do with product.

What I am curious to hear about is how you think about pricing strategically? Is there a component to your targets that addresses this dynamic? From your perspective, having been in a sales role for as long as you have been, as you are broadening the offering, and you are catching more of that customer wallet with what it is that you are doing, how does that translate into your ability to capture more value and more margin?

John Shea: As we continue with our M&A process and adding in flywheel products, we will be able to supply an entire system sale. The value becomes the stickiness of the solution and the fact that we would be hard to replace. As we move forward with this process and we perfect it and we understand our target markets and where we go, we think the value will be driven by the fact that the customer will be in need of our products.

Josef Matosevic: There is an opportunity for an improved financial performance. The reason why we have not provided further detail and broke it down into different elements is that we are still in the beginning phases of that.

We received a couple of very nice PO's. We have a few customers now which we penetrated a systems sale product, but we are still building up the process, building up the system. Over time, over the next three to twelve months, you will see a deeper outline of the margin improvement journey as we penetrate and get those products securely into the customers' hands. It is still too early for us, but the assumption is correct. There will be a benefit to the shareholders as we target the specific customers with a system sale approach.

Tricia Fulton: I do also believe, though, that we already have very strong margins as we looked in the peer groups, and that is on a component basis. Being able to drive significantly more margins from a system sale may not necessarily be the best way for us to go since we are already getting those margins on a component basis.

I think John's point about the stickiness of the sale, getting into those OEMs, being the supplier of choice, and making it easy for them to do business with us is really what is going to ultimately long term drive the margin, probably more than the individual system sales.

Mig Dobre: Great. Going back to the outgrowth targets that you have provided. I am curious if you can put a finer point on that. When I was asking about pricing, I was thinking of that not just margin. I am also curious as to how you are thinking about existing customer wallet share versus new verticals or new end markets that you are going to be tackling.

Josef Matosevic: Our number one strategy is to protect our current business, and that is what we are going to stay very focused and disciplined on. Number two, I go back to saying we targeted specific customers in diversified sectors. We know that this is a niche sector for us. As you know my path in the industry very well, I am very well-versed in the specialty vehicle, commercial foodservice, or HVAC markets. I know where we can fish, and I know the outline of the financial performance. So, that margin portfolio entering a diversified market will be at least equal to what we currently have.

Tania Almond: Any more questions from the room?

Nathan Jones: Nathan Jones, Stifel. I would like to follow up on Mig's in terms of the outgrowth. You look at 3% to 5% market, maybe 10% organic growth. Can you talk about the kinds of things that you need to do to drive that increased organic growth, whether it is engineering new products together, how you manage that process, attaining new customers? Just the different components of how we get from that 3% to 5% market growth up to your 10%.

Josef Matosevic: Thank you, Nathan, for this question. I am going to start and then I can hand it over to any of the business leaders. One of the lessons learned from our customer perception study, and we really took this to heart, was the true market awareness. There were markets that did not know all our brands. Just kind of virtually of getting out there, like John said, telling our story, inviting them into our doors, and showing them what we do generated a really strong interest in our current products.

Now, we have monthly calls with distributors and customers, and we cross-pollinate as we get a better understanding of their kimono and what they are really after. This drove a mindset of, "Look, we have a current product offering. There are some products that need minor surgery. There are some products that need an open-heart surgery." That is what BJN is focused on, future products.

We see current products with minor modifications, minor surgeries to really make an impact in the industry just by the virtue of brand awareness and who we really are and our closed-loop environment. I think Billy said it earlier. Customers just did not know what we do. They looked at Enovation as a display controller company, but we build so much more that goes into this.

Now having Balboa on board, having Joyonway on board, it brings us the complementary product that we needed to answer the bell on the customer's request. Those are kind of pieces and elements that will drive the engine on the organic growth piece. We have BJN cutting across all the brands, working collaboratively on the change over time how I call it: every two to three years, customers are changing over their products, and that is where we want to get in.

I hope that added some color to your question, and I invite my team here to add, too.

