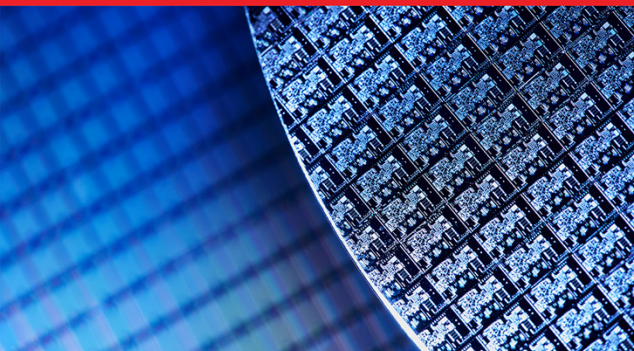


# ENPRO INDUSTRIES

## INVESTOR DAY

MARCH 13, 2019



# FORWARD LOOKING STATEMENTS

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Statements in 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: general economic conditions in the markets served by our businesses, some of which are cyclical and experience periodic downturns; prices and availability of raw materials; the impact of fluctuations in relevant foreign currency exchange rates; unanticipated delays or problems in introducing new products; the incurrence of contractual penalties for the late delivery of long lead-time products; announcements by competitors of new products, services or technological innovations; changes in our pricing policies or the pricing policies of our competitors; and the amount of any payments required to satisfy contingent liabilities related to discontinued operations of our predecessors, including liabilities for certain products, environmental matters, employee benefit obligations and other matters. Our filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2018, describe these and other risks and uncertainties in more detail. We do not undertake to update any forward-looking statement made in this presentation or during 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 these measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation. We will also be referencing certain pro forma unaudited condensed consolidated financials. Please refer to our earnings press releases dated February 13, 2019 and February 13, 2018 for important information regarding how pro forma and other financial information is derived.

# AGENDA

## WELCOME & OPENING REMARKS

STEVE MACADAM – President & Chief Executive Officer

**9:00 AM**

## COMPANY OVERVIEW

CHRIS O'NEAL – SVP Strategy, Corporate Development and Investor Relations

## STRATEGY

STEVE MACADAM – President & Chief Executive Officer

## BREAK

**10:15 AM**

## ENPRO OPERATING SYSTEM

MARVIN RILEY – Executive Vice President & Chief Operating Officer

**10:30 AM**

## FINANCIAL INITIATIVES, STRATEGY & OUTLOOK

MILT CHILDRESS – Executive Vice President & Chief Financial Officer

## CLOSING REMARKS

MARVIN RILEY – Executive Vice President & Chief Operating Officer

## Q&A

LEADERSHIP TEAM

**11:15 AM**

## LUNCHEON WITH MANAGEMENT

**12:00 PM**

# **WELCOME & OPENING REMARKS**

Steve Macadam – President & Chief Executive Officer

# MANAGEMENT PRESENTERS



**STEVE MACADAM**

**President & CEO**

EnPro Industries  
Joined 2008

**Prior Experience:**

CEO, BlueLinx Holdings, Inc.;  
CEO, Consolidated Container  
Company, LLC



**MARVIN RILEY**

**Executive Vice President &  
Chief Operating Officer**

EnPro Industries  
Joined 2007

**Prior EnPro Experience:**

President, Fairbanks Morse;  
VP Global Operations - GGB;  
VP Manufacturing - EnPro



**MILT CHILDRESS**

**Executive Vice President &  
Chief Financial Officer**

EnPro Industries  
Joined 2005

**Prior EnPro Experience:**

VP Strategy & Corporate  
Development



**CHRIS O'NEAL**

**Senior Vice President Strategy,  
Corporate Development & IR**

EnPro Industries  
Joined 2008

**Prior EnPro Experience:**

VP Strategy & Finance - Technetics;  
Director Strategy & Corporate  
Development - EnPro

1

## ***Compelling product portfolio***

Leading global engineered product portfolio with deep technical and applications expertise in high-value niche markets

2

## ***Delivering on our commitments***

Strengthening the business through the completion of the ACRP, operational improvements and disciplined capital allocation

3

## ***Leveraging the EnPro Operating System for continuous improvement and ongoing shareholder value; still early innings of opportunity***

2019 priorities include increasing margins and cash flow

4

## ***Focusing on growth***

Allocating resources to growing in attractive markets where we have competitive advantage

5

## ***Targeting bolt-on acquisitions***

Bolt-on acquisitions that support business unit strategies; focus areas include aerospace, semiconductor and hygienic markets

6

## ***Maintaining a balanced approach to capital allocation***

Disciplined capital allocation philosophy, targeting a net leverage ratio of 1.5x – 2.0x

7

## ***Significant runway for profitable growth and shareholder value creation***

Highly experienced management team driving process and execution excellence

**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.**

**CUSTOMIZED SOLUTIONS FOR THE MOST DEMANDING  
APPLICATIONS**

**HUMAN DEVELOPMENT THROUGH THE WAY WE WORK**

**COMMITMENT TO SOCIALLY AND ENVIRONMENTALLY  
RESPONSIBLE PRACTICES**

# DELIVERING ON OUR COMMITMENTS

## FINALIZED THE ACRP



- Established and fully funded the trust
- Collected \$114M of tax refunds to date; \$19M balance to be collected by year end
- Received \$13M of insurance in 2018; \$10M to be collected in 2019; \$2M in future periods



## 3 YEAR FINANCIAL TARGETS



- Tracking to the upper half of our 2017 3-Year Targets
- 2019F Sales 3-year CAGR is exceeding 2017 3-year target
- 2019F Adjusted EBITDA = \$225-233M vs. \$220-230M target



## EXECUTED DISCIPLINED & THOUGHTFUL M&A



- Qualiseal expanded aerospace presence; results exceeding expectations
- Rubber Fab expanded hygienic presence; results exceeding expectations
- Air Springs expanded Stemco's product portfolio; EBITDA has doubled



## EMPLOYED RIGOROUS COST MANAGEMENT



- Mindful spending mindset
- Reduced total SG&A as a % of sales from 25.4% in 2016 to 22.0% in 2018



## STRENGTHENED FINANCIAL POSITION



- De-levered balance sheet from 2.3x pro forma leverage at 12/31/16 to 1.5x at 12/31/18
- Refinanced senior notes from \$450M to \$350M and extended the tenor to September 2026
- Refinanced revolving credit facility from \$300M to \$350M with favorable pricing and covenants
- Repatriated \$125M of overseas cash



WELL POSITIONED TO EXECUTE ON OUR VISION

# COMPANY OVERVIEW

Chris O'Neal – Senior Vice President Strategy, Corporate Development and Investor Relations

## COMPANY OVERVIEW

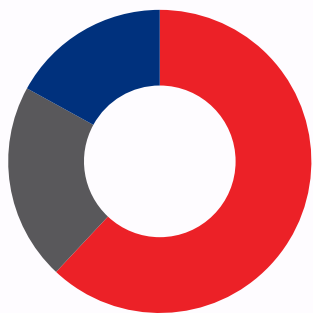
<b>HISTORY</b>	2002 spin-off from Goodrich Corporation
<b>HEADQUARTERS</b>	Charlotte, N.C.
<b>MANUFACTURING</b>	30 primary facilities globally
<b>EMPLOYEES</b>	~6,000
<b>CUSTOMERS</b>	50,000+

<b>2018 REVENUE</b> \$1.5B	<b>2018 EBITDA</b> \$217MM	<b>2018 EBITDA MARGIN</b> 14.2%	<b>#1-3 POSITION IN PRIMARY MARKETS</b>
<b>MARKET CAP<sup>(1)</sup></b> \$1.4B	<b>DIVIDEND YIELD<sup>(1)</sup></b> 1.5%	<b>AFTERMARKET RELATED REVENUE</b> 52%	

## REVENUE COMPOSITION (2018)

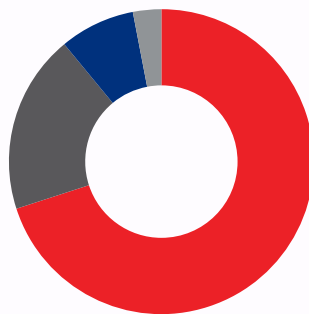
### SALES BY SEGMENT

- 62% SEALING PRODUCTS
- 21% ENGINEERED PRODUCTS
- 17% POWER SYSTEMS



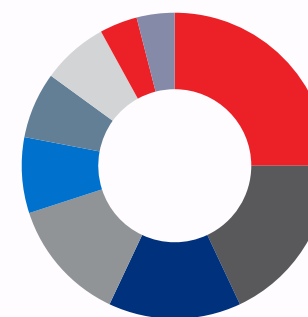
### SALES BY GEOGRAPHY

- 70% NORTH AMERICA
- 19% EUROPE
- 8% ASIA
- 3% ROW



### SALES BY MARKET

- 25% HD/MD TRUCK
- 18% GENERAL INDUSTRIAL
- 14% OIL, GAS & PETROCHEM
- 13% NAVY & MARINE
- 8% POWER GENERATION
- 7% AUTOMOTIVE
- 7% SEMICONDUCTOR
- 4% AEROSPACE
- 4% FOOD, PHARMA & OTHER

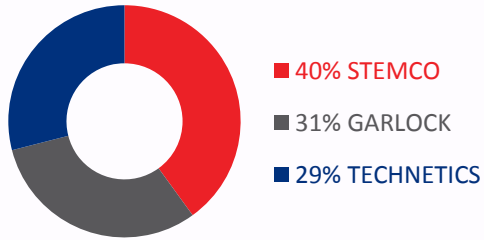


FOCUSED ON DISCIPLINED EXECUTION, TALENT AND GROWTH

(1) Trading metrics as of 3/8/19

## SEALING PRODUCTS

2018 REVENUE	\$954M
2018 ADJ. EBITDA MARGIN	17%



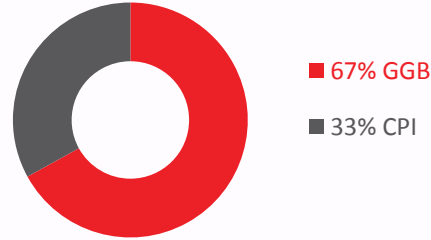
### KEY PRODUCT OFFERINGS:

- Gaskets & Packing
- Oil Seals
- High-Performance Metal Seals
- Brush Seals
- Felt Metal & Acoustic Material
- Bellows
- Wheel End Seals
- Suspension Components
- Semiconductor Sub-Assemblies



