# INVESTOR PRESENTATION

**Q3 2020**



# FORWARD-LOOKING STATEMENTS

Statements made in the course of this presentation that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to: impacts from the COVID-19 pandemic and governmental responses to limit the further spread of COVID-19, including impacts on the company's operations, and the operations and businesses of its customers and vendors, including whether the company's operations and those of its customers and vendors will continue to be treated as "essential" operations under government orders restricting business activities or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the company's operations to be halted for some period of time; uncertainty with respect to the duration and severity of these impacts from the COVID-19 pandemic, including impacts on the general economy; other economic conditions in the markets served by EnPro's businesses, some of which are cyclical and experience periodic downturns; prices and availability of its raw materials; the impact of fluctuations in relevant foreign currency exchange rates; unanticipated delays or problems in introducing new products; announcements by competitors of new products, services or technological innovations; changes in pricing policies or the pricing policies of competitors; and the amount of any payments required to satisfy contingent liabilities related to discontinued operations of its predecessors, including liabilities for certain products, environmental matters, employee benefit obligations and other matters. EnPro's filings with the Securities and Exchange Commission, including its most recent Form 10-K and 10-Q, describe these and other risks and uncertainties in more detail. EnPro does not undertake to update any forward-looking statements made in the course of this presentation to reflect any change in management's expectations or any change in the assumptions or circumstances on which such statements are based.

We own a number of direct and indirect subsidiaries and, from time to time, we may refer collectively to EnPro and one or more of our subsidiaries as "we" or to the businesses, assets, debts or affairs of EnPro or a subsidiary as "ours." These and similar references are for convenience only and should not be construed to change the fact that EnPro and each subsidiary is an independent entity with separate management, operations, obligations and affairs.

This presentation also contains certain non-GAAP financial measures (*) as defined by the Securities and Exchange Commission. A reconciliation of non-GAAP measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation.

# BUSINESS OVERVIEW

# WHO IS ENPRO?

***A leading technology company using materials science to push the boundaries of the semiconductor, life sciences, and other technology-enabled sectors***



# ATTRACTIVE PORTFOLIO OF BUSINESSES

## Company Overview (NYSE: NPO)

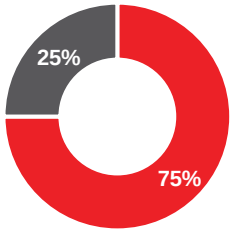
| | |
|---|---|
| Headquarters | **Charlotte, NC** |
| Manufacturing Facilities | **25 primary** |
| Global Employees | **~5,000** |
| Customers | **50,000+** |

## Financial Overview

| | |
|---|---|
| Market-Cap[1] | **$1.5B** |
| LTM Revenue[2] | **$1.1B** |
| LTM Adj. EBITDA (Margin)[2,3] | **$164M (15.1%)** |
| 2019 Aftermarket Rev. | **57%** |
| Dividend Yield[1] | **1.4%** |

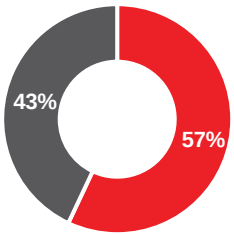
## Revenue Contribution

### Sales by Segment[4]



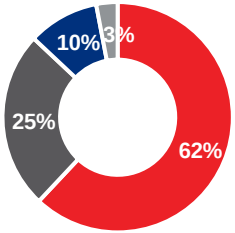

- Sealing Products
- Engineered Products

### Sales by Channel[5]



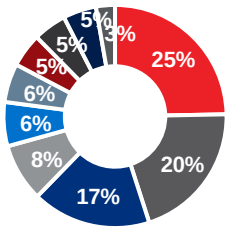

- Aftermarket
- OE

### Sales by Geography[5]




- North America
- Europe
- Asia
- RoW

### Sales by Market[4]




- MD/HD Truck
- General Industrial
- Semiconductor
- Oil & Gas
- Auto
- Power Generation
- Food & Pharma
- Aerospace
- Petrochemical
- Metals and Mining

Leading Provider of Highly-Engineered Solutions for Mission Critical Applications with #1-3 Market Positions

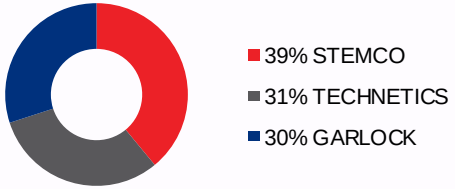
[1] As of 12/2/20; [2] LTM as of 9/30/20; [3] Refer to appendix for Non-GAAP reconciliation; [4] As of Q3 2020; [5] As of FY 2019; Note: Excludes Fairbanks Morse, which is now reported as a discontinued operation.

# ENPRO'S SEGMENTS

## Sealing Products

| | |
|---|---|
| LTM 9/30/20 REVENUE | $814M |
| LTM 9/30/20 ADJ. EBITDA MARGIN* | 21.0% |

REVENUE COMPOSITION (2019)




KEY PRODUCT OFFERINGS:

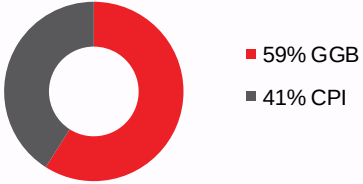
- Semiconductor Cleaning and Aftermarket Services
- Pharmaceutical Hygienic Components
- Hydrodynamic Seals
- High-Performance Metal and Brush Seals
- Felt Metal & Acoustic Material
- Edge-Welded Bellows
- Wheel End Seals
- Gaskets & Packing

Garlock STEMCO Technetics GROUP

## Engineered Products

| | |
|---|---|
| LTM 9/30/20 REVENUE | $277M |
| LTM 9/30/20 ADJ. EBITDA MARGIN* | 11.8% |

REVENUE COMPOSITION (2019)




KEY PRODUCT OFFERINGS:

- Metallic Plain Bearings
- Composite Plain Bearings
- Isolation Gaskets and Joints
- Reciprocating Compressor Products:
  - Monitoring Systems
  - Sealing Components
  - Valves
  - Lubrication Systems

GGB CPI

* Non-GAAP measure; refer to appendix for reconciliation to GAAP

# ENPRO MISSION AND VISION

**WE ARE A PURPOSE-DRIVEN COMPANY WITH STRONG VALUES, A FORWARD-THINKING OPERATING PHILOSOPHY, AND A WAY OF WORKING THAT DRIVES BEST-IN-CLASS VALUE CREATION OVER THE LONG TERM.**

**HIGHLY ENGINEERED PRODUCTS AND SERVICES THAT PROVIDE DIFFERENTIATED PERFORMANCE DERIVED FROM MATERIALS SCIENCE EXPERTISE, MANUFACTURING KNOW-HOW, AND TRADE SECRETS**

**DUAL-BOTTOM LINE CULTURE ENABLING HUMAN DEVELOPMENT THROUGH THE WAY WE WORK**

**COMMITMENT TO SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE PRACTICES**

# ENPRO'S STRATEGY

1. Focusing on niche, high-margin materials science-related businesses with strong cash flow in markets with favorable tailwinds
2. Increasing exposure to aftermarket and faster growth technology businesses
3. Leveraging the EnPro Operating System to increase margins and cash flow return on investment
4. Maximizing long-term shareholder returns through commitment to disciplined capital allocation

# VALUE CREATION AT ENPRO

| | |
|---|---|
| **Increasing Profits** | • Increasing stability and predictability of our cash flows by increasing our aftermarket and recurring revenue mix<br>• Increasing exposure to markets that are growing more than 7% annually through organic and inorganic investments |
| **Leveraging Inorganic Growth to Enhance Organic Growth** | • Seeding future organic growth through M&A<br>• Acquiring companies that add to the breadth of our expertise and allow us to expand our existing high-growth markets |
| **Improving Capital Efficiency** | • Leveraging the EnPro Operating System to increase returns on invested capital by improving margins and cash flow return on investment<br>• Allocating capital through disciplined and balanced approach to maximize long-term shareholder returns |
| **Maintaining Market Leadership** | • Maintaining market leading positions enabled by proprietary intellectual property and trade secrets |
| **Driving Dual Bottom Line Culture** | • Cultivating our culture of Safety, Excellence, and Respect<br>• Empowering our employees through a culture of authenticity and self-awareness that fosters superior decision-making |

# UPDATE ON CURRENT BUSINESS ENVIRONMENT

# FOCUSED ON PROTECTING OUR PEOPLE, BUSINESS, AND COMMUNITY

## Protecting Our People

- Expanded IT infrastructure to enable working remotely and virtual meetings
- Baseline COVID-19 testing
- Digital contact tracing
- Suspended all non-essential travel
- Implemented flexible work options, where feasible
- Restricted visitors to EnPro facilities
- Trained employees in enhanced cleaning and disinfecting protocols
- Provided supplemental PPE at facilities
- Implemented safe operating procedures such as temperature scanning, use of masks, and social distancing
- Created a dedicated internal website for updates on the actions we are taking, status of all of facilities, and FAQ's