John Shea: I think it is a combination of all of it, really. Our diversified markets, some we have had some wins already with existing product. Jason outlined a bunch of those today in his slide, and we have had several significant wins in the electronics world as well. One we have already launched and one we will launch in August, so that pipeline is filled. As we go into new markets and try to find new products to sell into, we are going to need the help of HCEE to bring new products to market for that.

Nathan Jones: During the presentation, a few of you mentioned that the siloing of the businesses and how they have been operating in silos need to break that down. Typically find some inertia when you try and get in there and do that. Maybe you could just talk about the processes that need to be implemented, the silos, the big pieces that need to be broken down in engineering sales, et cetera?

Furthermore, how do you manage that process to keep people focused on the core. You said the number one strategy is to protect the core business to leverage across those functions without disrupting the core business or with minimizing the disruption to the core business.

Josef Matosevic: We used to be a holding company, and the strategy was that we are going to acquire businesses and we are going to let them run themselves independently. As long as they will roll money into the company, we are going to leave them alone. That was kind of the strategy.

However, what you do not get there is growth continuation, you just lose leverage. You lose the leverage on the innovation piece, on the talent piece, and most importantly, when you compete with larger players, you really do not have any advantages going in as a single-source business.

Now, we are more of an operating company. To answer your question, Nathan, what processes did we use? We just pulled everyone together, got everyone's voice incorporated, had our customer perception study in front of us, and it clearly suggested we had a CAGR rate that we were after, and we are achieving that.

The pandemic was a very difficult journey for any company, but we really have not missed a beat on the top line or on the bottom line. What processes do we have to fix? We have the strategy defined now; we have plans defined now; we have the team in place. Now it is just a matter of executing.

Tricia Fulton: Internally, we can execute on those processes. We have identified what they are in most of the cases, where we are working toward a global operating mindset, but for us to be able to grow to the kind of company that we are envisioning by 2023, will also require investment on our part. We have talked about the investment in OpEx that we are going to need to make to be able to be that $1 billion company. There are investments that will happen, in addition to implementing the processes that have already been identified or are already in place.

Tania Almond: I have one from the online audience. It appears that you actually serve a number of markets that have applications that were more diverse than I had realized. How can you broaden that through these industries?

John Shea: I can take that one. We have identified on both the Hydraulics segment and the Electronics segment certain target diversification markets that we are not in now. We are working towards developing the products and the relationships with those people so we can start launching in a year or two years. I think that there is a lot of opportunity for us outside of what we are currently at.

Tania Almond: Jeff, go ahead.

Jeff Hammond: Jeff Hammond with KeyBanc. Just first on the acquisitions, I think you identified another $100 million in acquisitions. Maybe give us a sense of how much is already baked with Joyonway and NEM. As you look at the pipeline, is it more focused on flywheels from here or is there still a rich pipeline of transformational deals?

Tricia Fulton: Right now, we are focused on the flywheel acquisitions. From a revenue perspective, there is nothing baked in per se yet, but certainly, we expect that the revenues from Joyonway and NEM will be part of that $100 million.

To frame that a little bit for you because we have gotten questions since we have had the press releases come out. Those are relatively small acquisitions from a revenue perspective, but certainly very strategic to our plans in both cases. They represent low single digits as an adder to our total revenue as a percentage.

Again, not huge right now, but certainly will grow over time with the system sale that we are expecting to be part of bringing those companies into the fold. We will focus on additional flywheel acquisitions that are in that same kind of framework going forward.

Josef Matosevic: As Tricia said, the focus is on closing the product gaps. The NEM acquisition and Joyonway were just a force multiplier, so the folks at HCEE can focus on future products so we can enter those very lucrative, diversified markets.

Not to get too technical, but in our Hydraulics segment with Jason and Matteo, we had a product gap to really continue to gain market share in electrification. There was just a simple valve outline, what we call it, three-position, four-way belt. To design a belt like that takes up to two years and a lot of people and a lot of money. NEM has that product offering, so integrating NEM's product offering into CVT and coupling CVT with Faster, we got the system. We got the electrification we are looking for and can start branching out into a broader share of the pie. It was purely strategic with some great engineers and great people.

Jeff Hammond: Great. I know when you did Balboa, it was much more than pool and spa. What are your early learnings as you start to go out to these broader customers? As you think about this outgrowth, does that evolution of Balboa, kind of going into other markets even, come into the play in this time frame '21 to '23?