## ENGINEERED PRODUCTS

2018 REVENUE	\$324M
2018 ADJ. EBITDA MARGIN	17%



### KEY PRODUCT OFFERINGS:

- Metallic Plain Bearings
- Composite Plain Bearings
- Reciprocating Compressor Products:
  - Sealing Components
  - Valves
  - Lubrication Systems



## POWER SYSTEMS

2018 REVENUE	\$258M
2018 ADJ. EBITDA MARGIN	14%



### KEY PRODUCT OFFERINGS:

- Large, Medium-Speed Diesel, Gas and Dual-Fuel Engines and Generator Sets
- Aftermarket Parts and Services



# LEVERAGING OUR STRENGTHS FOR MISSION CRITICAL PRODUCTS

## STRENGTHS

Leadership in high-value niche markets with established, premium brands

Supporting mission-critical applications in highly demanding and extreme operating environments

Low-cost relative to applications served; value-based pricing leverage

Applying manufacturing know-how and trade secrets; significant application and technical expertise

Embedded with our customers; substantial switching costs and barriers to entry

## PRODUCTS

### SEALING PRODUCTS

- Nuclear reactor pressure vessel seals
- Aircraft engine seals & landing gear bearings
- Petroleum/chemical refinery process sealing
- Class 8 truck wheel ends & suspensions
- Semiconductor fab systems
- Isolation seals for pipelines

### ENGINEERED PRODUCTS

- Polymer-metal plain bearings for automotive applications
- Composite plain bearings for fluid power applications
- Wear parts for large reciprocating compressors
- Compressor lubrication systems
- Emission reduction products

### POWER SYSTEMS

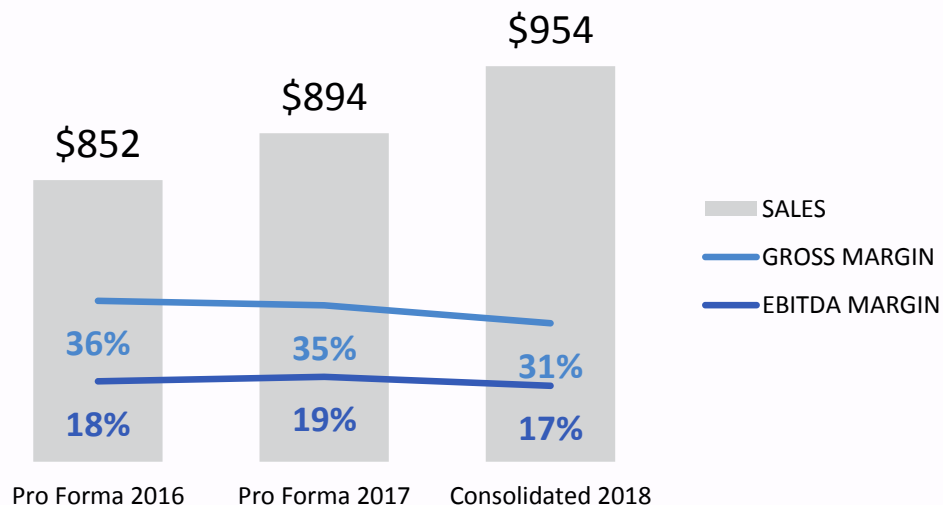
- Large, medium-speed diesel engines for navy ships and power generation applications
- Aftermarket parts and services

# DIVERSIFIED BLUE-CHIP CUSTOMER BASE



# SEALING PRODUCTS SNAPSHOT

## HISTORICAL FINANCIALS (\$M)



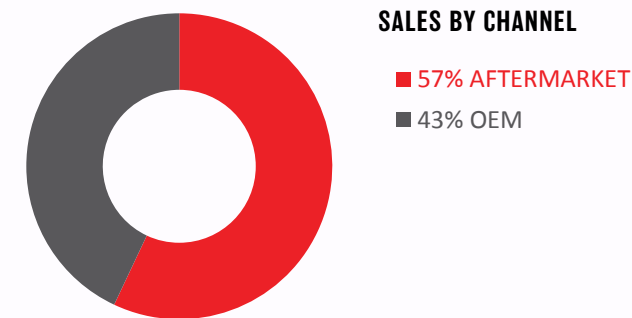
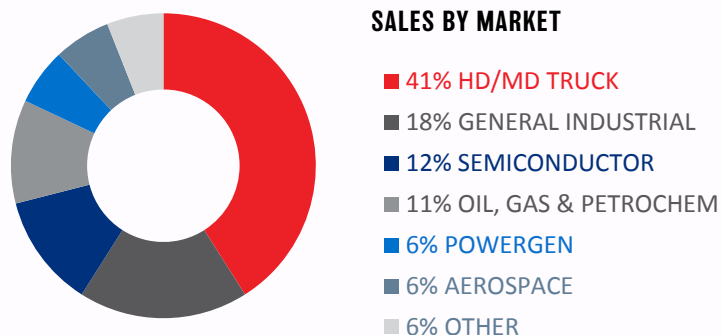
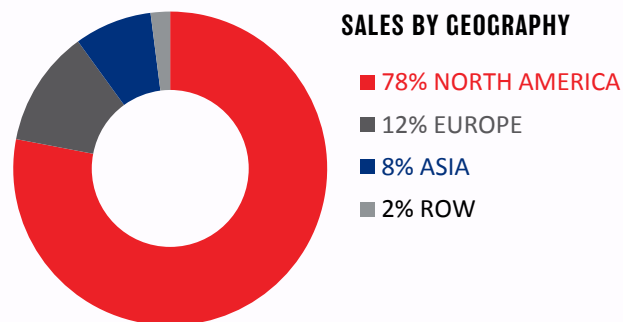
## PROFILE

- #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

## RECENT TRENDS

- Strength in aerospace, food & pharma, heavy-duty tractor and trailer builds, and metals & mining
- New programs wins in semiconductor, aerospace, and food & pharma
- Headwinds from wind-down of industrial gas turbine production and cost challenges/restructuring expenses in Stemco Brake Products Group

## REVENUE COMPOSITION (2018)



# SEALING PRODUCTS: PRODUCTS AND END MARKET OVERVIEW

## SELECT PRODUCTS

## SELECT MARKETS



SOFT GASKETS



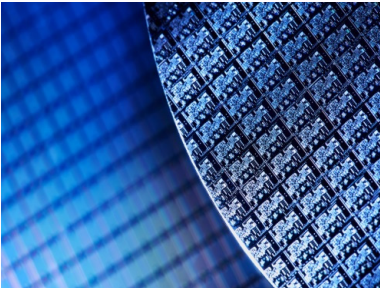
BEARING ISOLATORS



ISOLATION GASKETS



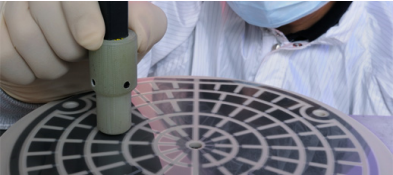
FOOD & PHARMA



SEMICONDUCTOR



METAL SEALS



ELECTROSTATIC PEDESTALS



BRUSH SEALS



NUCLEAR



AEROSPACE



SANITARY GASKETS



SANITARY HOSES



WHEEL-END PRODUCTS



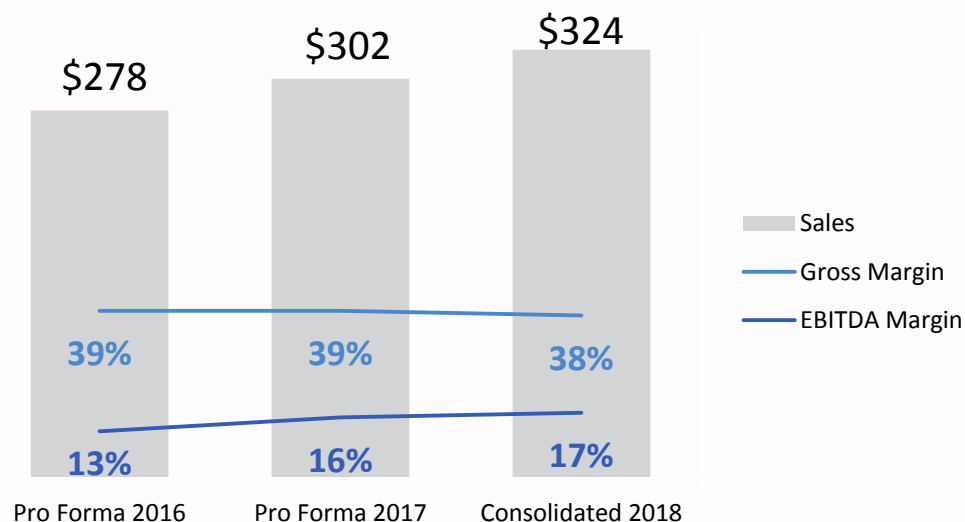
HEAVY DUTY TRUCKING



OIL, GAS, & PETROCHEM

# ENGINEERED PRODUCTS SNAPSHOT

## HISTORICAL FINANCIALS (\$M)



## PROFILE

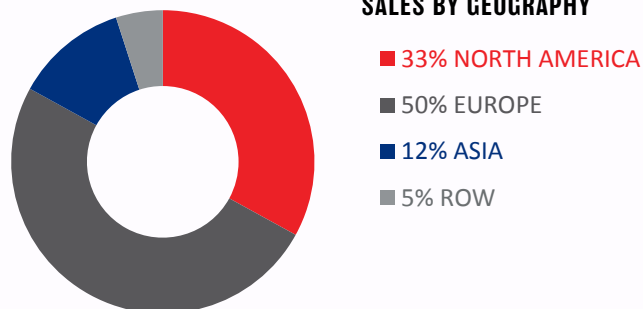
- Leading brands
- Technology and market leadership in plain bearings
- High degree of tribological and applications expertise in bearings
- Strong aftermarket presence in oil & gas and petrochemical