## Protecting our Business

- Enacted cost reductions resulting in full year 2020 savings of ~$30M, estimate half will be sustainable annual savings moving forward
- Capital expenditure reductions
- Headcount reduction plans
- Discretionary spending reductions
- Working capital management to ensure efficient accounts receivable processing with our customers

## Protecting our Community

- Distributed thousands medical grade (N95) masks to doctors and hospitals in the United States and Europe
- Connected institutions with EnPro suppliers to source difficult to find materials like infrared thermometers and masks
- Enabled employees to access urgent medical supplies for themselves and their families' immediate need within COVID-19 afflicted areas

We Have Taken Numerous Actions to Maintain our Business Operations and Ensure the Safety of Our Employees

# FOUR-PHASE RESPONSE TO NAVIGATE THE COVID-19 PANDEMIC

**Our cross-functional COVID-19 Response & Support Team, made up of our global executive leadership team, is working around the clock to manage our business continuity plans and coordinated response**

**THE HEALTH AND SAFETY OF OUR EMPLOYEES, COMMUNITIES, CUSTOMERS, AND SUPPLIERS IS OUR NUMBER ONE PRIORITY**

## PHASE 1
***Health and Safety***

- Mobilized COVID-19 Response & Support Team
- Developed 'global safe work playbook', a standardized approach for COVID-19 pandemic preparedness and response
- Enacted preventative measures in line with recommendations from global and local authorities
- Implemented flexible and remote work options
- Enacted safe operating procedures, including temperature screenings, additional PPE, physical plexiglass workspace barriers, and enhanced visual management to support social distancing

## PHASE 2
***Business Stability and Progression***

- Planning for several contingency scenarios
- Planning for running business in adverse conditions, resetting business to new demand levels, managing liquidity, and being responsive to customers
- Taking decisive, informed actions to prevent the spread of COVID-19
- Developed playbooks to respond to changing demand levels
- Focused on supply chain stability, progression, and risk mitigation
- Enacted cost reductions resulting in full year **2020 savings of ~$30M**, estimate half will be sustainable annual savings moving forward

## PHASE 3
***Process and Cost Improvement***

- Monitoring and improving:
  - Processes
  - Procedures
  - New ways of working
- Finding solutions to allow employees to thrive in new environment
- Enhanced customer experience

## PHASE 4
***Current and Post-pandemic Period***

- Adapting to the new normal
- Refocusing on our core strategy
- Digital transformation of workplace and work routines
- Supply chain reconfiguration

Taking the Necessary Actions to Protect our People and Organization

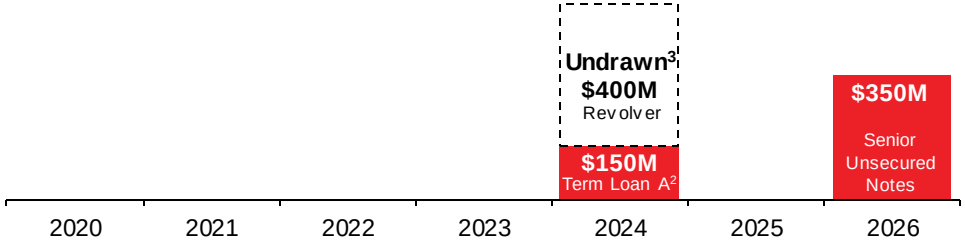
# BALANCE SHEET & CASH FLOW

## Net Leverage

**Reported September 30, 2020** ($M)

| | | |
|---|---|---|
| | Credit Facility | **$0** |
| | Senior Notes[1] | **$346** |
| | Term Loan[2] | **$147** |
| | Capital Lease Obligations | **$0** |
| A | Debt Components | **$493** |
| B | Cash and Equivalents | **$441** |
| C = (A – B) | Net Debt | **$52** |
| D | LTM September 30, 2020 Adj. EBITDA* | **$164** |
| **E = (C / D)** | **Leverage Ratio** | **0.3x** |

## Debt Maturity Schedule




## Commentary

- Strong balance sheet; net debt to adjusted EBITDA* of 0.3x and ample liquidity consisting of $441M cash and $389M [3] available under revolver
  - No debt coming due until 2024
- Pro forma [4] net debt to adjusted EBITDA leverage ratio remains well within long-term target leverage range of 1.5x to 2.0x
- Year-to-date free cash flow* of $36.6M was down from $76.0M in the prior-year period
  - Excluding cash taxes on Fairbanks Morse divestiture and environmental settlement payments, year-to-date cash flow greater than prior-year
- Paid $5.4M in dividends, or $0.26 per share in Q3 2020
- New two-year $50M share repurchase authorization

**Strong and Flexible Balance Sheet Positions Company to Confidently Weather Downturn and Capitalize on Further Opportunities**

[1] Includes impact from unamortized debt issue costs. [2] The Term Loan Facility amortizes on a quarterly basis in an annual amount equal to 2.50% of the original principal amount of the Term Loan Facility in each of years one through three, 5.00% of such original principal amount in year four, and 1.25% of such original principal amount in each of the first three quarters of year five, with the remaining outstanding principal amount payable at maturity. [3] Company has full availability of $400M revolver, less $11M in outstanding letters of credit. [4] Note: Based on last-twelve-month results; includes impact of Alluxa acquisition, reshaping of heavy-duty truck business, and the pending sale of GGB's bushing block business as if all transactions occurred at the end of Q3 2019.

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

# COVID-19 SCENARIO ANALYSIS

- For the fourth quarter, anticipate year-over-year demand to be solid for both semiconductor and food and pharma, with continued softness in heavy duty truck, general industrial, oil and gas, petrochemical, and aerospace
- For the full year, revised scenario planning ranges based on market dynamics, portfolio reshaping actions, and seasonal and customer-specific demand patterns:
  - **Year-over-year sales decline of a little over 15%**
  - **Adjusted EBITDA margins of approximately 15%**
    - This compares to prior scenario planning ranges of a 15% to 25% decline in sales and adjusted EBITDA margins of 13% to 14%
- Businesses have already taken actions to mitigate impacts of decreased demand due to COVID-19; further contingency plans are ready, if needed, to adjust businesses to meet new demand levels and recover from economic slowdown

Well Prepared for Near-term Challenges and Will Move Quickly to Address Additional Risks if they Present Themselves

# CAPITAL ALLOCATION AND PORTFOLIO MANAGEMENT OVERVIEW

# DISCIPLINED CAPITAL ALLOCATION STRATEGY

**REINVEST IN THE BUSINESS**

- $22 million in FY19 capital expenditures; $11.8 million YTD Q3 2020
- Approximately 57% in FY19 maintenance-related and balance focused on growth

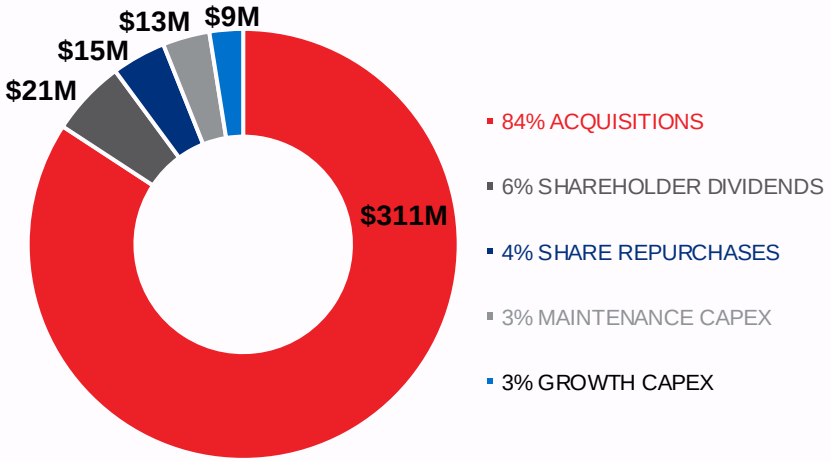
**STRATEGIC ACQUISITIONS**

- High technical know-how, IP-rich offering
- Experienced management with proven track record
- Primarily aftermarket focus

**RETURN CASH TO SHAREHOLDERS**

- Current dividend yield of 1.4%(1)
- Approximate 4% increase in quarterly dividend on February 19; $0.26 dividend declared on October 28
- New two-year $50M share repurchase authorization

## 2019 CAPITAL ALLOCATION ($M)




(1) Dividend yield as of 12/2/20

# INORGANIC VALUE CREATION DELIVERED THROUGH DELIBERATE M&A APPROACH

## ENPRO'S M&A CRITERIA

### MARKET FIT

- Addressable market growth >7% per annum, driven by key technology growth trends
- High barriers to entry (e.g., intellectual property, switching costs, trade secrets, etc.)
- Market segment with high degree of aftermarket exposure or recurring revenue
- Relatively fragmented competitive base, providing potential for follow-on acquisitions

### ORGANIZATIONAL PROFILE

- Experienced management team in place
- Ability to integrate with EnPro culture and values of Safety, Excellence, and Respect