Josef Matosevic: Yes, great question, Jeff. I will let JP speak a little bit, but I will take the first one.

When we originally acquired Balboa, it was a transformational acquisition. We liked the base business. It was very well positioned to grow organically, had some great ideas to further diversify, as well as a great financial profile. We also wanted a Good, Better, Best strategy with the product offering in the niche markets with strong margins. We got that.

What we did not know was how lucrative that acquisition actually was until we got into it. They already had plans to diversify even further in the true health and wellness market that is much broader than spas, hot tubs, and swim spas. This is where we are working together with John, JP, and Billy to capture those markets. On the videos you have seen a couple tidbits of new market applications that we will enter. All of us could not be more excited what this Balboa acquisition will bring for us.

Equally important, as the markets are strong in North America, we have seen an increased interest in Europe and Asia. We have very complementary brands with Joyonway now with Balboa and with Enovation. It is exciting, but JP, you might want to add something to that.

JP Parent: I must state as a recent addition to the group because it has only been seven months, I am very impressed with the Helios approach. They have done a lot in seven months to protect our core business, which was very important because we have huge demand right now and without the investment that Helios made, it would be hard to be able to meet the demand, so that was critical.

I am also very impressed with the opportunity that we have in front of us. Billy and I have been working together more and more. We only scratched the surface of the products that we could do together with the help of HCEE and Doug. We have some great ideas on how to merge some of the technologies and come up with products at price points that would be in between of two typical products. The opportunities are great. They are great in the health and wellness segment, but we are also thinking of adjacent markets, as we talked about earlier, in which those products would fit very well.

Josef Matosevic: Let me give you guys an example, so you can really get some granularity for your questions, Jeff. Doug, you can take that from a product standpoint.

Doug Conyers: Jeff, your question was, are we able to realize change within the next two years? The answer is – absolutely, yes. Nathan, you asked how we go about the process of handling this integration or centralized innovation group. Let me answer both of those questions with a little bit of an insight.

We have the Balboa displays. The Balboa displays work competitively well, and they have served the spa market well. Enovation builds displays and controllers that serve those markets. What we have done is we have worked with both those engineering groups to understand what they are doing, how they are doing and really go through and do an analysis of what is working impeccably well, where can we improve, and ultimately, how can we develop a Good, Better, Best strategy there.

That is something that has already happened that we are working on, understanding how we take the best of both of those businesses, those engineering groups and bring them together to develop a Good, Better, Best strategy that John can then take to new markets and be able to serve out to realize additional revenue, yes, in the next two years.

Tania Almond: We have a good follow-up question from the online audience. Can you help us understand more about how the NEM acquisition that you announced yesterday fits into your Hydraulics segment?

Josef Matosevic: As I mentioned earlier, they possess very complementary brands and are closing the product gap in the Hydraulics segment so that we can complete our electrification and start gaining market share in that area.

They possess an engineering department that is state-of-the-art. We will have an in the region, for the region manufacturing facility and an integrated supply chain. Jason, maybe you can add some more color.

Jason Morgan: As you said, Josef, I look at it as three things. One is the filling in the product portfolio gap. We had some areas in our EH line that they fill in. We will be able to quickly expand on that acquisition with their product. Second is their capabilities, their processes. With regards to the manufacturing in the region, for the region, gets us right into the corridor there, and we will facilitate that.

The other goes back to this system sale and integrating their product, they are very strong in the parts and body area. Integrating their product line with our cartridge valve technology, it fills in that Good, Better, Best strategy, a part of a system because it may have multiple components. It fills in all three of those for us. It is the reason why it was so strategic and fits well into the Helios strategy.

Tania Almond: Do we have any more from the room before I go back to the online?

Mig Dobre: Sorry, but I have to go back to the whole outgrowth path here. Cyclically speaking, when we are looking at the next couple of years, unless something surprises all of us, a company with your end market exposure should be able to deliver superior organic growth, right? Your customers' production schedules are ramping up over the next couple of years.