## RECENT TRENDS

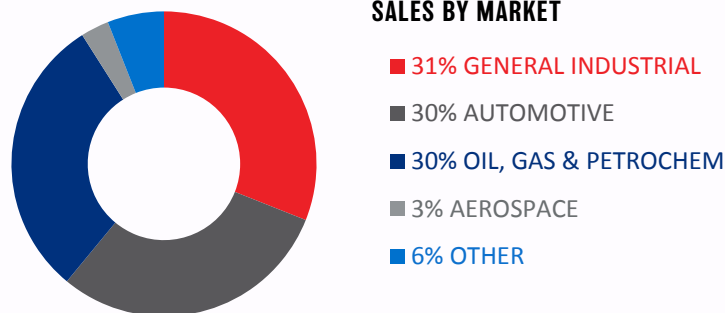
- Strength in oil & gas and North American general industrial markets
- Weakness in automotive and European general industrial markets
- Advanced development of new coatings technology through a joint venture in GGB
- Achieved operational and SG&A cost improvements

## REVENUE COMPOSITION (2018)

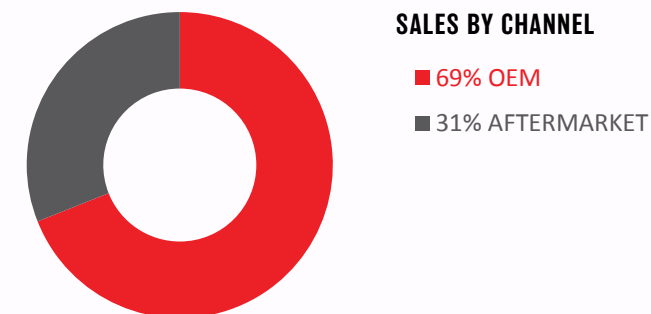
### SALES BY GEOGRAPHY



### SALES BY MARKET



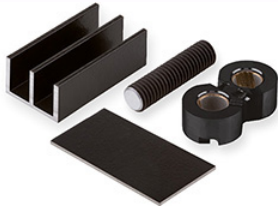
### SALES BY CHANNEL



# ENGINEERED PRODUCTS: PRODUCTS AND END MARKET OVERVIEW

## SELECT PRODUCTS

## SELECT MARKETS



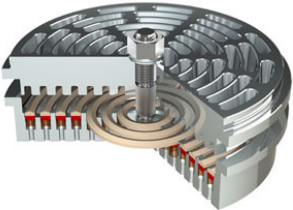
METAL POLYMER BEARING

TRIBOLOGICAL SOLUTIONS

SOLID POLYMER BEARING

AUTOMOTIVE

GENERAL INDUSTRIAL



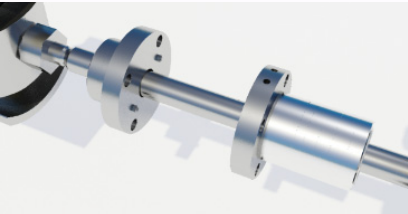
DRY BEARING

FILAMENT WOUND BEARING

HIGH-FLOW VALVES

PETROCHEM

AEROSPACE



MONITORING DEVICES

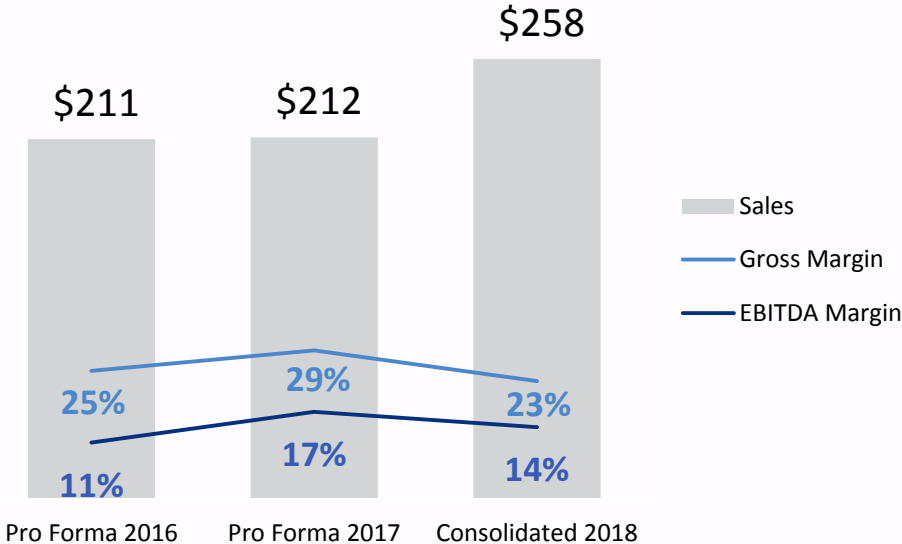
PACKING CASES

PISTON & RIDER RINGS

PET BOTTLE MANUFACTURING

NATURAL GAS

## HISTORICAL FINANCIALS (\$M)



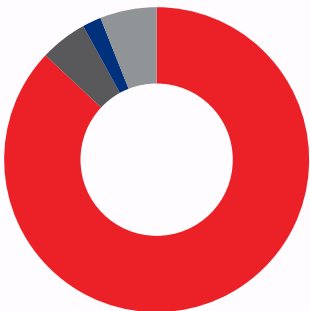
## PROFILE

- Well-established and respected brand; >1GW of power installed in the last 10 years
- 140+ year operating history; significant barriers to entry
- Engine of choice for U.S. Navy & Coast Guard
- Reliability advantage
  - Opposed Piston® (OP) technology; next generation Trident OP under development
  - Field service (largest medium speed)
  - Fuel flexibility (dual fuel, HFO, biofuels)

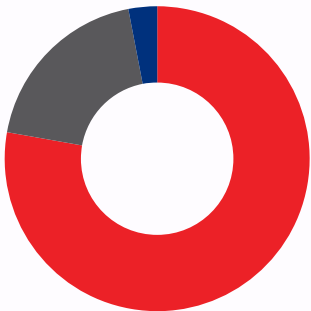
## RECENT TRENDS

- Record aftermarket revenue and EBITDA, despite capacity constraints due to zero margin EDF program
- Robust backlog of ~\$300M at the end of Q4 2018; represents a 45% increase over prior year

## REVENUE COMPOSITION (2018)



- SALES BY GEOGRAPHY**
- 87% NORTH AMERICA
  - 5% EUROPE
  - 2% ASIA
  - 6% ROW



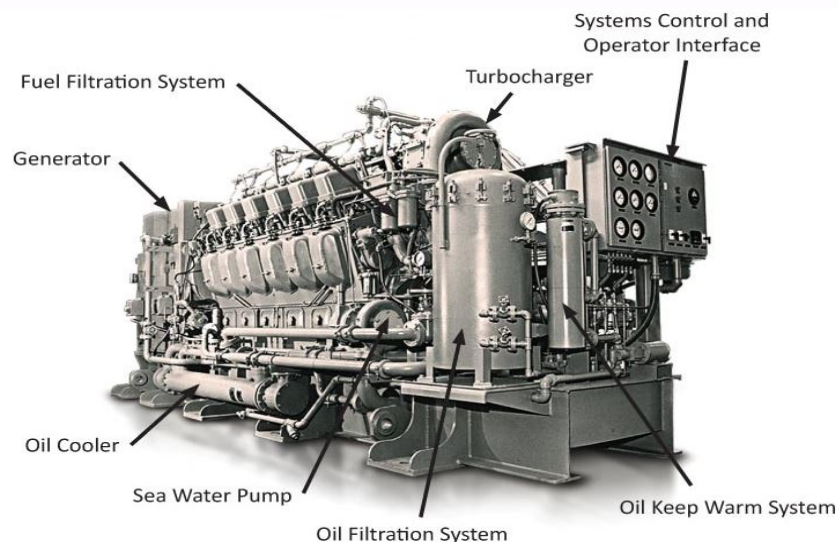
- SALES BY MARKET**
- 77% NAVY & MARINE
  - 19% POWERGEN
  - 4% OIL, GAS & OTHER



- SALES BY CHANNEL**
- 61% AFTERMARKET
  - 39% OEM

# POWER SYSTEMS: PRODUCTS AND END MARKETS OVERVIEW

## SELECT PRODUCTS



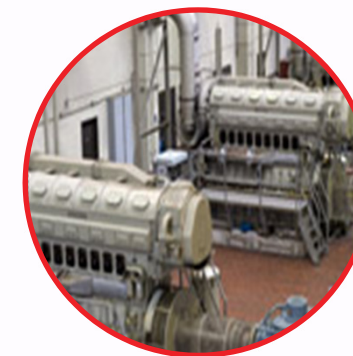
### Value Capabilities

- Shock Qualification to MIL-S-901D
- Seismically Qualified to IEEE 344
- Custom Integrated Package
- Classification Society Approved (e.g. ABS, DNV, Lloyds)
- Designs Compliant with ASME Section III and Section VIII
- Various Fuel Capabilities
- Custom Integrated Controls and SCADA Interface
- Electronics EMI Qualified to MIL-STD-461E

## SELECT MARKETS AND APPLICATIONS



MARINE  
DEFENSE  
COMMERCIAL



POWERGEN  
NUCLEAR  
INDUSTRIAL  
MUNICIPAL



SOLUTIONS  
SERVICE  
ANALYTICS  
ALTERNATIVE FUELS

# KEY TAKEAWAYS

---

1

*Leadership in high-value niche markets with established, premium brands*

2

*Supporting mission-critical applications in highly demanding and extreme operating environments*

3

*Low-cost relative to applications served; value-based pricing leverage*

4

*Applying manufacturing know-how and trade secrets; significant application and technical expertise*

5

*Embedded with our customers; substantial switching costs and barriers to entry*

# STRATEGY

Steve Macadam – President & Chief Executive Officer

1

***Leveraging the EnPro Operating System for continuous improvement and ongoing shareholder value; still early innings of opportunity***

2019 priorities include increasing margins and cash flow

2

***Focusing on growing in markets where we have competitive advantage***

Allocating resources to growing in attractive markets where we have competitive advantage

3

***Targeting bolt-on acquisitions***

Bolt-on acquisitions that support business unit strategies; focus areas include aerospace, semiconductor and hygienic markets