### FINANCIAL PROFILE

- EBITDA margins >20%
- EBITDA >$10MM
- eCFROI >20%; High cash flow, asset light characteristics

## ILLUSTRATIVE AREAS OF INTEREST




This Approach will Expand Our Expertise in Materials Science into Attractive Technologies and Services

# SHIFTING CHARACTERISTICS THROUGH THOUGHTFUL PORTFOLIO SHAPING ACTIVITIES

| SHIFTING FROM… | …TO |
| --- | --- |
| Leadership in high-value niche markets with established, premium brands | Invested in high-value niche markets with addressable market growth of >7% p.a., driven by technology tailwinds |
| | Portfolio of businesses with high cash flow and low asset intensity |
| Supporting mission-critical applications in highly demanding and extreme operating environments | Applying advanced materials technologies to support mission critical applications within cutting-edge industries |
| Low-cost relative to applications served; value-based pricing leverage | Stable market dynamics with high recurring revenue mix and aftermarket exposure |
| Applying manufacturing know-how and trade secrets; significant application and technical expertise | Applying manufacturing know-how and trade secrets; significant materials technology and application expertise |
| Embedded with our customers; substantial switching costs and barriers to entry | Competing in industries with attractive structures including high customer switching costs and barriers to entry such as intellectual property and customer qualifications |

# ENPRO'S PORTFOLIO TRANSFORMATION

1. **Focusing on niche, high-margin materials science-related businesses with strong cash flow in markets with favorable tailwinds**
2. **Increasing exposure to aftermarket and faster growth technology businesses**
3. **Leveraging the EnPro Operating System to increase margins and cash flow return on investment**
4. **Maximizing long-term shareholder returns through commitment to disciplined capital allocation**



## Successful Execution of Portfolio Shaping Actions Resulting in a More Durable Business Model

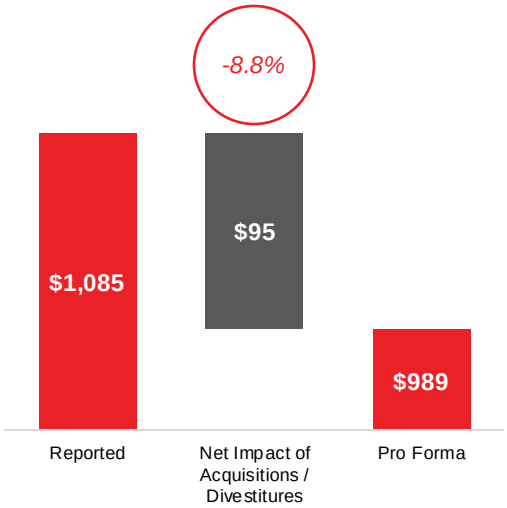
| | Transaction | Strategic Rationale |
|---|---|---|
| Acquisitions | **Alluxa**<br>*Closed 4Q20* | • Materials science<br>• High-growth, high-margin business<br>• Fragmented competitive base<br>• Robust end market growth<br>• Strong, experienced management team<br>• Meets stated M&A criteria |
| | **LeanTeq Co., Ltd.**<br>*Closed 3Q19* | |
| | **The Aseptic Group**<br>*Closed 3Q19* | |
| Divestitures | **Air Springs**<br>*Announced 3Q20* | • Non-core businesses and product lines<br>• Reduces exposure to non-materials science-based sectors<br>• Low return on operating capital |
| | **Heavy-Duty Truck Product Lines**<br>*Announced/Completed 3Q19 – 3Q20* | |
| | **Bushing Block**<br>*Announced 2Q20* | |
| | **Fairbanks Morse**<br>*Closed 1Q20* | |

# PRO FORMA BRIDGE (LTM)

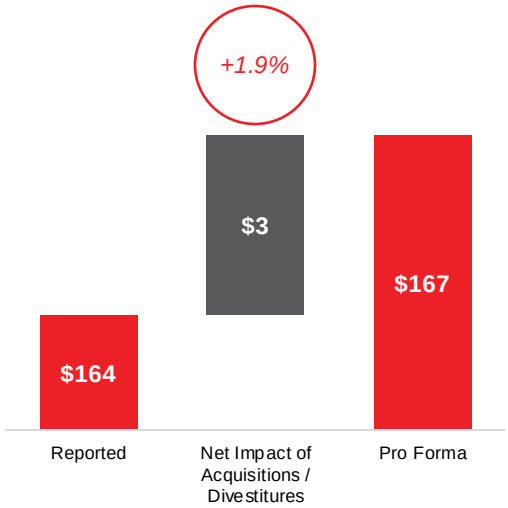
*$ in millions*

## RESHAPING ACTIONS HAVE SIGNIFICANTLY ENHANCED PROFITABILITY OF THE PORTFOLIO

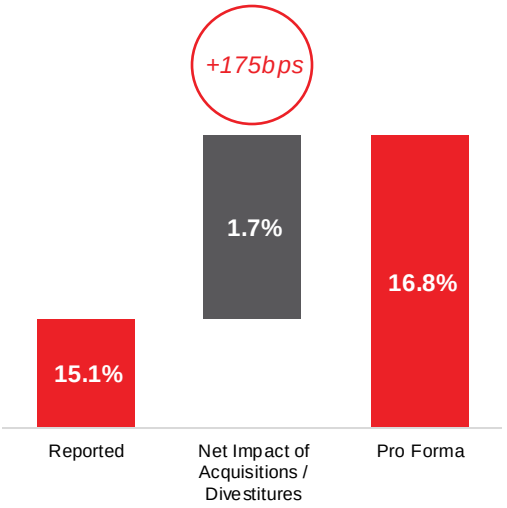
### Sales




### Adjusted EBITDA*




### Adjusted EBITDA Margin*




Increases Exposure to More Resilient, Leading Edge, Advanced Technology and Materials Science-based Niche Markets Poised for Growth, with Semiconductor as Largest End Market

Note: Last-twelve-month results; includes impact of Alluxa acquisition, reshaping of heavy-duty truck business, and the pending sale of GGB's bushing block business as if all transactions occurred at the end of Q3 2019

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

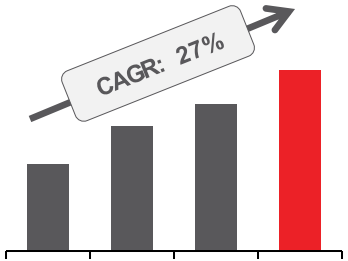
# ALLUXA AT A GLANCE

## Key Statistics



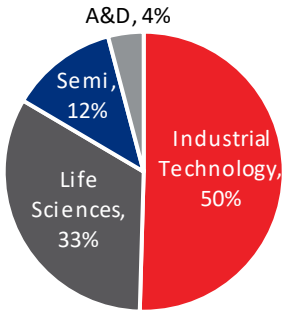
| | |
|---|---|
| Founded | 2007 |
| Facilities | 2 |
| Location | Santa Rosa, CA |
| Transaction Timing | Announced 9/28/20<br>Closed 10/26/20 |

## Revenue ($M)

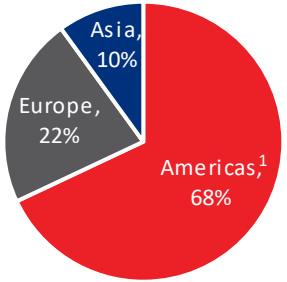



32% of 2019 sales were sole source [2]

## 2019 Sales By Application




## 2019 Sales By Geography




## ALLUXA APPLICATIONS

| Industrial Technology | Life Sciences | Semiconductors | Aerospace & Defense |
|---|---|---|---|
| LiDAR | Advanced Fluorescence Microscopy | Lithography (EUV and others) | Thermal Imaging |
| Sensor | PCR | Wafer Inspection | Satellite Optics |
| Autonomous Vehicles | DNA Sequencing | | Weapon Systems |
| Spectroscopy | Flow Cytometer | | Remote Sensing |

Leading Optical Filters and Thin-Film Precision Coatings Technology Company Serving Diverse, Attractive End Markets

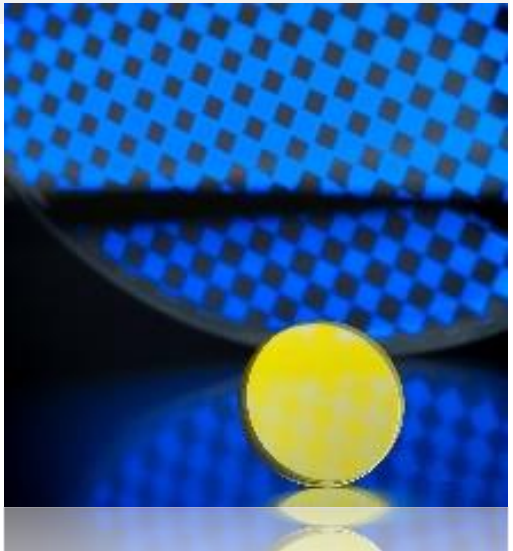
[1] Includes Canada and South America. [2] Sole source defined as business that has very low risk of displacement by a competitor based on technical difficulty, technology, and/or competitive landscape