In some ways, even though maybe me and my peers here did not necessarily put that in our models as we forecast out to 2023, it is understandable as to why your targets look the way they do. Can we unpack a little bit the cyclical nature of the business and the help that you are kind of getting from your end markets relative to what you are really doing here? Because as I understand your comments, we should be thinking about Helios being able to grow 6% to 10% organically through the cycle on a sustained basis ex the cyclical swings.

I mean that is kind of what you are communicating here today. It is a target that theoretically stretches beyond 2023. So, can we maybe unpack the sustainability of the outgrowth versus just the pure cyclical help you are going to be getting over the next couple of years?

Josef Matosevic: Like everyone else, we got a little bit of boost from the economy recovering post-COVID. Strategically, we put ourselves in a position to maintain that pace going forward, and that is what drove our confidence in announcing that we will hit our goals two years earlier.

In our case, it is not so much cyclicality post-COVID versus seasonality, but the new products that we have in the pipeline, our strategy on leveraging the recent M&A companies and integrating them, leveraging their brands, and closing our product gaps, we really do not rely on the boost of the economy versus rely on our own success, executing our strategy, and keep that boost as a caveat, so to say, knowing that is going to flatten out one day. Once that bell curve starts going down, we should see steady incline in terms of our organic growth with our new products and our M&A.

Tania Almond: You may want to talk about the fundamental shift of going from really selling components to systems and becoming much more of a strategic partner, getting in the sales cycles. There are multiyear planning cycles with customers, really changes the dynamic.

Josef Matosevic: Yes. That is what I was alluding to earlier. As we got the brand awareness into our customer base and once again, the true power lies in Helios as a company with Faster, Sun, Balboa, Enovation, you name it. As we got in front of our customers and they understood our product offerings and our true capabilities above and beyond just what we are selling, there was a strong interest in participating further.

A matter of fact, we had to pump the brakes in a couple of them just a few weeks ago because we were just not ready to engage as fast as they wanted us to. We need to have a proven concept. We need to go through proper testing. You guys will see our new testing facility that we invested in, over $10 million, over the last couple of years. It will further position us to penetrate our products into the market faster with the same superior performance.

The system sale I am talking about is additional incremental revenue for us with equal or better margins than we currently have, but it will take a little bit of time. We really do not rely on the rebound and the quick boost that we have seen in the industry versus controlling our own destiny with our strategic plans we have in place.

Tricia Fulton: There are a few of our businesses, and they are all in different parts of their cycle right now. Certainly, we have started to see ag growing in Q4 of '19, took a little COVID dip for Q2 of last year but ramped back up after that. Certainly, Balboa has seen some benefit of going through and coming out of COVID, but I would say Jason's business on the CVT side, it is still starting or continuing that ramp up and has not hit the peak yet. I am not sure that we can say there is a cycle for Helios. I think each of the businesses has their own cycle, and they are going to go through them at different stages and durations.

Tania Almond: I have another one from online. Can you talk about the capacity in your existing facilities to support your $1 billion in sales target and really beyond that?

Josef Matosevic: As Rick started his journey, one of his key tasks that was to identify our current global capacity. As we did the study, I think we ended up at about 60% to 62% total capacity utilization. We have plenty of room to add more business into our existing facilities. That is step one. Step two, on the Faster side in Italy, we have invested significantly, and we will continue to invest in protecting that growth because they have seen increased demand. With the new product innovations, the NEM acquisition now, and the collaboration between CVT and Faster, there is additional revenue that is coming our way. So, we are protecting that growth because Faster did reach peak capacity, and we started an investment late last in space, equipment, automation, and supply chain capabilities. Rick, maybe you want to add a couple of things?

Rick Martich: As Josef highlighted, we are well capacitized in terms of our ability to support the growth that we are seeing. You see that in the fact that across a lot of our businesses. CVT with Jason in our Hydraulics segment is a great example; despite the increasing demand, our lead times are market-leading that we see. We have been managing that very tightly not just there but across all the businesses.

There are really three things to highlight. First is that we are going to continue to drive continuous improvement through our processes and, through that, achieve new levels of performance. One of the things working with JP and the team operationally at Balboa, we have been able to achieve record levels of production now that they have never achieved before. We have been doing that with fewer resources. That has been a tremendous success for us through just a lot of process-driven improvements.