4

***Executing on segment-specific strategic priorities***

Priorities are tailored to each segment's best opportunities for value creation

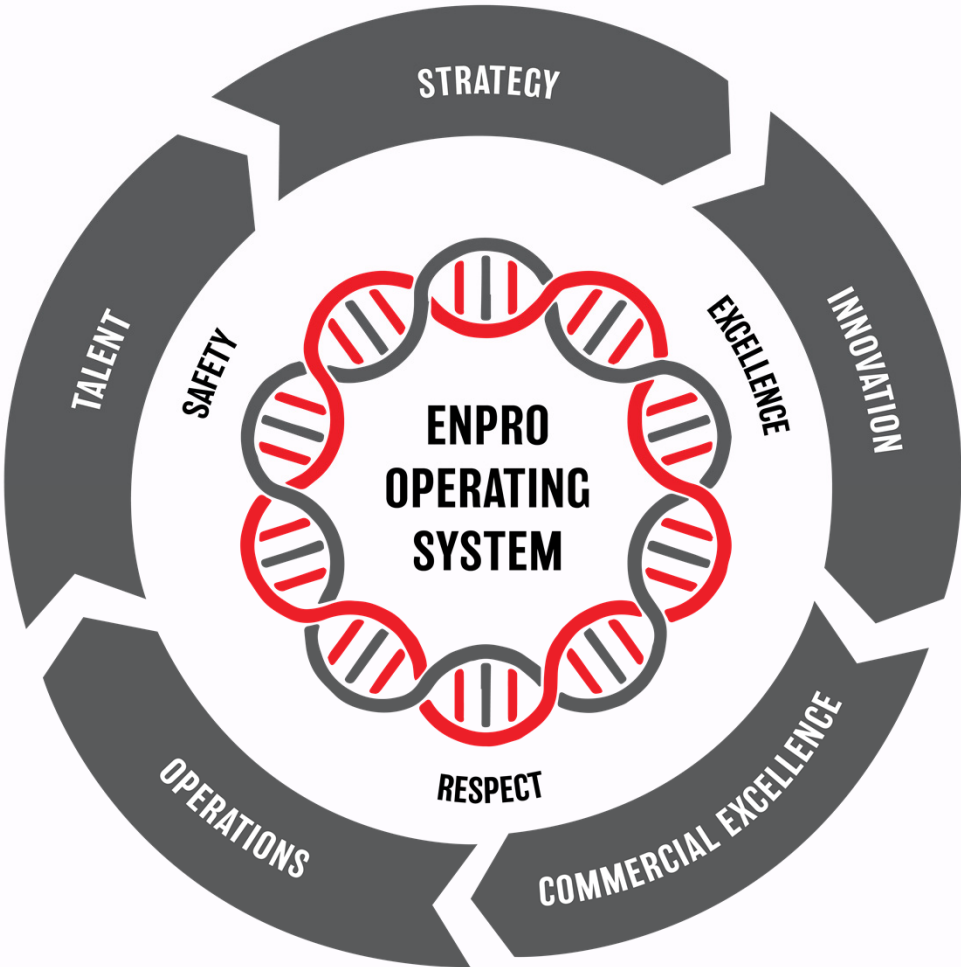
5

***Maintaining a balanced approach to capital allocation***

Disciplined capital allocation philosophy, targeting a net leverage ratio of 1.5x – 2.0x

# 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

# OUR OPERATING SYSTEM HAS CREATED VALUE

## SEALING PRODUCTS

- Customer-driven innovation process enables new product development (ex. Gylon Epix)
- Pricing initiative recovered 75%-80% of tariff cost increases
- “Should-cost” analysis identified lower cost sourcing that reduced cost ~30% on a key product line
- Rigorous project management resulted in a net cash gain on restructuring of the industrial gas turbine business

## ENGINEERED PRODUCTS

- Manufacturing process controls improved on-time delivery in Stafford, TX (CPI) from <60% to ~95%
- Over a two-year period, GGB increased its project win rate 7.8 pts. by implementing sales processes that are supported by improved data and analytics from their recently implemented ERP system

## POWER SYSTEMS

- Internal assessment identified opportunity to increase aftermarket sales through the creation of a new strategic business unit focused on aftermarket parts and services

**CREATING SHAREHOLDER VALUE ACROSS THE PLATFORM**

# ENPRO OPERATING SYSTEM: MORE OPPORTUNITIES EXIST

## EXPAND GROSS MARGINS

- Pricing initiatives
- Sourcing initiatives to drive down costs
- Focus on developing, growing and acquiring high margin products

## REDUCE SG&A

- Reductions through “mindful spending”, efficiencies, and labor force management

## LOWER CAPEX

- Large investments in equipment for new programs and facilities are substantially complete
- Expect capex to decline from ~\$66M in 2018 to \$45M-50M in 2019

## REDUCE NET WORKING CAPITAL

- Expect to largely complete the EDF program in 2019, which should release \$20M-\$30M of NWC by year-end

# GROWTH: FRAMEWORK TO SELECT NEW OPPORTUNITIES

## SUSTAINABLE LONG-TERM GROWTH DRIVERS

- Technology, regulatory, or economic trends drive growing demand for the product or service

## DEMANDING APPLICATIONS

- Engineer-to-engineer sales process that focuses on performance, not price
- Products that are highly engineered and specified for demanding applications
- Significant IP content and/or trade secrets

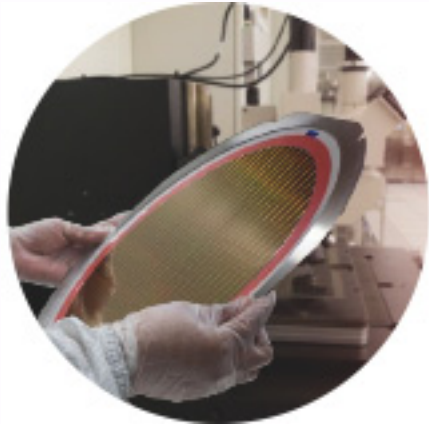
## HIGH AFTERMARKET CONTENT

- Recurring revenue
- Customer maintenance expenses that are typically less scrutinized than capex

## SIGNIFICANT BARRIERS TO ENTRY

- Products require platform specifications or qualifications
- Proprietary designs
- Investments required for customer to change suppliers

# UNDERLYING TRENDS WILL DRIVE LONG-TERM GROWTH



*SEMICONDUCTOR*

## **DIGITAL ECONOMY**

Increased demand for semiconductor logic and memory:

- Artificial Intelligence
- Automation and robotics
- Autonomous vehicles
- Smart appliances



*HYGIENIC*

## **HEALTH NEEDS**

Increased pharmaceutical demand due to greater life expectancy

Emerging middle class demand for safer foods and medicines

Product safety regulations



*AEROSPACE*

## **RISING STANDARDS OF LIVING**

Increased demand for air travel

New aircraft deliveries and strong backlogs; airlines transitioning to more fuel-efficient platforms

# TARGETED KEY MARKET: *HYGIENIC MARKET*

## PHARMACEUTICAL



## FOOD AND BEVERAGE



### Mega Trends

GDP (↑)

Life Expectancy (↑)

Population (↑)

### Macro Trends

*Urbanization (↑)*

*Emerging Middle Class (↑)*

*Calorie Intake Per Capita (↑)*

### Meta Trends

*Legislation, Public Concern, Resource Scarcity, New Diseases, Dietary Trends, Margin Squeeze, Technological Developments, Convergence of Food & Pharma*

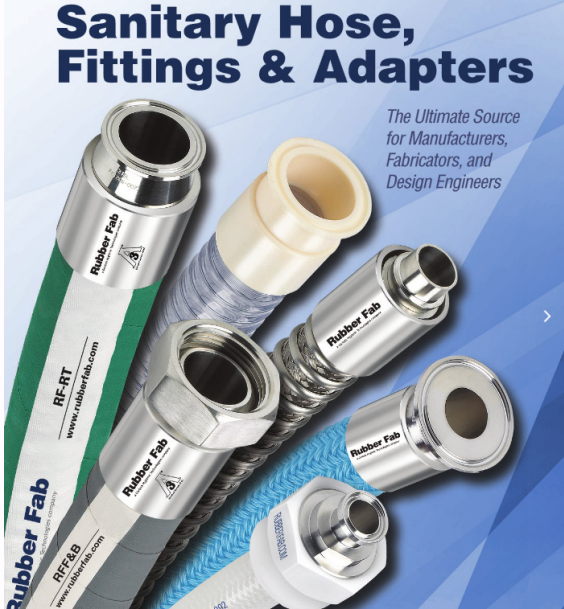
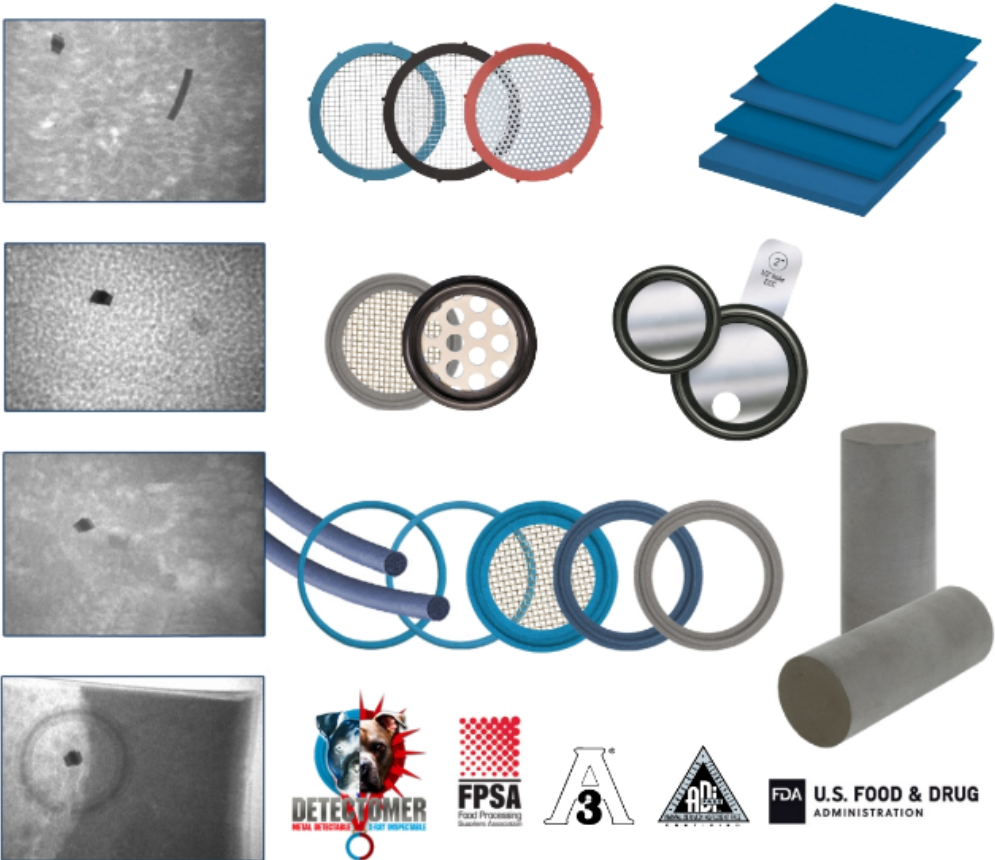
# HYGIENIC VALUE-ADDED PRESENCE