# ALLUXA ADDS SIGNIFICANT VALUE TO OUR PORTFOLIO

Strengthens and expands EnPro's materials science exposure in specialty optical filters and thin-film coatings technology, with a focus on serving the most challenging applications in high-growth markets, primarily industrial technology, life sciences, and semiconductor

Adds proprietary technology platform, processes, and capabilities with a highly differentiated product suite and service offering, including proprietary advanced SIRRUS™ automated plasma deposition software

Aligns with EnPro's growth strategy and acquisition criteria with attractive growth opportunities, comprehensive technical capabilities, compelling financial performance, and a proven and experienced management team







# ALLUXA HAS COMPELLING STRATEGIC AND FINANCIAL BENEFITS

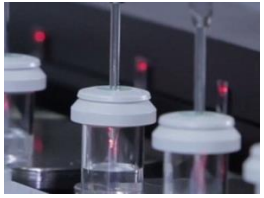
| | |
|---|---|
| **1 PROPRIETARY TECHNOLOGY & PROCESSES** | Alluxa's design expertise and proprietary SIRRUS™ plasma deposition software allow the company to provide specialized filters and coatings specific to customer requirements and support the company's ability to service customers across numerous end markets. |
| **2 WELL-POSITIONED IN THE INDUSTRY** | Alluxa holds a highly defensible position across end markets through the harmonization of its proprietary software, hardware, processes, and deep engineering expertise to meet challenging customer specifications and manufacture filters that competitors do not supply. |
| **3 GROWTH ACCELERATION** | Alluxa is expected to grow faster than its current served markets, primarily including industrial technology, life sciences, and semiconductor markets, through 2024 and has a proven ability to pivot its sales focus to meet the demand of growing end markets. |
| **4 SUPPLIER OF CHOICE WITH STRONG CUSTOMER RELATIONSHIPS** | Alluxa has cultivated long-term relationships across its diversified customer base through its proprietary technical capabilities and customized product offering. In 2019, Alluxa was the sole source supplier to its customers on approximately one third of its sales, with a fragmented customer base of over 350 customers. |
| **5 PROVEN & EXPERIENCED LEADERSHIP** | Alluxa's senior management team, who will continue with the business after closing, possess an average of over 20 years of experience in the optics and high-technology fields, resulting in an intimate knowledge of the business and market, the company's intellectual property and trade secrets, and deep industry relationships. |
| **6 COMPELLING FINANCIAL PROFILE** | Alluxa has an attractive revenue and margin profile, with 18 quarters of consecutive revenue growth. By solving customers' most difficult challenges across a wide range of rapidly growing end markets, we expect Alluxa's track record of double-digit annual revenue growth to continue under our ownership. |

# SUCCESSFUL INTEGRATION OF RECENT ACQUISITIONS

## The Aseptic Group (joined Garlock)

Acquisition increases aftermarket presence in the growing pharmaceutical and biopharmaceutical markets

- Announced and closed on July 2, 2019
- Distributes, designs and manufactures sterile fluid transfer products for the pharmaceutical and biopharmaceutical industries
- Recognized supplier of single-use high purity fluid path components that has been serving some of the world's largest pharma companies for over 20 years
- Headquartered in Limonest, France (one facility)





## LeanTeq Co., Ltd. (joined Technetics Group)

Acquisition increases aftermarket presence in the growing semiconductor wafer production market

- Announced on July 22, 2019; closed on September 25, 2019
- Provides cleaning and other refurbishment services for critical components and assemblies used in state-of-the-art semiconductor equipment
- This equipment is used to produce the latest and most technologically advanced microchips for smartphones, autonomous vehicles, high-speed wireless connectivity (5G), artificial intelligence, and other leading-edge applications
- Headquartered in Taoyuan City, Taiwan (3 facilities: 2 Taiwan, 1 US)







The Integration of These Businesses is Progressing According to Plan with Results In Line with Expectations

# SUCCESSFUL EXECUTION OF PORTFOLIO SHAPING ACTIONS



## Fairbanks Morse Divestiture

(Closed Q1 2020)

- Produces large medium-speed diesel engines, primarily for U.S. Navy
- Divestiture exits a capital-intensive business with lumpy cash flows and customer concentration
- Focuses EnPro on businesses that offer highly engineered products & services to niche markets based on core competency of materials science

FAIRBANKS MORSE



## Bushing Block Divestiture

(Announced Q2 2020)

- Announced plans to exit GGB's bushing block business, headquartered in Dieuze, France
- Refocuses GGB on its higher-margin product lines
- This process is ongoing and EnPro is committed to exiting the bushing block business as soon as possible

GGB




## Heavy Duty Truck Product Lines Divestitures

(Announced/Completed Q3 2019 – Q3 2020)

- Includes: TrailerTail, Brake Shoe, Aeris, AirBatRF, Motor Wheel, Crewson, Lunar
- Reduces exposure and supports reshaping of heavy-duty truck business to focus on higher margin product lines

STEMCO



## Air Springs Divestiture

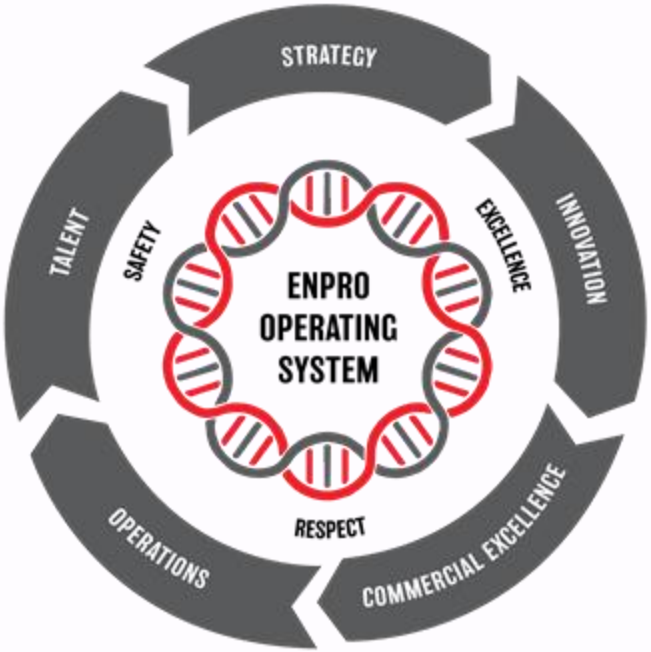
(Announced Q3 2020)

- Manufacturer of Goodyear licensed air springs, as well as Super Cushion® and Spring Ride® air springs
- Divestiture exits non-core product line
- Reduces exposure and supports reshaping of heavy-duty truck business

STEMCO

# ENPRO OPERATING SYSTEM

Committed to shareholder value creation




*Shared purpose*

Full release of human possibility

Combines capabilities that improve productivity, efficiency and innovation in all business units

World class standard is always maintained

Learning mentality and ownership-based leadership

Everyone must play for EnPro

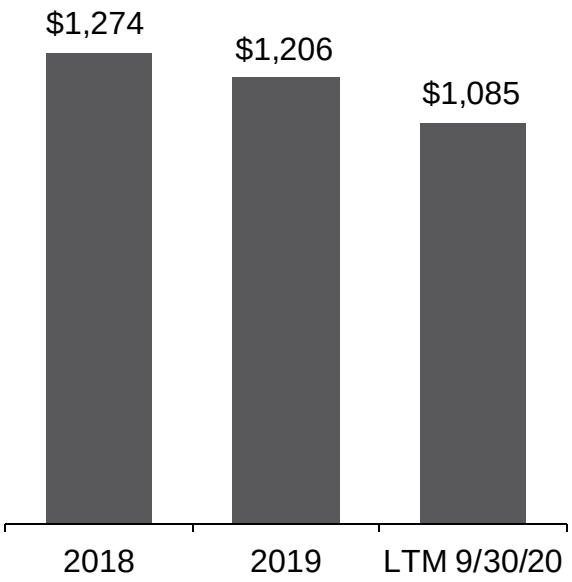
Learn from others, contribute to others, ensure commitment and accountability

The EnPro Operating System Enables Margin Expansion and Cash Flow Return on Investment Improvement