The second, which Josef highlighted, is that we are going to continue to invest capital strategically that gives us capacity and capability technologically to provide the solutions that are needed, whether it is the quality levels, or the capacity needed across the business to support that growth.

Josef Matosevic: Another element of the strategy in manufacturing is to have the right balance between local and low-cost manufacturing and supply chain. Tricia and I were in Mexico just a few weeks ago and visited our Balboa plant. There is just something about go and see for yourself. It is an outstanding facility. 1,400 people divided into injection molding and electronics. The plant is divided, well air-conditioned; believe it or not, for Mexico, very low turnover. That plant is just producing good quality product and improving every single day. This will allow us over time to bring in additional products either from Tulsa or from Sarasota and focus on low-complexity product offering to be manufactured in a low-cost country. The Joyonway acquisition will allow us the same vehicle. NEM will allow us the same vehicle, so there is a fine balance between local manufacturing and low-cost country manufacturing that, in return, should contribute towards improving our margins.

Rick Martich: I think the last thing I would add to that is leveraging our global footprint is a key part of that strategy. We have Faster production that we have launched in our Kunshan factory in China that was started originally by the Sun CVT team, and that gave us tremendous opportunity. We are looking similarly with Joyonway with Balboa. There is a good amount of revenue that Balboa sells into China, so Joyonway, as Josef highlighted, gives us the opportunity to leverage that footprint. It is not just the manufacturing footprint, but it is the local supply chain in that Dongguan area and that corridor of China is the electronics corridor. This growing footprint really gives us a whole new breadth of perspective on capacity leverage across the business as we grow.

JP Parent: This will help us free some capacity in Mexico to accommodate other products from the group.

Rick Martich: Absolutely.

Tania Almond: Another one from the room here.

Jeff Hammond: Just while we are on manufacturing. You highlighted the 180 basis points of margin improvement. How much is simply just leverage out of volume growth? If you think of the other portion that is procurement, low-cost sourcing, low-cost country, the other buckets of margin improvement. Maybe just talk about that.

Tricia Fulton: There certainly is leverage that we will get on our fixed cost base. But remember, we also are going to be making investments to make that happen. We will leverage as much as we can, but there are some incremental investments that have to happen. I would say if I had to put a number on it, one third of it is going to come from leverage, and two thirds of it is going to come from the new initiatives that we are doing through the global mindset from a manufacturing perspective.

Jeff Hammond: If you think of the two thirds that is in your control, what are the bigger buckets?

Rick Martich: You follow it through the whole value stream from your suppliers through manufacturing. Obviously, there is a fair amount we spend with our suppliers, so leverage across our supply base is one bucket that we will focus on because we will be able to consolidate across commodities with suppliers that give us better pricing at certain larger and higher break points of volume. When you go into manufacturing, then there is the leverage of the footprint. When you can leverage an existing facility and not have to build a new facility, as I gave the example of production for Faster ramping up in our Kunshan facility that is a Sun CVT facility, that is a great example of leveraging that existing structure. That way, we do not have to spend more and while there is an overhead absorption piece with that, there is an operating expense piece that comes with that, too, because we are utilizing existing resources, management team, et cetera. It is a much more efficient operating platform, and we will see that across the other businesses as well.

Jeff Hammond: Okay. Just shifting gears back on the synergy side. As you bring in all these acquisitions and you have got a much broader Electronics business, what do you find as you go into these new markets as kind of leading the way or where is there more pull between Hydraulics versus Electronics?

Josef Matosevic: That is a great question, Jeff. I think the pull and dedication we see is clearly that Electronics will start catching up to Hydraulics relatively quickly. The appetite for having a strategy that we outlined over the last couple of hours and having a product offering that is still within our margin portfolio but a Good, Better, Best strategy will also drive growth for us. We have a path that clearly balances out those two segments very nicely, but the pull-through is clearly in the Electronics right now, so that segment will grow by default.