**KEY CHARACTERISTICS:**

- Regulatory compliance and clean room requirements provide barrier to new entrants
- Demanding applications
- Critical functions
- Single use products create recurring aftermarket sales

## Dynamic Sealing Products for Food & Beverage Applications

*Engineered Products for all of Your Food Processing Requirements*



### Portfolio of Validation Solutions for the Pharmaceutical Industry



# TARGETED KEY MARKET: SEMICONDUCTOR

CONNECTIVITY

## DATA GENERATION

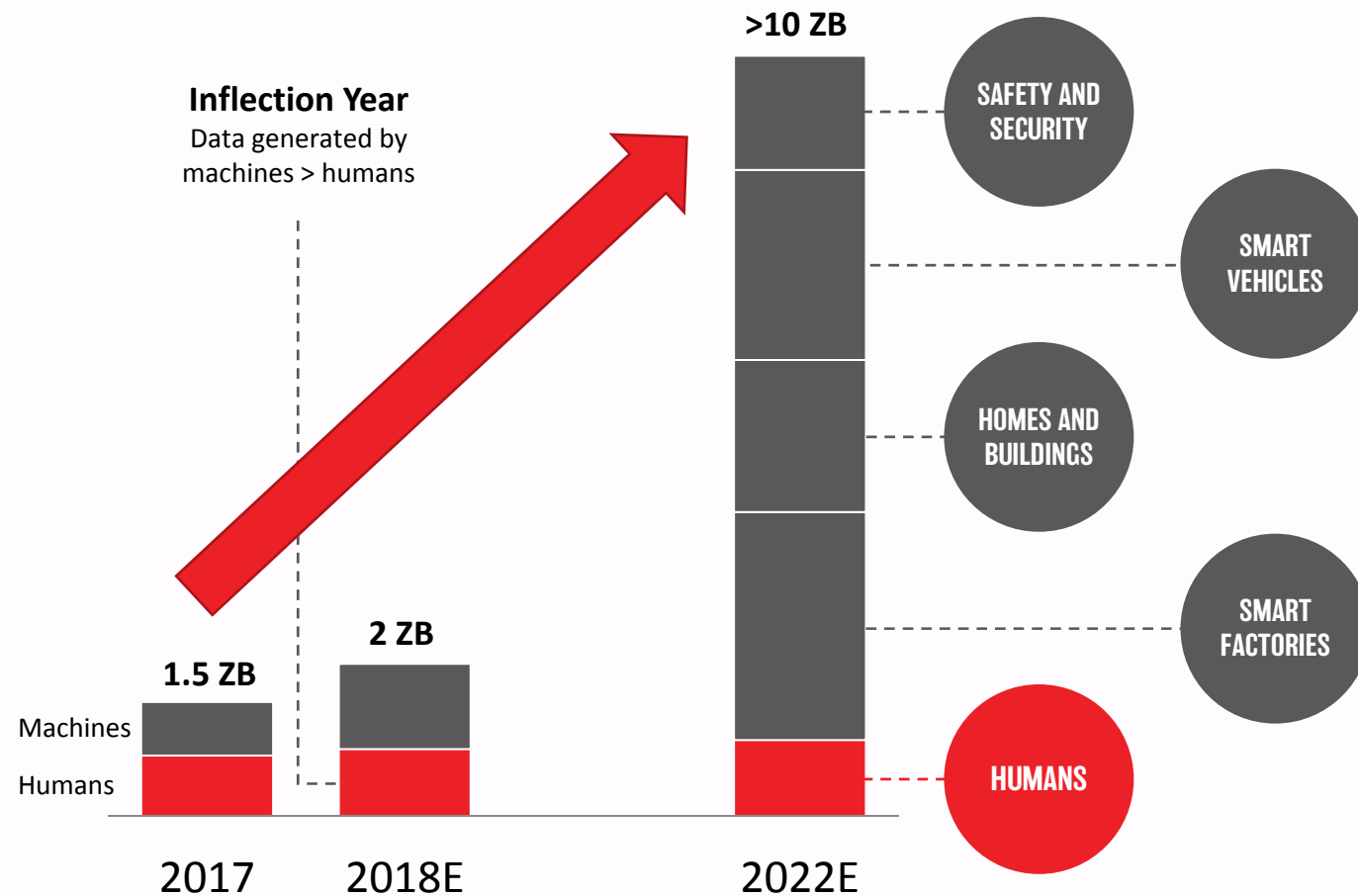
- IoT and Industry 4.0 driving an explosion of data

## DATA STORAGE

- More data needs to be processed and stored than ever before – Storage alone is not sufficient or economical

## COMPUTING

- New computing models to turn data into \$\$\$
- New computing architectures to process data at the edge and in the cloud



## KEY CHARACTERISTICS:

- **High cost to qualify a new product for use in a chamber system**
- **Demanding applications**
- **Critical functions**
- **OEM relationships ensure access to aftermarket**
- **Opportunities to extend maintenance cycles through advanced technologies**



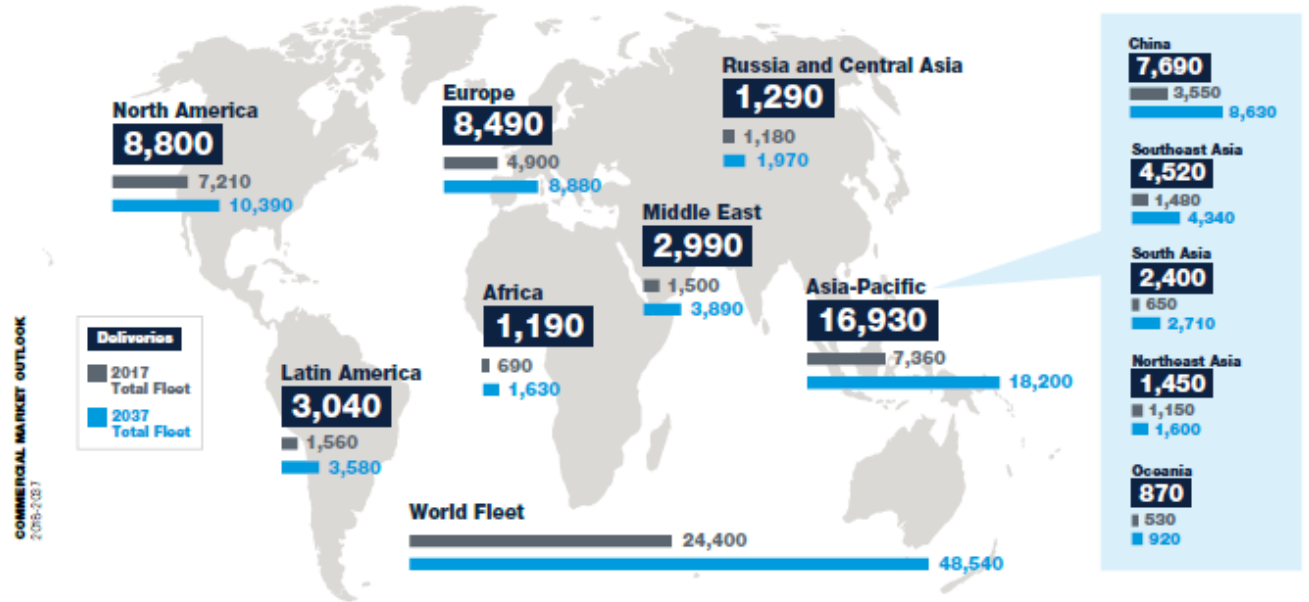
# TARGETED KEY MARKET: AEROSPACE

## NEW AIRCRAFT DEMAND DRIVERS

- New, more fuel efficient platforms
- Growing passenger miles
- Environmental drivers and regulation requirements

## AFTERMARKET DEMAND DRIVERS

- Growing passenger miles
  - Rising middle class
  - Improving standard of living
- E-commerce is driving growth in air freight



## KEY CHARACTERISTICS:

- Products require aerospace certifications
- Demanding applications
- Critical functions
- Products require regular replacement



## STRATEGIC FIT

- Highly engineered products often with mission critical applications; “high value niches”
- Intellectual property / proprietary technology or know-how
- Attractive and growing end markets; cycle resistant
- Low customer/supplier concentrations

## SYNERGIES

- **Product Synergies** – Fill in portfolio gaps, thereby creating a more compelling value proposition
- **Technology Synergies** – Leverage each company’s technology to enhance the other’s product offering
- **Customer Synergies** – Sell EnPro’s products through the target’s customer relationship or vice versa
- **Channel Synergies** – Leverage each company’s channel to market to accelerate growth
- **Operating Synergies** – Significantly reduce costs through scale or elimination of redundancies

## FINANCIAL PROFILE

- Favorable margins with attractive free cash flow profile
- Strong CFROI
- EPS accretive

ACTIVE PIPELINE FOR STRATEGIC ACQUISITIONS WILL CONTINUE TO CREATE VALUE

# SUCCESSFULLY INTEGRATING AND LEVERAGING RECENT ACQUISITIONS *EnPro Industries*

<u>ACQUISITION</u>	<u>RATIONALE</u>	<u>KEY INITIATIVES</u>	<u>VALUE CREATED</u>
<b>VEYANCE AIR SPRINGS (ACQUIRED 2015)</b>	<ul style="list-style-type: none"> <li>Expands addressable market in non-discretionary, consumable products by 25%</li> <li>Opportunity to move from 'push' to 'pull' sales model</li> <li>Adds a manufacturing facility with molding capability</li> </ul>	<ul style="list-style-type: none"> <li>Geographic expansion in emerging economies</li> <li>Dual vendor sourcing to increase overall capacity</li> <li>SDC to provide value to customer/savings opportunity on warehousing</li> </ul>	<ul style="list-style-type: none"> <li>Significant improvement in Air Springs profitability; results have exceeded acquisition case expectations, as EBITDA has more than doubled</li> </ul>
<b>RUBBER FAB (ACQUIRED 2016)</b>	<ul style="list-style-type: none"> <li>Platform for pharmaceutical, food, and beverage markets</li> <li>Strong brand with established network of distributors and diversified customer base</li> <li>Attractive financial profile; growth margins, and FCF</li> </ul>	<ul style="list-style-type: none"> <li>Commercial and product cross-selling opportunities</li> <li>Financial systems and process combinations</li> <li>Optimizing warehouse flow and fulfillment</li> </ul>	<ul style="list-style-type: none"> <li>Outperforming revenue and EBITDA from justification case</li> </ul>
<b>QUALISEAL (ACQUIRED 2017)</b>	<ul style="list-style-type: none"> <li>High technical know-how, IP-rich offering</li> <li>Experienced management with proven track record</li> <li>Balanced mix between OEM and aftermarket, commercial and military</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated complementary product line into Qualiseal</li> </ul>	<ul style="list-style-type: none"> <li>+15% revenue and EBITDA growth</li> </ul>