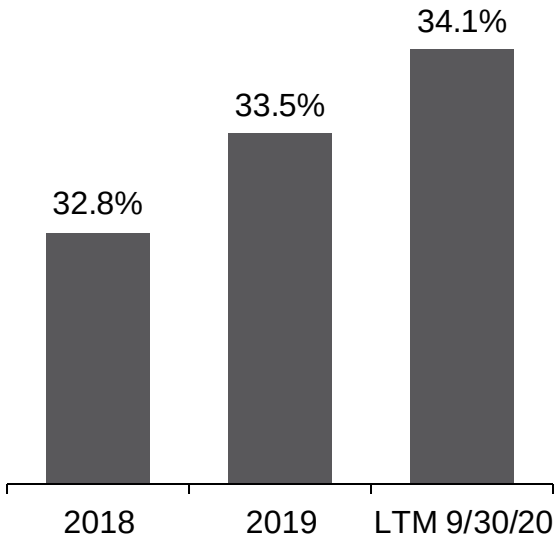
# FINANCIAL PERFORMANCE

**($ IN MILLIONS)**

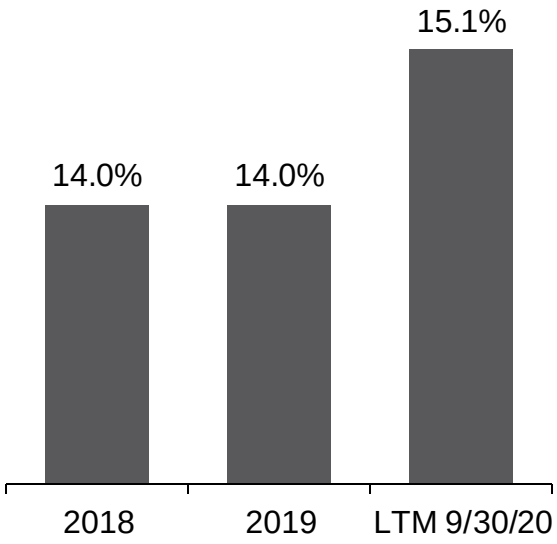
## REVENUE




## GROSS PROFIT MARGIN




## ADJUSTED EBITDA MARGIN*



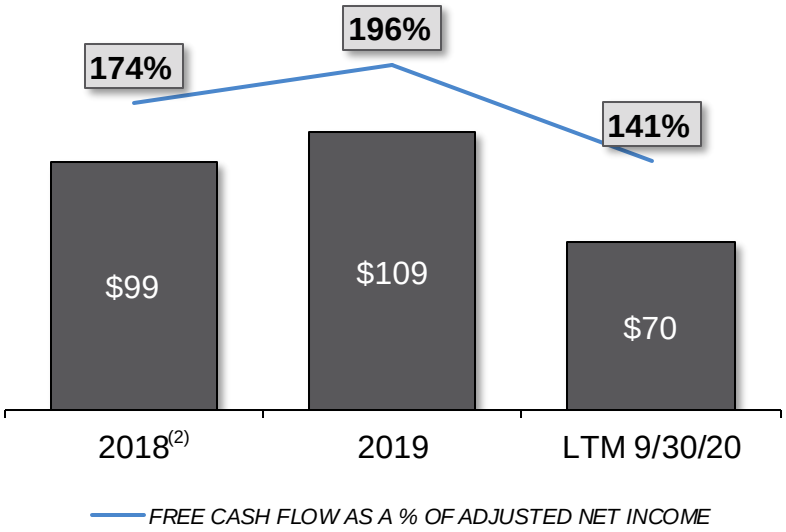

Portfolio Reshaping and Operational Improvements Have Driven Increased Margins

* Non-GAAP measure; refer to appendix for reconciliation to GAAP

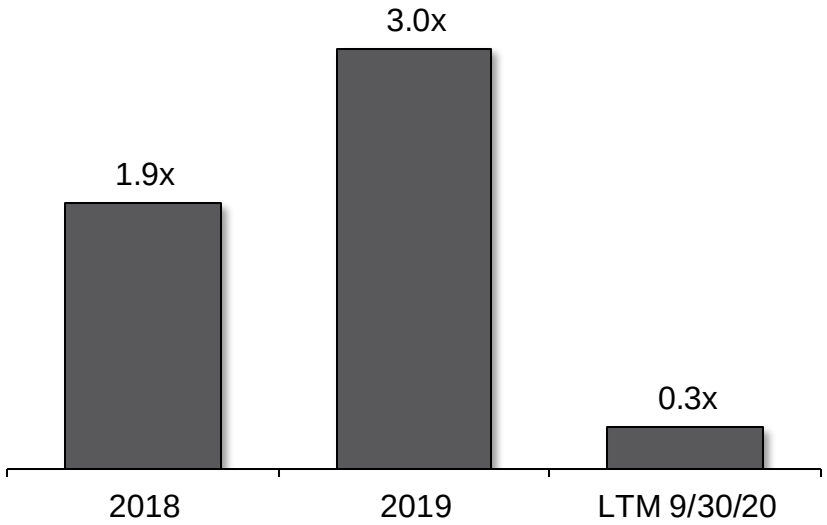
# FINANCIAL PERFORMANCE

($ IN MILLIONS)

## FREE CASH FLOW*,(1)




## NET DEBT TO ADJUSTED EBITDA* MULTIPLE




2019 Acquisitions of LeanTeq and The Aseptic Group Increased Leverage Ratio
2020 Fairbanks Morse Divestiture De-Levered Business Considerably

* Non-GAAP measure; refer to appendix for reconciliation to GAAP
(1) Free Cash Flow = Cash Flow from Operations less Capital Expenditures
(2) Excludes $78M of tax refund benefit

# INVESTMENT MERITS

# ENPRO'S INVESTMENT MERITS

**Focusing on niche, high-margin materials science-related businesses with strong cash flow in markets with favorable tailwinds**

**Increasing exposure to aftermarket and faster growth technology businesses**

**Leveraging the EnPro Operating System to increase margins and cash flow return on investment**

**Maximizing long-term shareholder returns through commitment to disciplined capital allocation**

# INVESTOR PRESENTATION

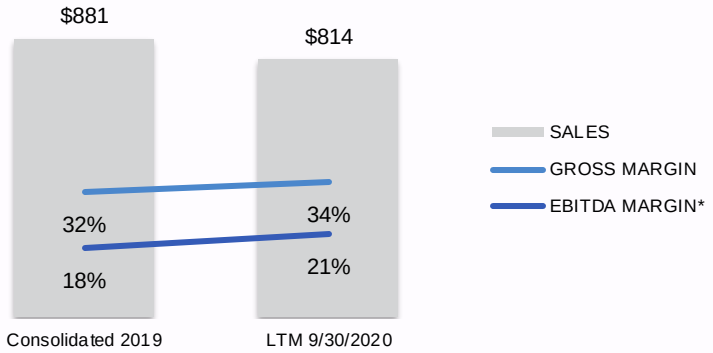
**Q3 2020**



# APPENDIX

# SEALING PRODUCTS SNAPSHOT

## HISTORICAL FINANCIALS ($M)

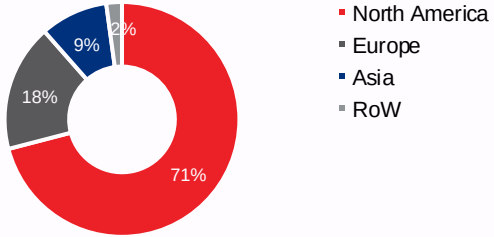



## PROFILE

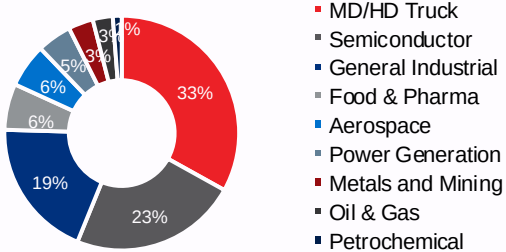
- #1 - #3 in principal markets served; Garlock 125 year operating history
- High degree of technical and application expertise; extensive trade secrets
- Deep customer engagement to create innovative solutions complemented by value-added systems integration

## REVENUE COMPOSITION

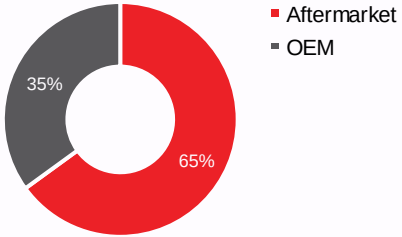
### SALES BY GEOGRAPHY[1]




### SALES BY MARKET[2]




### SALES BY CHANNEL[1]




[1] As of FY 2019; [2] As of quarter end September 30, 2020; * Refer to Non-GAAP reconciliation in appendix