However, Jeff, I want to go back to just the manufacturing piece and just add one more element to the vision we are having. Over the next two to three years, as we execute on our plan and continue to earn our stripes with our investors, we see a path of having an integrated supplier park where we can have core competencies for Hydraulics, for Electronics coming out of one facility. We have a very strong following in terms of supply base for a long, long time, and there is an opportunity for us to work even closer together over the next two to three years to develop a supplier park that will be laser-focused on Helios. This means integrating core competency products that we do not have to hold inventory, that will be just in time. They will be highly flexible and optimized on our current and future needs.

Tania Almond: We have a couple of questions coming in online that are around M&A. I will kind of put them together as a multipart question. Can you talk about your M&A pipeline, and will that take potentially five to ten acquisitions to achieve your $100 million goal? Are they kind of your current pipeline and is it more active in Hydraulics versus Electronics?

Tricia Fulton: We have a very strong M&A pipeline. It is full on both the Hydraulics and the Electronics side. I do not think one is outweighed by the other. We also, as I talked about, have a midterm strategy on the linked technologies, and we do have targets in that bucket as well. We are constantly updating those target lists and looking at what things are actionable for us, which ones best fit what we need for the strategy at that time and going after the ones that we think we need to be focused on. The pipeline is very robust, and I do not think that we need to necessarily change any of our processes in that. It seems to be working very well. I see Dave in the back of the room nodding his head. He is in charge of our M&A funnel, so I am glad that he is in agreement with what I am saying.

As far as how many acquisitions it will take us to get to that $100 million in revenue, it is very hard to say because all the acquisitions have different revenue buckets. It depends on which ones we are able to action to determine the number that we will get there. We are probably focused more on how we are looking at the targets as being integral to what we are trying to do from a strategy perspective versus focusing on the amount of revenue.

Josef Matosevic: Well said, Tricia. Tania, are we depending on M&A to get us to the $1 billion? The answer is no. Our M&A approach has been not to chase revenue. As I said earlier, we are very comfortable with the plans and strategies we have in place that we will outgrow the market at a rate of 2x. If you just do the math and you multiply this, you get to a number.

Leveraging the M&A, leveraging the strength of the new companies we bring on board, closing the product gaps, switching over, where appropriate, into niche markets to more of a system sale, leveraging the relationships that we have in the industry, coming together as a company and truly have the brand awareness in the industry will drive that $1 billion growth. We will not do M&A to chase revenue. It will be very specific, very strategic and done in the right way that the shareholders will have a clear understanding why and what we are doing. Being a good steward of the shareholders' money is the path we have outlined.

Tania Almond: Great. Thank you. Do we have any more from the room?

Nathan Jones: I just wanted to follow up on supply chain. Five years ago, Helios was a $200 million revenue company. In two years, you're looking to be a $1 billion revenue company. You brought in a bunch of different acquisitions, which I am sure have a bunch of different supply chains that has introduced probably a lot of complexity into managing that. Again, you talked about being in silos and letting those businesses operate pretty independently up until now. So maybe you could comment on where you are in the process of simplifying that supply chain, of generating the appropriate leverage out of your spend, and then how you view that strategy of keeping the supply chain local versus leveraging the spend to generate better pricing.

Josef Matosevic: Thank you, Nathan. I may surprise you, but in many cases it is just the opposite. What we learned as we embarked on this process is that the supply chain for CVT and with the leading brand being Sun, has done a nice job optimizing the process and followed through with integrating the suppliers closer to the business. As the design phase and PI steps got executed, suppliers were ready to go. On the Enovation side, the supply base is an actual strength. You would think that being a $600 million, $700 million company, we would kind of come last on the food chains, especially on a pandemic stage or inflationary environment, but we are not. We have very good, loyal suppliers close to the facility, close to the region. Where we see a tremendous opportunity and potential is leveraging that international supply base. That is an area that we are laser-focused on understanding, optimizing and see how this will flow as we add more international companies. Rick, maybe you want to add a couple of sentences to that.

Rick Martich: Sure. I would be happy to. Nathan, we really do not see it as a challenge. We see it as an opportunity. I think Josef highlighted that. It is really an opportunity globally in terms of the talent and the capabilities of that supply base. It starts with sound foundations of relationships with those suppliers, and it is interesting that John talked commercially about how we swarm our customers to build these deep relationships across all the functions of the business and disciplines where that customer knows that we are completely committed to them. We take the same approach with suppliers. We have had suppliers tell us that, "We have the best relationship with you than we have with anybody, anybody we have ever done business with." They love doing business with us because there is a respect and a partnership, they have with us. That gives us tremendous opportunity.