# CLEAR PRIORITIES ACROSS ALL SEGMENTS

## SEALING PRODUCTS

## ENGINEERED PRODUCTS

## POWER SYSTEMS

### SELECT GROWTH INITIATIVES

- Expand presence in growth markets via organic and inorganic initiatives

- Apply materials expertise to pursue adjacent applications
- Increase market penetration through new product launches in niche applications; e.g., high temperature or premium utility

- Deepen Navy and Coast Guard penetration
- Complete development and field demonstration of Trident OP

### ENPRO OPERATING SYSTEM FOCUS

- Use technical expertise to accelerate innovation
- Leverage polymer technology to develop both replacement products (e.g., EPIX) and products for new markets (e.g., GoldFire)
- Wheel-End product initiatives
- Return Stemco to historical EBITDA margin levels

- Accelerate new product introductions
- Focus on emissions reduction products and leverage new development lab investment in France

- Expand parts and service aftermarket presence

## REINVEST IN THE BUSINESS

- Invest in R&D and equipment to maintain and strengthen our market leading positions
- Continue to build value-creation capabilities through the EnPro Operating System

## PURSUE BOLT-ON ACQUISITIONS

- Require strategic fit and synergies
- Not pursuing transformative deals

## INCREASE CASH FLOW

- Expand margins
- Reduce capex
- Reduce net working capital

## RETURN CASH TO SHAREHOLDERS

- Maintain and increase dividend over time
- Repurchase shares to offset dilution from incentive compensation and to maintain a target leverage ratio of 1.5x – 2.0x

1

***Leveraging the EnPro Operating System, a continuous improvement framework with significant runway for shareholder value creation in 2019 and beyond***

2019 priority is to increase margins and cash flow

2

***Focusing on growing in markets where we have competitive advantage***

Allocating resources to growing in attractive markets where we have competitive advantage

3

***Pursuing bolt-on acquisitions; attractive pipeline of opportunities***

Targeting bolt-on acquisitions that support business unit strategies, specifically in aerospace, semiconductor and hygienic markets

4

***Executing on segment-specific strategic priorities***

Priorities are tailored to each segment's best opportunities for value creation

5

***Maintaining a balanced approach to capital allocation***

Disciplined capital allocation philosophy, targeting a net leverage ratio of 1.5x – 2.0x

**BREAK**

15 minutes

# **ENPRO OPERATING SYSTEM**

Marvin Riley – Executive Vice President & Chief Operating Officer

1

*EnPro Operating System, a sustainable competitive advantage*

2

*Near-term focused on driving margin improvement and cash flow generation*

3

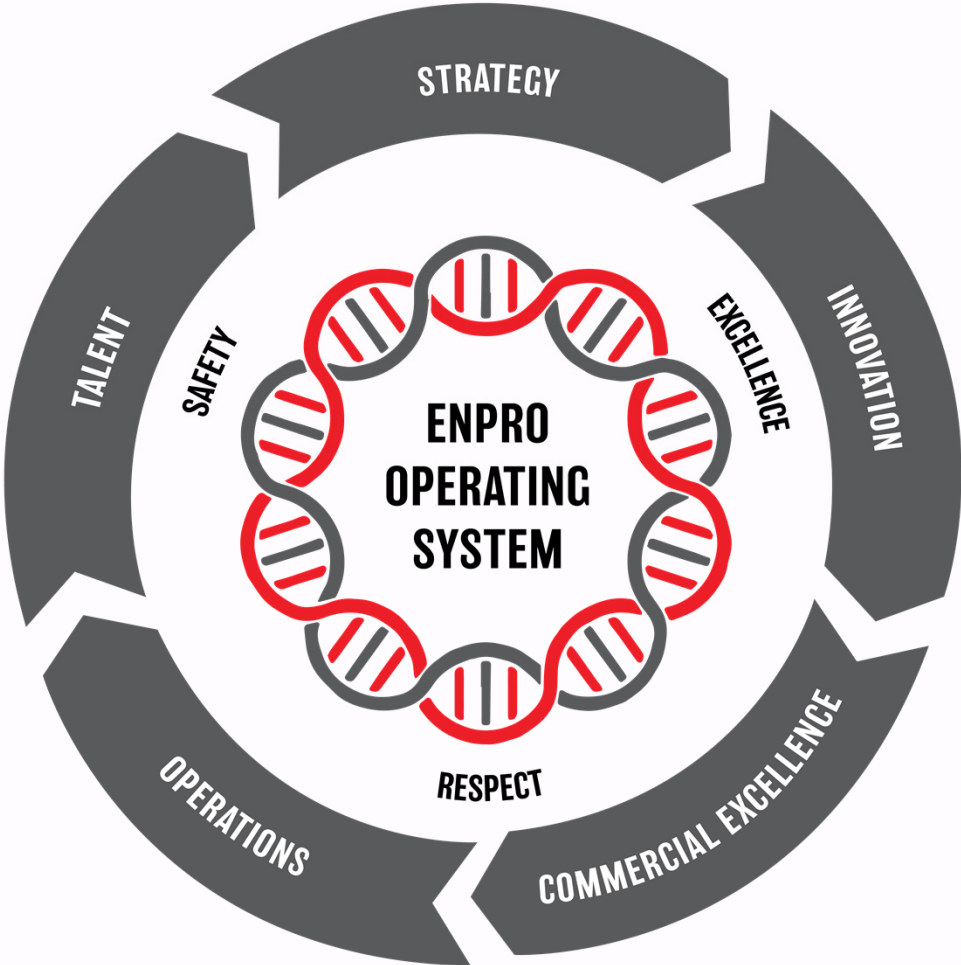
*Key areas of impact: pricing, process improvements, cost reduction, quality, on-time delivery, should-cost analysis, supply chain optimization, etc.*

4

*Significant runway of opportunity to drive sustainable, profitable growth*

# 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

# OUR OPERATING SYSTEM IS IMPROVING RESULTS

## EXAMPLES OF ACTIONS TAKEN

### SEALING PRODUCTS

- Talent upgrades in key leadership roles
- Pricing initiative to offset tariff impact
- Should-cost analysis to support friction buy vs. make
- Exit of Industrial Gas Turbine business

### ENGINEERED PRODUCTS

- Footprint optimization in Suzhou, China
- Disruption analysis conducted by business unit
- Multi-year SG&A reduction program implemented

### POWER SYSTEMS

- Renegotiated new 10-year agreement with MAN
- Linear programming model utilized to redesign supply chain for margin expansion
- A.A.D cost savings assessment completed

- Safety: 3 of 6 divisions below 1.0 MTCR
- Reduced total SG&A as a % of sales from 25.4% in 2016 to 22.0% in 2018
- Power system engine order intake of \$205M in 2018

## TALENT

### PERSONAL MASTERY

Ego free decisions: What's best for EnPro?  
High learning edge required to contribute  
Grow or Go Culture

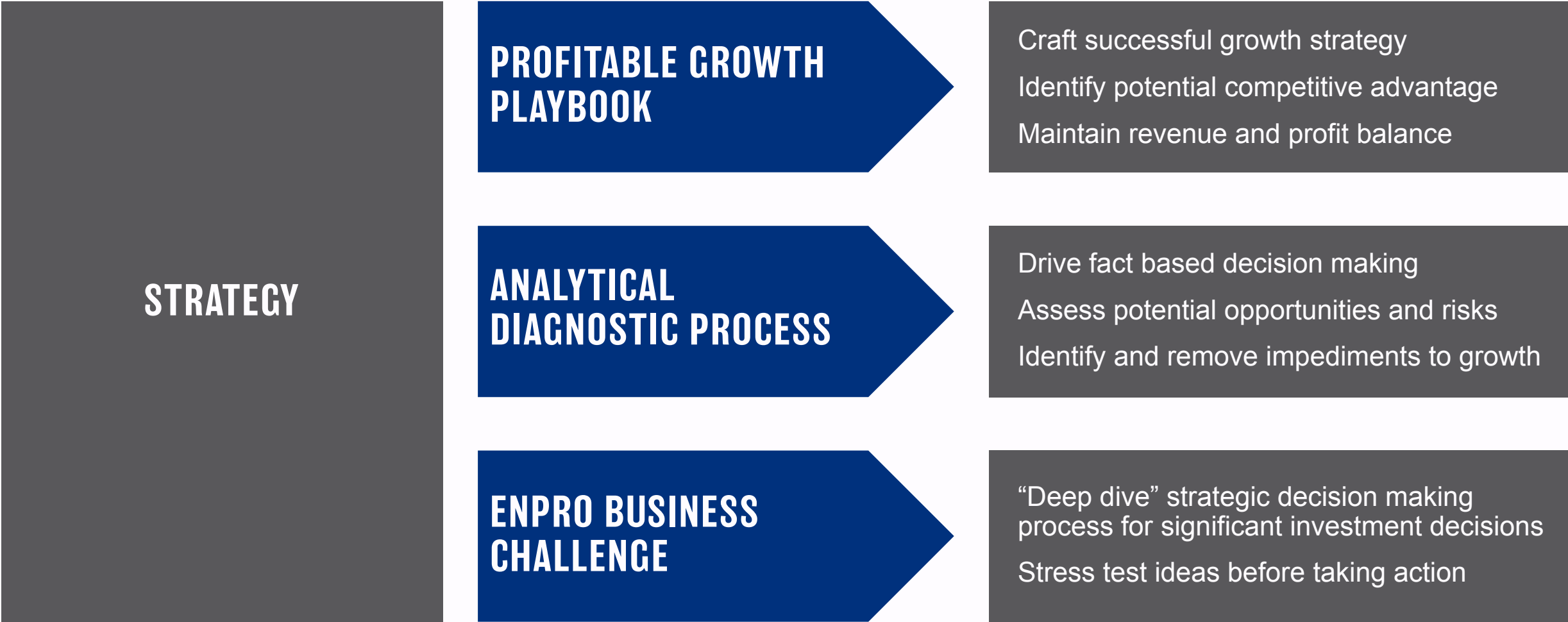
### OWNERSHIP MENTALITY

Inspire employees to think like an owner  
Employees incentivized for value creation