# SEALING PRODUCTS: PRODUCTS, SERVICES, AND END MARKET OVERVIEW

## SELECT PRODUCTS & SERVICES



SOFT GASKETS



BEARING ISOLATORS



HYDRODYNAMIC SEALS



METAL SEALS



ELECTROSTATIC PEDESTALS



CLEANING AND REFURBISHMENT SERVICES



SANITARY GASKETS



SANITARY HOSES



WHEEL-END PRODUCTS

## SELECT MARKETS



FOOD & PHARMA



SEMICONDUCTOR



NUCLEAR



AEROSPACE



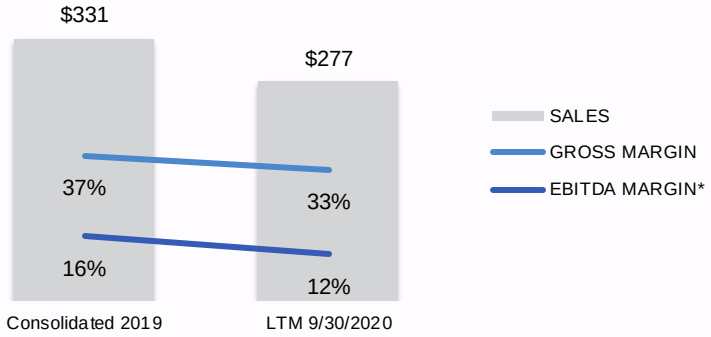
HEAVY DUTY TRUCKING



OIL, GAS, & PETROCHEM

# ENGINEERED PRODUCTS SNAPSHOT

## HISTORICAL FINANCIALS ($M)

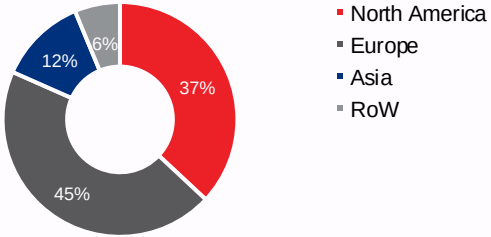



## PROFILE

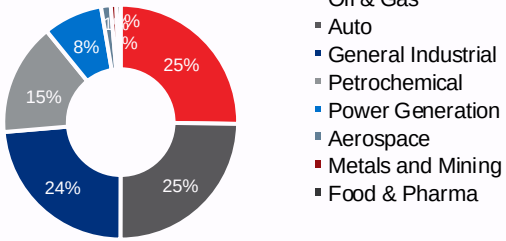
- Leading brands
- Technology and market leadership in plain bearings
- High degree of tribological and applications expertise in bearings
- Strong aftermarket presence in oil & gas and petrochemical

## REVENUE COMPOSITION

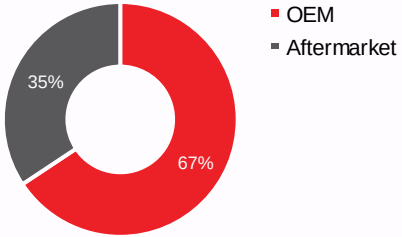
### SALES BY GEOGRAPHY[1]




### SALES BY MARKET[2]




### SALES BY CHANNEL[1]




[1] As of FY 2019; [2] As of quarter end September 30, 2020; * Refer to Non-GAAP reconciliation in appendix

# ENGINEERED PRODUCTS: PRODUCTS AND END MARKET OVERVIEW

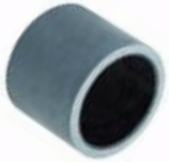
## SELECT PRODUCTS



METAL POLYMER BEARING



TRIBOLOGICAL SOLUTIONS



SOLID POLYMER BEARING



ISOLATION GASKETS



FILAMENT WOUND BEARING



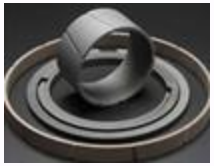
HIGH-FLOW VALVES




MONITORING DEVICES



PACKING CASES



PISTON & RIDER RINGS

## SELECT MARKETS



AUTOMOTIVE



GENERAL INDUSTRIAL



PETROCHEM



AEROSPACE



PET BOTTLE MANUFACTURING



NATURAL GAS

# RECONCILIATION OF LTM RESULTS

| EnPro<br>*($ in millions)* | Revenue ($) | Net income (loss) attributable to EnPro Industries, Inc. | Adjusted EBITDA ($) | Adjusted EBITDA Margin % |
|---|---|---|---|---|
| Plus: | | | | |
| Nine Months Ended September 30, 2020 | 798 | 193 | 120 | 15.1% |
| Year Ended December 31, 2019 | 1,206 | 38 | 169 | 14.0% |
| Less: | | | | |
| Nine Months Ended September 30, 2019 | 919 | 36 | 126 | 13.7% |
| **LTM Ended September 30, 2020** | 1,085 | 195 | 164 | 15.1% |

| Sealing Products<br>*($ in millions)* | Revenue ($) | Adjusted EBITDA ($) | Adjusted EBITDA Margin % |
|---|---|---|---|
| Plus: | | | |
| Nine Months Ended September 30, 2020 | 601 | 128 | 21.3% |
| Year Ended December 31, 2019 | 881 | 155 | 17.6% |
| Less: | | | |
| Nine Months Ended September 30, 2019 | 668 | 112 | 16.8% |
| **LTM Ended September 30, 2020** | 814 | 171 | 21.0% |

| Engineered Products<br>*($ in millions)* | Revenue ($) | Adjusted EBITDA ($) | Adjusted EBITDA Margin % |
|---|---|---|---|
| Plus: | | | |
| Nine Months Ended September 30, 2020 | 201 | 21 | 10.5% |
| Year Ended December 31, 2019 | 331 | 54 | 16.2% |
| Less: | | | |
| Nine Months Ended September 30, 2019 | 256 | 42 | 16.4% |
| **LTM Ended September 30, 2020** | 277 | 33 | 11.8% |

# CONSOLIDATED ADJUSTED EBITDA

## Reconciliation of Net Income (Loss) to Adjusted EBITDA (Unaudited)

For the Years Ended December 31, 2019 and 2018
(Stated in Millions of Dollars)

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net income (loss) | $ 38.3 | $ 19.6 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA): | | |
| Income from discontinued operations, net of taxes | (30.5) | (24.3) |
| Interest expense, net | 18.2 | 27.3 |
| Income tax benefit (expense) | (3.5) | 19.8 |
| Depreciation and amortization expense | 68.0 | 66.1 |
| EBITDA | 90.5 | 108.5 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA): | | |
| Restructuring and impairment costs | 35.1 | 22.1 |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 14.5 | 13.4 |
| Loss on sale of business | 16.3 | - |
| Loss on extinguishment of debt | - | 18.1 |
| Acquisition and divestiture expenses | 8.9 | 2.0 |
| Pension expense (income) (non-service cost) | 3.3 | 11.9 |
| Non-controlling interest compensation allocation** | 0.5 | - |
| Other | 0.3 | 2.1 |
| Adjusted EBITDA | $ 169.4 | $ 178.1 |

* Adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.75% Senior Notes due 2026.

**Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recorded in selling, general, and administration expenses on our Consolidated Statement of Operations and is directly related to the terms of the acquistion of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occured.

Supplemental disclosure: For the year ended December 31, 2019, approximately 60% of the adjusted EBITDA as presented above was attributable to EnPro's subsidiaries that do not guarantee the Company's 5.75% Senior Notes due 2026

# CONSOLIDATED ADJUSTED EBITDA

## Reconciliation of Net Income (Loss) Attributable to EnPro Industries, Inc. to Adjusted EBITDA (Unaudited)

For the Quarters and Nine Months Ended September 30, 2020 and 2019
(Stated in Millions of Dollars)

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income (loss) attributable to EnPro Industries, Inc. | $ (19.7) | $ (1.5) | $ 192.5 | $ 35.5 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA): | | | | |
| Income from discontinued operations, net of taxes | (1.9) | (6.9) | (207.3) | (19.5) |
| Income attributable to redeemable non-controlling interest, net of taxes | 0.3 | - | 0.5 | - |
| Interest expense, net | 3.9 | 3.8 | 11.4 | 12.5 |
| Income tax (benefit) expense | (7.3) | (0.9) | 2.2 | 10.6 |
| Depreciation and amortization expense | 17.1 | 16.2 | 51.5 | 48.0 |
| EBITDA | (7.6) | 10.7 | 50.8 | 87.1 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA): | | | | |
| Restructuring and impairment expense | 5.0 | 1.4 | 23.9 | 3.6 |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 14.8 | 8.5 | 15.5 | 9.6 |
| Net loss on sale of businesses | 3.1 | 15.3 | 2.0 | 15.3 |
| Acquisition and divestiture expenses | 3.2 | 5.9 | 4.5 | 7.9 |
| Pension expense (income) (non-service cost) | (0.7) | 0.8 | (2.0) | 2.4 |
| Non-controlling interest compensation allocation** | 0.5 | - | 1.6 | - |
| Impairment of indefinite-lived trademarks | 16.1 | - | 16.1 | - |
| Legal settlement | 7.4 | - | 7.4 | - |
| Other | 0.3 | 0.1 | 0.4 | 0.2 |
| Adjusted EBITDA | $ 42.1 | $ 42.7 | $ 120.2 | $ 126.1 |

**Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recor ded in selling, general, and administrative expenses on our Consolidated Statements of Operations and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless cer tain employment terminations have occurred.