Now when you add that with the growth internationally, as we have added to our footprint both organically, growing by expansion across the businesses in different parts of the world like China and India, or as we have recently added acquisitions like NEM in Northern Italy or we have added Joyonway in Southern China, that just expands our supply base and an opportunity to look for where it makes sense. If possible, we will go in the region for the region. It shortens lead times, reduces inventory, quality risk, and exposure, but we will be intelligent about that. We will use the data to drive us. If ultimately there is better leverage that can be had by consolidating globally, then there will be times when we choose to do that.

The other thing we will be looking at though is risk. We want to make sure that we really mitigate risk. I think if anything in the last 18 months has taught a lot of us is we have to look at risk in different ways in this day and age, and supply risk of a global supply chain has to be evaluated as well, so that will be taken into consideration also.

Jason Morgan: One of the things you guys were asking about a few minutes ago was processes and what are we doing around processes to support these. We see our suppliers as an extension of us, so things that we do are we help them with their capacity planning. We actually send our capacity planners into them to help them with their activities. We also help them with their sourcing strategies. Where are they sourcing materials from? How can we help them with forward purchase contracts on metals? We see them as an extension of us, and we look to facilitate their growth as we are looking to expand as well.

Nathan Jones: Then I will go to the diversified end markets that we are looking to move in. I do not think we have talked much about that yet. Can you talk about what are the most attractive markets for you to get in and what needs to be done in new product development front for you to get into penetrating those markets?

Josef Matosevic: Markets are niche markets. Applications that operate in rough terrain that require rugged applications, sealed, or bonded. Commercial food service, specialty vehicle, but also, commercial applications are areas that we are targeting.

John Shea: We really want to get into several markets that we have identified as a zero-term loan market, where we feel like there is a lot of volume and a lot of potential revenue. We have already started building those relationships with those customers. As Doug comes on and we get the appropriate products, we think we will be able to move into that. Also, around the world, we have got the AWP market as well. We think that there is a lot of opportunity. We are already on several with our high-end products, but there is a big runway there for a Good, Better, Best strategy using the Good.

Josef Matosevic: We targeted three in each segment. The final target is the construction and crane industry, what I call it. When you look at an off-road crane, if it is a 4x or 5x or 6x or 7x, where all that are hydraulics and stabilizers. That is where we can participate with our product because it requires truly the best product. You do not want to rig a crane and that thing tips over. I happen to have the relationship in this area, having come from that industry.

Tania Almond: I have one question from online. When you talk about the different geographic hoist spaces, are there particular areas or regions that you would prioritize over others?

Josef Matosevic: Penetrating the international markets with our product is the focus. Jason, you just did the acquisition, so you can add some more color.

Jason Morgan: Definitely, there are certain areas that we are looking to focus on. Obviously, Southeast Asia is a big one in the hydraulic space looking to grow there. Latin America is another one for us as well. This is part of that Good, Better, Best strategy. In some of these markets, the best product may not be the ideal for that market, and so as we are developing our Good, Better, Best strategy, we are making sure we have the right products for the market. This is part of that product strategy that we talked about and aligning all of this together is where we are headed in this augmented strategy, advancing the technologies that suit the relative market.

Tania Almond: Billy, did you want to add anything on the Electronics side?

Billy Aldridge: I think that Jason hit right on it. In the region for the region, the right products at the right time and the right partner are really important for us as we go out and move forward.

Tania Almond: Do we have any more in the room here?

Paul Elia: Terrific presentation by the team. Thank you for the thoughtful walk through the business. On a related question of capital allocation and how you prioritize things, so it strikes me as there is a massive amount of organic opportunity from the integration of your team, going to market with customers, taking things that they give you and putting them into your portfolio. How do you prioritize the opportunity for that versus M&A? I guess the question is, the visibility of partnering with someone to put forth a new product or a new component versus going out and buying something and the relative weighting you might give to the two.