### IDEA MERITOCRACY

The best idea always wins  
Candor encouraged to challenge status quo

# DRIVING SUSTAINABLE PROFITABLE GROWTH



## INNOVATION

### EXPLORING KEY EMERGING MARKET AND TECHNOLOGY TRENDS

Internet of Things  
Additive manufacturing  
Super Alloys & Ultra High Strength Metals

### CUSTOMER-CENTRIC APPROACH

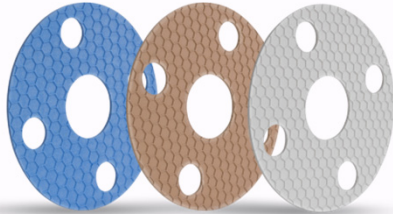
ProFlo EOS; EMISSIONGUARD™  
GYLON EPIX™  
Trifecta™ Pre-Adjusted Hub Assembly

### STRATEGIC & TECHNICAL PARTNERSHIPS

Universities  
Research centers

# DRIVING INNOVATION TO UNLOCK FURTHER VALUE

**SEALING PRODUCTS**



GYLON® EPIX



TRIFECTA®



HYDRODYNAMIC SEALS

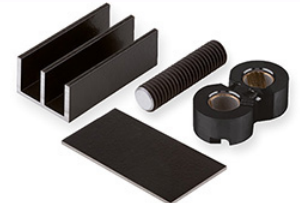
**ENGINEERED PRODUCTS**



PROFLO® EOS



EMISSIONS GUARD

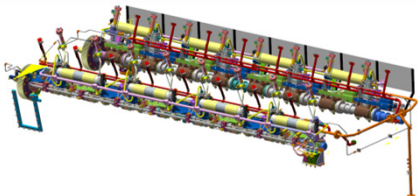


TRIBOLOGICAL COATINGS

**POWER SYSTEMS**



TRIDENT® OP



COMMON RAIL FUEL INJECTION SYSTEM

# INNOVATION CASE STUDY: GARLOCK GYLON EPIX

## CHALLENGE

Most chemical and petrochemical customers are operating with decades-old piping systems. Over time, the flanges in these systems have become worn. This leaves customers with a significant sealing challenge.

## SOLUTION

Gylon® EPIX seals imperfections in flange surfaces like a thick gasket but with the integrity of a thin gasket.

EPIX offers the lowest total cost of ownership to chemical and petrochemical customers.

## RESULTS

Garlock's use of the Challenger sales model to launch EPIX generated first-year sales of \$1M; specification efforts are progressing ahead of plan.

End users have expressed a strong preference for Gylon® EPIX due its leading sealing performance in both new construction and existing infrastructure.

Multiple patents, the Gylon EPIX trademark, and trade secrets provide significant barriers to competing products.

## CHALLENGE

Environmental pressure has driven customers to search for new ways to reduce gas emissions from their compressors. New solutions must be practical, cost effective, easy to install, and have no impact on operating life.

## SOLUTION

- CPI's EMISSIONGUARD™ TR<sup>2</sup> packing ring is the only ring design that combines the two rings into one, providing a more efficient seal, reduced friction, and extended operating life.
- Unique design features, including a milled stop which eliminates pin breakage issues and the ability to use larger gaps, increase operating life.
- Innovation process included collaboration between the global CPI sales, engineering, and manufacturing teams, and also key customers for field testing.

## RESULTS

- European launch (Sep '18) - European Forum for Reciprocating Compressors in Madrid
- US launch (Oct '18) - Gas Machinery Conference in Kansas City
- Lower piston rod friction
- Reduced heat generation
- Longer operating life
- Field tests have shown sealing performance improves by up to 50%
- Global market size \$200M
- >15 customers have replaced their current packing rings with TR<sup>2</sup>

## CHALLENGE

The US Navy needed a durable and fuel efficient diesel engine to propel its new class of amphibious transport dock ships, the LPD Flight II vessels. The Navy was looking for innovative diesel engine solutions that would reduce fuel consumption, reduce emissions, reduce maintenance, and improve reliability...all in one of the most demanding and critical applications in the world!

## SOLUTION

- Fairbanks Morse developed a technically advanced Common Rail Fuel Injection (CRFI) system to replace the existing mechanical fuel delivery system.
- The solution is available both for the new LPD Flight II class as well as for aftermarket upgrades on the existing LPD class.
- The innovation process was a collaboration between the US Navy, FM and MAN and demonstrates FM's customer intimacy and commitment to its core military marine business

## RESULTS

The project began in 2015 and prototype testing was completed in 2018. The solution is currently being installed on the engines being built by FM for the future USS Richard M. McCool Jr. (LPD 29).

Benefits to the US Navy include:

- Fuel reduction of 5.5%, or \$0.9M in annual fuel savings per vessel
- Maintenance material and labor savings of \$0.2M per vessel annually

Customer plans to retrofit all 48 engines on this class of existing vessels with this new technology. Expected revenue = ~\$100M

# FAIRBANKS MORSE TRIDENT OP LAUNCH - TIMING MODIFIED

## DEVELOPMENT STATUS

- Prototype achieving best in class fuel efficiency
- Endurance testing underway to demonstrate targeted performance
- Long-term component reliability studies underway
- Launch timing extended due to increased marine demand

## RATIONALE

- Record demand for core marine products
- Current backlog is straining capacity
- EDF contract has late penalties for delivery delays
- Reputation risk with US Navy if we deliver late

## IMPACT

- Completion of low-margin EDF contract
- Increased customer satisfaction and loyalty
- Reduced business risk due to delays
- FM will target a new project with existing partner or a new partner
- Increased development time

## PARTNERS IN TECHNOLOGY

SILVER FREE TECHNOLOGY  
BRONZE FREE SOLUTIONS  
SUPER ALLOYS  
CONDUCTIVE POLYMER RESEARCH  
INTELLIGENT COMPONENTS  
POLYMER COATINGS  
NANO TECHNOLOGY  
SURFACE NANO-TEXTURISATION  
HIGH STRENGTH PLASTICS



# MONETIZING COMMERCIAL EXCELLENCE

## COMMERCIAL EXCELLENCE

### SALES LEADERSHIP SYSTEM - SLS 2.0

Developed CE assessment process  
Best practice methods and tools

### SALESFORCE EFFECTIVENESS

Utilizing Challenger sales model to  
drive high-impact sales conversations  
Team selling large projects

### E-COMMERCE PRICING

Simplifying our customers' buying  
journey  
Targeted value based pricing

# COMMERCIAL EXCELLENCE CASE STUDY: FAIRBANKS MORSE



Fairbanks Morse will build and deliver emergency diesel generator (EDG) sets for the Navy's third and fourth Gerald R. Ford-class nuclear-power carriers. Each emergency genset will provide backup electricity should the ship lose power.

Our engineering, sales and project team worked closely to provide new ideas to improve fuel efficiency and ease of installation—reinforcing Fairbanks Morse's role as trusted advisor.

# LEVERAGING OPERATIONAL EXCELLENCE

**OPERATIONAL EXCELLENCE**

**SAFETY**

Behavior based safety culture  
Peer-to-Peer safety action teams

**EMLS - ENPRO  
MANUFACTURING  
LEARNING SYSTEM**

Abnormality management using scorecards  
Continuous improvement (Lean, Six Sigma)  
Capability building to scale globally

**PMO - PROJECT  
MANAGEMENT OFFICE**

Business Plan Deployment (BPD) Process  
Capital project management  
High Value Execution & Delivery

**SUPPLY CHAIN**

Enterprise sourcing category teams  
Should-cost methodology  
Best cost country sourcing

# OPERATIONAL EXCELLENCE CASE STUDY: CPI

## APPROACH

- Leveraged EnPro Manufacturing Learning System
- Installed process controls and refined performance metrics

## TALENT

- Enhanced the leadership team
- Utilized performance management process to target key metrics; e.g., cross training matrices, PPLH tracking, ROIC, productivity

## FOCUS AREAS

- BPD implementation across all functional business areas
- Customer-centric strategy
- Engineering talent
- Innovation - revamped new product pipeline

- 880 bps increase in EBITDA margin from 2015 to 2018 on ~\$4M sales decline
- Increased new product sales by 3 % pts.
- Safety: 38.7% reduction in both medical treatment rate and lost time case rate
- ROPE walk culture with cross-functional team involvement
- Improvement in shop metrics
- Improvement in on-time delivery performance

# FOCUS AREAS FOR CREATING VALUE

## SALES

- Create customer-centric culture
- Standardize the use of Net Promoter Score
- Implement E-Commerce solutions to reduce customer effort
- Leverage scale for geographic expansion with a specific focus on Asia
- Establish premium branding strategy to enhance pricing power
- Develop pricing capability building process

## MARGINS

- Establish flywheel by business unit
- Maintain lean corporate center philosophy
- Eliminate low margin business (ex: EDF)
- Strategy to achieve 20% Segment EBITDA across the portfolio – cost reduction and pricing focused

## CASH FLOW

- Reduce and maintain capital spending at 3.0% - 3.5% of sales
- Execute strategy to evolve the portfolio to an asset-light profile over time
- Create CFROI culture

# KEY TAKEAWAYS

---

1

*Margin and cash flow generation improvement to drive CFROI increase*

2

*EnPro Operating system developed and resourced to support path to 20% Segment EBITDA*