Supplemental disclosure: Adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.75% Senior Notes due 2026. For the nine months ended September 30, 2020, approximately 68% of the adjusted EBITDA as presented above was attributable to EnPro's subsidiaries that do not guarantee the Company's 5.75% Senior Notes due 2026

# SEGMENT ADJUSTED EBITDA

| | Quarter Ended September 30, 2020 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 33.0 | $ (3.5) | $ 29.5 |
| Acquisition and divestiture expenses | 1.3 | - | 1.3 |
| Non-controlling interest compensation allocation* | 0.5 | - | 0.5 |
| Restructuring and impairment (income) expense | (2.9) | 7.9 | 5.0 |
| Depreciation and amortization expense | 13.5 | 3.5 | 17.0 |
| Earnings before interest, income taxes, depreciation, amortization, and other selected items (adjusted segment EBITDA) | $ 45.4 | $ 7.9 | $ 53.3 |
| Adjusted segment EBITDA margin | 22.5% | 11.7% | 19.9% |

| | Quarter Ended September 30, 2019 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 17.8 | $ 10.6 | $ 28.4 |
| Acquisition and divestiture expenses | 5.7 | 0.2 | 5.9 |
| Restructuring costs | 1.1 | 0.3 | 1.4 |
| Depreciation and amortization expense | 12.4 | 3.7 | 16.1 |
| Adjusted segment EBITDA | $ 37.0 | $ 14.8 | $ 51.8 |
| Adjusted segment EBITDA margin | 16.9% | 18.2% | 17.3% |

| | Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 69.5 | $ (0.2) | $ 69.3 |
| Acquisition and divestiture expenses | 2.6 | - | 2.6 |
| Non-controlling interest compensation allocation* | 1.6 | - | 1.6 |
| Restructuring and impairment costs | 13.0 | 10.9 | 23.9 |
| Depreciation and amortization expense | 41.1 | 10.4 | 51.5 |
| Adjusted segment EBITDA | $ 127.8 | $ 21.1 | $ 148.9 |
| Adjusted segment EBITDA margin | 21.3% | 10.5% | 18.7% |

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 66.2 | $ 28.7 | $ 94.9 |
| Acquisition and divestiture expenses | 7.2 | 0.7 | 7.9 |
| Restructuring costs | 1.9 | 1.3 | 3.2 |
| Depreciation and amortization expense | 36.7 | 11.3 | 48.0 |
| Adjusted segment EBITDA | $ 112.0 | $ 42.0 | $ 154.0 |
| Adjusted segment EBITDA margin | 16.8% | 16.4% | 16.8% |

For a reconciliation of segment profit to income from continuing operations, please refer to the Segment Information (Unaudited) schedule.

*Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recorded in selling, general, and administrative expenses on our Consolidated Statements of Operations and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occurred.

## Segment AEBITDA

| | Quarter Ended | | | | Year Ended | Quarter Ended | |
|---|---|---|---|---|---|---|---|
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| Sealing Products | $ 32.6 | $ 42.4 | $ 37.0 | $ 42.9 | $ 154.9 | $ 40.8 | $ 41.5 |
| Engineered Products | 11.5 | 15.7 | 14.8 | 11.7 | 53.7 | 8.3 | 4.9 |
| | $ 44.1 | $ 58.1 | $ 51.8 | $ 54.6 | $ 208.6 | $ 49.1 | $ 46.4 |

In the second quarter of 2020, we moved our Garlock Pipeline Technologies ("GPT") business from the Sealing Products segment to the Engineered Products segement in order to simplify reporting and group our oil and gas businesses, GPT and CPI, togehter. The above tables have been restated to reflect this change.

# CONSOLIDATED ADJUSTED NET INCOME

(Stated in Millions of Dollars, Except Per Share Data)

| | Quarters Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | $ | Average common shares outstanding, diluted (millions) | Per share | $ | Average common shares outstanding, diluted (millions) | Per share |
| Loss from continuing operations attributable to EnPro Industries, Inc. | $ (21.6) | 20.5* | $ (1.05) | $ (8.4) | 20.6* | $ (0.41) |
| Income from redeemable non-controlling interest, net of taxes | (0.3) | | | - | | |
| Income tax benefit | 7.3 | | | 0.9 | | |
| Loss from continuing operations before income taxes | (28.6) | | | (9.3) | | |
| Adjustments: | | | | | | |
| Restructuring and impairment expense | 5.0 | | | 1.4 | | |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 14.8 | | | 8.5 | | |
| Net loss on sale of businesses | 3.1 | | | 15.3 | | |
| Acquisition and divestiture expenses | 3.2 | | | 5.9 | | |
| Pension expense (income) (non-service cost) | (0.7) | | | 0.8 | | |
| Non-controlling interest compensation allocation*** | 0.5 | | | - | | |
| Impairment of indefinite-lived trademarks | 16.1 | | | - | | |
| Legal settlement | 7.4 | | | - | | |
| Other | 0.3 | | | 0.1 | | |
| Adjusted income from operations before income taxes | 21.1 | | | 22.7 | | |
| Adjusted income tax expense | (7.0) | | | (7.5) | | |
| Income from redeemable non-controlling interest, net of taxes | (0.3) | | | - | | |
| Adjusted income from continuing operations attributable to EnPro Industries, Inc. | $ 13.8 | 20.6 | $ 0.67** | $ 15.2 | 20.7 | $ 0.73** |

Management of the Company believes that it would be helpful to the readers of the financial statements to understand the impact of certain selected items on the Company's reported income from continuing operations attributable to EnPro Industries, Inc. and diluted earnings per share attributable to EnPro Industries, Inc., including items that may recur from time to time. The items adjusted for in this schedule are those that are excluded by management in budgeting or projecting for performance in future periods, as they typically relate to events specific to the period in which they occur. This presentation enables readers to better compare EnPro Industries, Inc. to other diversified industrial manufacturing companies that do not incur the sporadic impact of restructuring activities, costs associated with previously disposed of businesses, or other selected items. Management acknowledges that there are many items that impact a company's reported results and this list is not intended to present all items that may have impacted these results.

The environmental reserve adjustments and other costs associated with previously disposed businesses, net loss on sale of businesses, and pension expense (income) (non-service cost) are included as part of other expense. The non-controlling interest compensation allocation, acquisition and divestiture expenses, and other costs are included in selling, general, and administrative and other operating expenses. Restructuring, impairment, and legal settlement costs are included as part of other operating expense and cost of sales.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate excluding discrete items of 33.0% for continuing operations. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

*There were 0.1 million potentially dilutive shares in the quarter and nine months ended September 30, 2020 and 0.1 million potentially dilutive shares in the quarter ended September 30, 2019 that were excluded from the calculation of consolidated earnings per share in the respective period since they were antidilutive. These shares were added back for the purpose of calculating adjusted net income per share for that period.

** Adjusted diluted earnings per share.

***Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq that is subject to reduction for certain types of employment terminations of the LeanTeq sellers and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occurred.

# CONSOLIDATED ADJUSTED NET INCOME

(Stated in Millions of Dollars, Except Per Share Data)

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | $ | Average common shares outstanding, diluted (millions) | Per share | $ | Average common shares outstanding, diluted (millions) | Per share |
| Income (loss) from continuing operations attributable to EnPro Industries, Inc. | $ (14.8) | 20.5* | $ (0.72) | $ 16.0 | 20.8 | $ 0.77 |
| Income from redeemable non-controlling interest, net of taxes | (0.5) | | | - | | |
| Income tax expense | (2.2) | | | (10.6) | | |
| Income (loss) from continuing operations before income taxes | (12.1) | | | 26.6 | | |
| Adjustments: | | | | | | |
| Restructuring and impairment costs | 23.9 | | | 3.6 | | |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 15.5 | | | 9.6 | | |
| Net loss on sale of businesses | 2.0 | | | 15.3 | | |
| Acquisition and divestiture expenses | 4.5 | | | 7.9 | | |
| Pension expense (income) (non-service cost) | (2.0) | | | 2.4 | | |
| Non-controlling interest compensation allocation*** | 1.6 | | | - | | |
| Impairment of indefinite-lived trademarks | 16.1 | | | - | | |
| Legal settlement | 7.4 | | | - | | |
| Other | 0.4 | | | 0.2 | | |
| Adjusted income from continuing operations before income taxes | 57.3 | | | 65.6 | | |
| Adjusted income tax expense | (18.9) | | | (21.6) | | |
| Income from redeemable non-controlling interest, net of taxes | (0.5) | | | - | | |
| Adjusted income from continuing operations attributable to EnPro Industries, Inc. | $ 37.9 | 20.6 | $ 1.84** | $ 44.0 | 20.8 | $ 2.11** |

Management of the Company believes that it would be helpful to the readers of the financial statements to understand the impact of certain selected items on the Company's reported income from continuing operations attributable to EnPro Industries, Inc. and diluted earnings per share attributable to EnPro Industries, Inc., including items that may recur from time to time. The items adjusted for in this schedule are those that are excluded by management in budgeting or projecting for performance in future periods, as they typically relate to events specific to the period in which they occur. This presentation enables readers to better compare EnPro Industries, Inc. to other diversified industrial manufacturing companies that do not incur the sporadic impact of restructuring activities, costs associated with previously disposed of businesses, or other selected items. Management acknowledges that there are many items that impact a company's reported results and this list is not intended to present all items that may have impacted these results.