Josef Matosevic: Everyone in here probably did many M&A's in their lifetime. I happen to have done quite a few of them and there are still a lot of scars on the back on some things that did not go so well. However, you learn from these experiences. Our process is highly disciplined and focused on our strategy. Our M&A strategy ties into our overall business strategy, which you learned about throughout this morning. If we can generate shareholder value faster and separate ourselves from competition with the financial performance that is expected from us, and if we can do this with M&A, we will do this with M&A. If we have products that are close and require augmentation, we will get our global engineering department involved. It is all about timing and speed to the market. That is what drives most of our decision making and where we allocate smart capital, what I call it.

Tricia Fulton: I can tell you when we get opportunities to look at companies that are for sale, we get them through a lot of different avenues. The first question that we ask is, is this a strategic fit or not? It has to pass that test first. If it is, is it something that will help us accelerate faster by acquiring versus doing it on our own? That is really at the forefront of everything that we look at from an acquisition perspective, knowing what we want to do over the next few years with the company to achieve the targets that we have set.

Josef Matosevic: We had companies in our portfolio that we walked away from that just did not fit and did not make sense to our strategy. They were accretive, they were good companies, but they just did not offer anything else in addition to what we already had. They would have grown the top line much quicker, but it is not what we are after. We can do this organically very well.

Tania Almond: We have another one from the online audience. Do you currently have the team in place to execute your plan or do you have any other holes that you might fill in along the way?

Josef Matosevic: Great question. I know there is a strong focus on our profitability and margin. I think it is fair to say, as Tricia outlined, we will have to add a few more folks to the portfolio. It takes people to execute as we grow. This is not a CapEx expense versus an OpEx. Between OpEx and people, we will have to add a few more folks to our portfolio, but they will not be on an executive level. They will be more on an engineering, supply chain level, and manufacturing level.

Tania Almond: Great. We have more from the online crowd. When you think about the focus on system sales, what will the average customer profile look like in the next two to three years compared to what our customers look like today?

Josef Matosevic: Our company will significantly change in terms of spread between Hydraulics and Electronics. In many cases, existing customers will penetrate additional products in both Electronics and Hydraulics. In other cases, you will see additional new customers and markets coming online, and that will be well balanced with our priorities and how fast we can execute. The answer to the question is existing customers, well balanced between Electronics and Hydraulics, will be the number one priority following by a longer-term vision of adding new diversified customers as we get ready to launch new products.

Tania Almond: Great. Another one that we had online was, you mentioned cross training your sales force from the different segments. How difficult do you think that will be and what do you think the time frame will be on doing that?

John Shea: This is clearly a long-term process that we are undertaking right now. This strategy is going to evolve over the next few years, and we have got great people in our sales force across Helios. The training I am estimating probably somewhere in the neighborhood of 18 to 24 months before we get that up and running. All the other things we need to do to start working on these system sales with either our existing customers now for these new diversified markets, there is some time going to be involved. We are very much in the infancy here.

Josef Matosevic: Our path to success in sales, as John outlined, we are by nature culturally a very risk-averse company, in many cases conservative. We want to earn our stripes, so we targeted the crawl, walk, run mindset. We need to learn how to have a few wins cross-functionally, and we have outlined that very well today. Once the folks get the level of confidence that they can win cross-functionally, the crawling stage is behind us, and the walking stage begins. It will be an evolution over the next 12 to 24 months coupled by wins that we are going to have in the company.

Tania Almond: Okay. Any more questions from the room? I think we have tired everyone out sufficiently. Again, I want to thank everyone for joining us in person as well as virtually. We do want to make a note that we have got an online survey that should pop up as the event ends. As you heard from our presentation today, we actually really love feedback. We really would like to have you take a few moments and give us some feedback through that online survey and let us know what you learned today and what are the points that you would like to understand more about.

For those of you that are here and people that will come visit in the future, we have got some equipment on display, and I think they may pan around with the camera to show you some of that, and we have got some outside as well. Again, we would love to host many of you in the future to come to our new customer experience center, see this wonderful facility and meet the team. Again, thank you so much for joining us today, and have a wonderful day.