The environmental reserve adjustments and other costs associated with previously disposed businesses, net loss on sale of businesses, and pension expense (income) (non-service cost) are included as part of other expense. The non-controlling interest compensation allocation, acquisition and divestiture expenses, and other costs are included in selling, general, and administrative and other operating expenses. Restructuring, impairment, and legal settlement costs are included as part of other operating expense and cost of sales.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate excluding discrete items of 33.0% for continuing operations. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

*There were 0.1 million potentially dilutive shares in the quarter and nine months ended September 30, 2020 and 0.1 million potentially dilutive shares in the quarter ended September 30, 2019 that were excluded from the calculation of consolidated earnings per share in the respective period since they were antidilutive. These shares were added back for the purpose of calculating adjusted net income per share for that period.

** Adjusted diluted earnings per share.

***Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq that is subject to reduction for certain types of employment terminations of the LeanTeq sellers and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occurred.

# CONSOLIDATED ADJUSTED NET INCOME

## Reconciliation of Net Income (Loss) to Adjusted Net Income from Continuing Operations and Adjusted Diluted Earnings Per Share (Unaudited)

(Stated in Millions of Dollars, Except Per Share Data)

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | $ | Average common shares outstanding, diluted (millions) | Per share | $ | Average common shares outstanding, diluted (millions) | Per share |
| Net income (loss) | $ 38.3 | 20.8 | $ 1.85 | $ 19.6 | 20.9 | $ 0.94 |
| Income from discontinued operations, net of taxes | 30.5 | | | 24.3 | | |
| Income tax expense | 3.5 | | | (19.8) | | |
| Income from continuing operations before income taxes | 4.3 | | | 15.1 | | |
| Adjustments: | | | | | | |
| Restructuring and impairment costs | 35.1 | | | 22.1 | | |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 14.5 | | | 13.4 | | |
| Loss on sale of business | 16.3 | | | - | | |
| Loss on extinguishment of debt | - | | | 18.1 | | |
| Acquisition and divestiture expenses | 8.9 | | | 2.0 | | |
| Pension expense (non-service cost) | 3.3 | | | 11.9 | | |
| Non-controlling interest compensation allocation*** | 0.5 | | | - | | |
| Other | 0.3 | | | 2.1 | | |
| Adjusted income from operations before income taxes | 83.2 | | | 84.7 | | |
| Adjusted income tax expense | (27.5) | | | (28.0) | | |
| Adjusted net income from continuing operations | $ 55.7 | 20.8 | $ 2.68** | $ 56.7 | 21.1 | $ 2.69** |

Management of the Company believes that it would be helpful to the readers of the financial statements to understand the impact of certain selected items on the Company's reported net income and earnings per share, including items that may recur from time to time. The items adjusted for in this schedule are those that are excluded by management in budgeting or projecting for performance in future periods, as they typically relate to events specific to the period in which they occur. This presentation enables readers to better compare EnPro Industries, Inc. to other diversified industrial manufacturing companies that do not incur the sporadic impact of restructuring activities, costs associated with previously disposed of businesses, or other selected items. Management acknowledges that there are many items that impact a company's reported results and this list is not intended to present all items that may have impacted these results.

The environmental reserve adjustments and other costs associated with previously disposed businesses, loss on sale of business, loss on extinguishment of debt and pension expense (settlement and other non-service cost) are included as part of other expense. The non-controlling interest compensation allocation, acquisition and divestiture expenses, and other costs are included in selling, general, and administrative and other operating expenses. Restructuring and impairment costs are included as part of other operating expense and cost of sales.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate excluding discrete items of 33.0% for continuing operations. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

*There were 0.1 million of potentially diluted shares excluded from the calculation of consolidated earnings per share for the quarter ended December 31, 2019, 0.3 million of potentially diluted shares excluded from the calculation of consolidated earnings per share for the quarter ended December 31, 2018, and there were 0.2 million potentially dilutive shares excluded from the calculation of consolidated earnings per share for the year ended December 31, 2018 since they were antidilutive. These shares were added back for the purposes of calculating adjusted net income per share for that period.

** Adjusted diluted earnings per share.

***Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq that is subject to reduction for certain types of employment terminations of the LeanTeq sellers and is directly related to the terms of the acquistion of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occured.

# FREE CASH FLOW

| ($ in Millions) | LTM 9/30/20 (=A-B+C) | YTD2020 (A) | YTD2019 (B) | FY2019 (C) | FY2018 |
|---|---|---|---|---|---|
| Net Cash Provided by (Used in) Operating Activities of Continuing Operations | 88.1 | 48.4 | 91.1 | 130.8 | 212.8 |
| Purchases of Property, Plant and Equipment | (18.3) | (11.8) | (15.1) | (21.6) | (36.1) |
| **Free Cash Flow** | **69.8** | **36.6** | **76.0** | **109.2** | **176.7** |
| Excluding: 2018 Tax Refund Benefit | - | - | - | - | (78.0) |
| **Free Cash Flow Excluding 2018 Tax Refund Benefit** | **69.8** | **36.6** | **76.0** | **109.2** | **98.7** |

# FREE CASH FLOW

(Stated in Millions of Dollars)

## Free Cash Flow - 2020

| | Quarter ended | | | Nine Months Ended |
|---|---|---|---|---|
| | March 31, 2020 | June 30, 2020 | September 30, 2020 | September 30, 2020 |
| Net cash provided by operating activities of continuing operations | $ 0.3 | $ 33.1 | $ 15.0 | $ 48.4 |
| Purchases of property, plant, and equipment | (5.2) | (3.7) | (2.9) | (11.8) |
| Free cash flow | $ (4.9) | $ 29.4 | $ 12.1 | $ 36.6 |

## Free Cash Flow - 2019

| | Quarter ended | | | Nine Months Ended |
|---|---|---|---|---|
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | September 30, 2019 |
| Net cash provided by (used In) operating activities of continuing operations | $ (1.3) | $ 34.9 | $ 57.5 | $ 91.1 |
| Purchases of property, plant, and equipment | (4.1) | (5.9) | (5.1) | (15.1) |
| Free cash flow | $ (5.4) | $ 29.0 | $ 52.4 | $ 76.0 |

# PRO FORMA CALCULATION

(Stated in Millions of Dollars)

| | LTM September 30, 2020 | | |
|---|---|---|---|
| | EnPro | Pro forma Adjustments | Pro Forma |
| Net sales | $ 1,085 | $ (95) | $ 989 |
| Net income (loss) attributable to EnPro Industries, Inc. | $ 195 | $ 27 | $ 222 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA): | | | |
| Loss (income) from discontinued operations, net of taxes | (218) | - | (218) |
| Income attributable to redeemable non-controlling interest, net of taxes | 1 | - | 1 |
| Interest expense, net | 17 | - | 17 |
| Income tax expense | (12) | 3 | (9) |
| Depreciation and amortization expense | 72 | (4) | 67 |
| EBITDA | 54 | 25 | 79 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA): | | | |
| Restructuring and impairment costs | 55 | (20) | 36 |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 20 | - | 20 |
| Net loss on sale of businesses | 3 | - | 3 |
| Acquisition and divestiture expenses | 6 | (2) | 3 |
| Pension expense (income) (non-service cost) | (1) | - | (1) |
| Non-controlling interest compensation allocation | 2 | - | 2 |
| Impairment of indefinite-lived tradenames | 16 | - | 16 |
| Legal settlement | 7 | - | 7 |
| Other | 0 | - | 0 |
| Adjusted EBITDA | $ 164 | $ 3 | $ 167 |
| Adjusted EBITDA Margin | 15.1% | | 16.8% |

Note: Last-twelve-month results; includes impact of Alluxa acquisition, reshaping of heavy-duty truck business, and the pending sale of GGB's bushing block business as if all transactions occurred at the end of Q3 2019

# 2018 NET DEBT TO ADJUSTED EBITDA

| *$ millions* | | December 31, 2018 |
|---|---|---|
| | Credit Facility | $117 |
| | Senior Notes | $345 |
| | Capital Lease Obligations | $1 |
| **A** | **Debt Components** | **$463** |
| **B** | **Cash and Equivalents** | **$130** |
| **C = (A – B)** | **Net Debt** | **$333** |
| **D** | **FY December 31, 2018 Adjusted EBITDA*** | **$178** |
| **E = (C / D)** | **Leverage Ratio** | **1.9x** |

* Non-GAAP measure; refer to appendix for reconciliation to GAAP

# 2019 NET DEBT TO ADJUSTED EBITDA

| Reported December 31, 2019 ($M) | | |
|---|---|---|
| | Credit Facility | $134 |
| | Senior Notes(1) | $345 |
| | Term Loan | $149 |
| | Capital Lease Obligations | $1 |
| **A** | **Debt Components** | **$629** |
| **B** | **Cash and Equivalents** | **$121** |
| **C = (A – B)** | **Net Debt** | **$508** |
| **D** | **December 31, 2019 Adjusted EBITDA*** | **$169** |
| **E = (C / D)** | **Leverage Ratio** | **3.0x** |

(1) Includes impact from unamortized debt issue costs
* Non-GAAP measure; refer to appendix for reconciliation to GAAP
Note: FY2019 Adjusted EBITDA includes two quarters of contribution from The Aseptic Group acquisition and one quarter contribution from LeanTeq acquisition