3

*Capability building underway to support becoming more asset light*

4

*Significant growth and improvement opportunities in the pipeline*

5

*Our talent and our operating system is a sustainable competitive advantage*

# **FINANCIAL INITIATIVES, STRATEGY & OUTLOOK**

Milt Childress – Executive Vice President & Chief Financial Officer

1

*Delivering on our commitments*

2

*Strengthening our balance sheet*

3

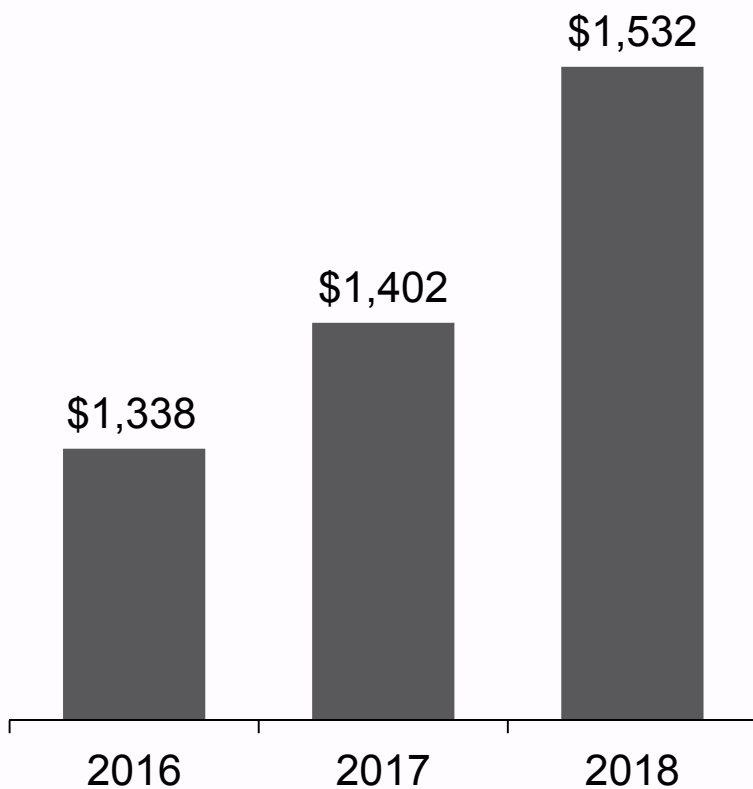
*Maintaining a balanced approach to capital allocation*

4

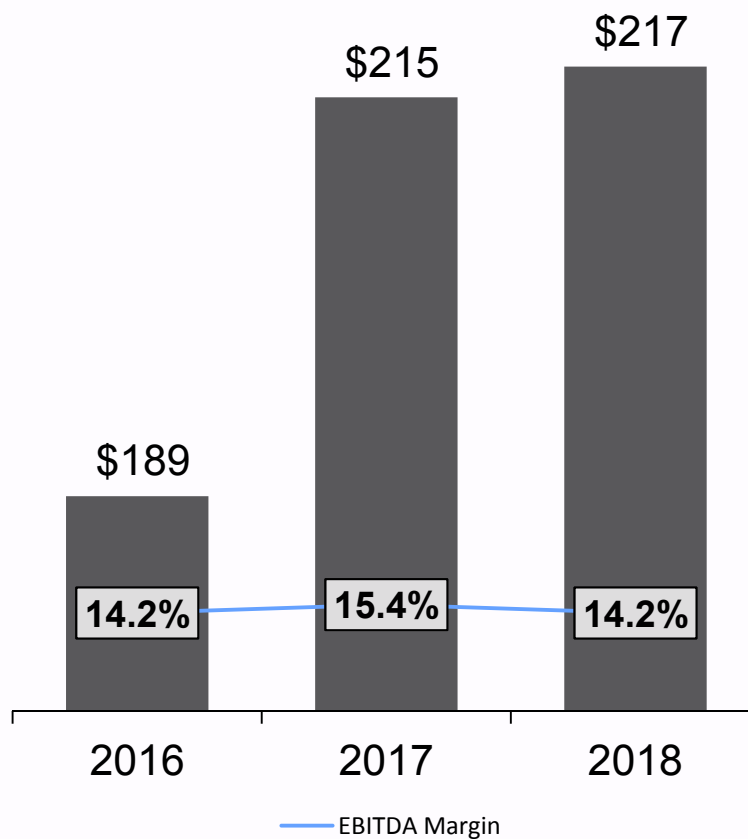
*Focused on growing margins, increasing cash flow, and completing bolt-on acquisitions throughout the cycle*

# FINANCIAL PERFORMANCE: 2016 - 2018

**PRO FORMA REVENUE (\$M)**



**PRO FORMA ADJUSTED EBITDA (\$M)**

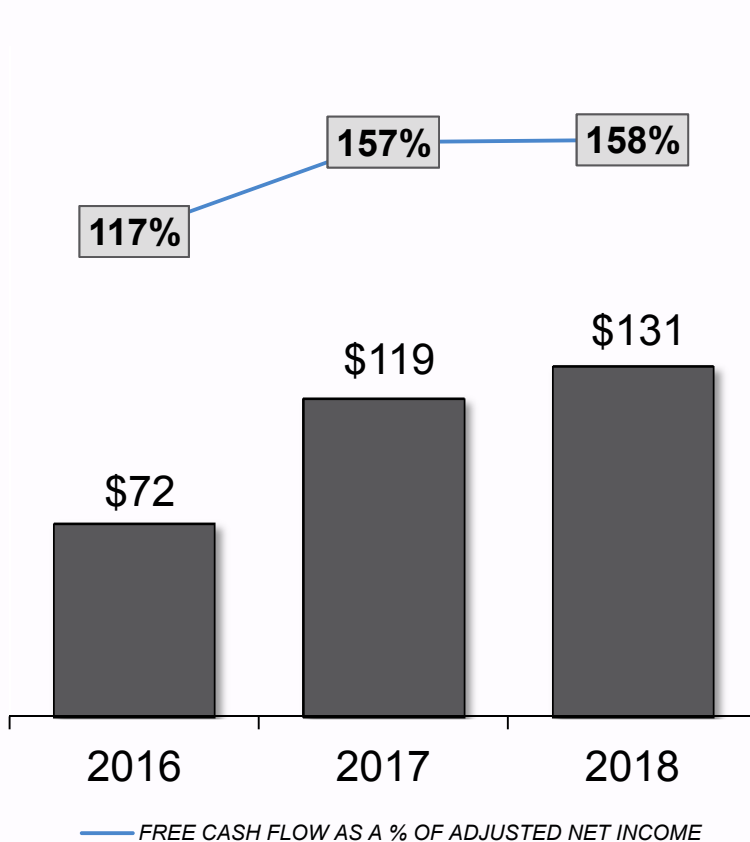


**PRO FORMA ADJUSTED EPS**

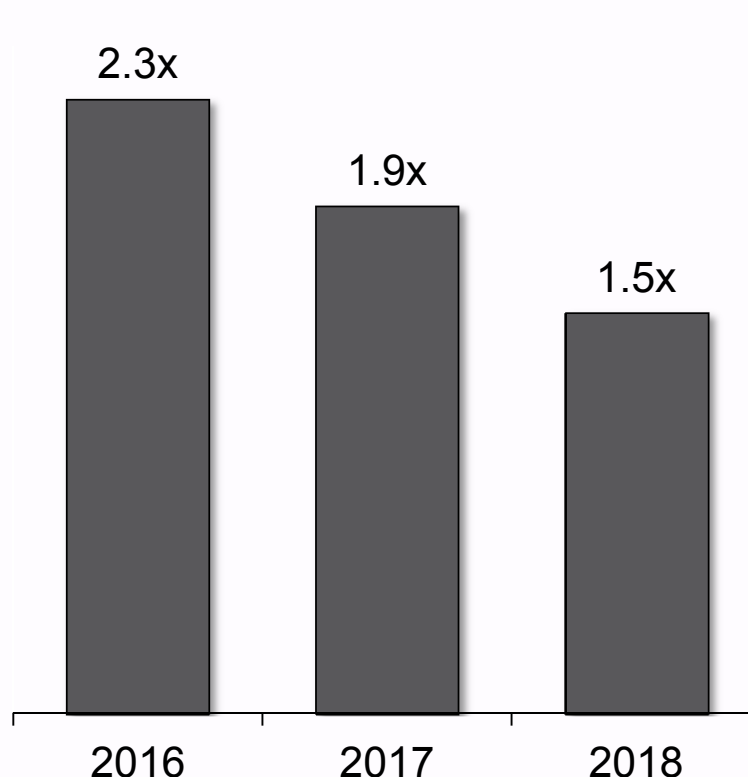


# FINANCIAL PERFORMANCE: 2016 - 2018

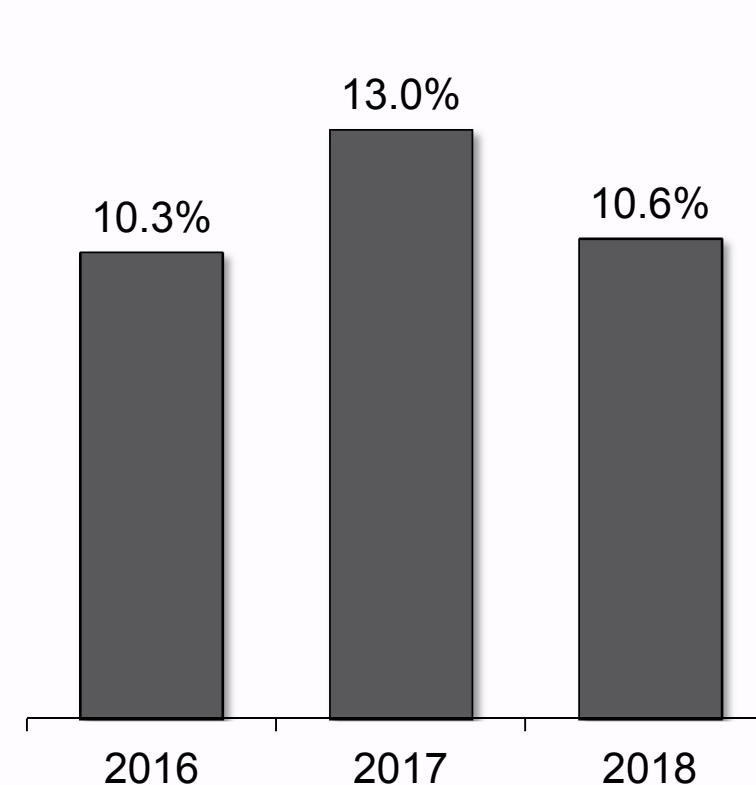
**FREE CASH FLOW (\$M) <sup>(1)</sup>**



**NET DEBT TO EBITDA MULTIPLE <sup>(2)</sup>**



**CFROI <sup>(3)</sup>**



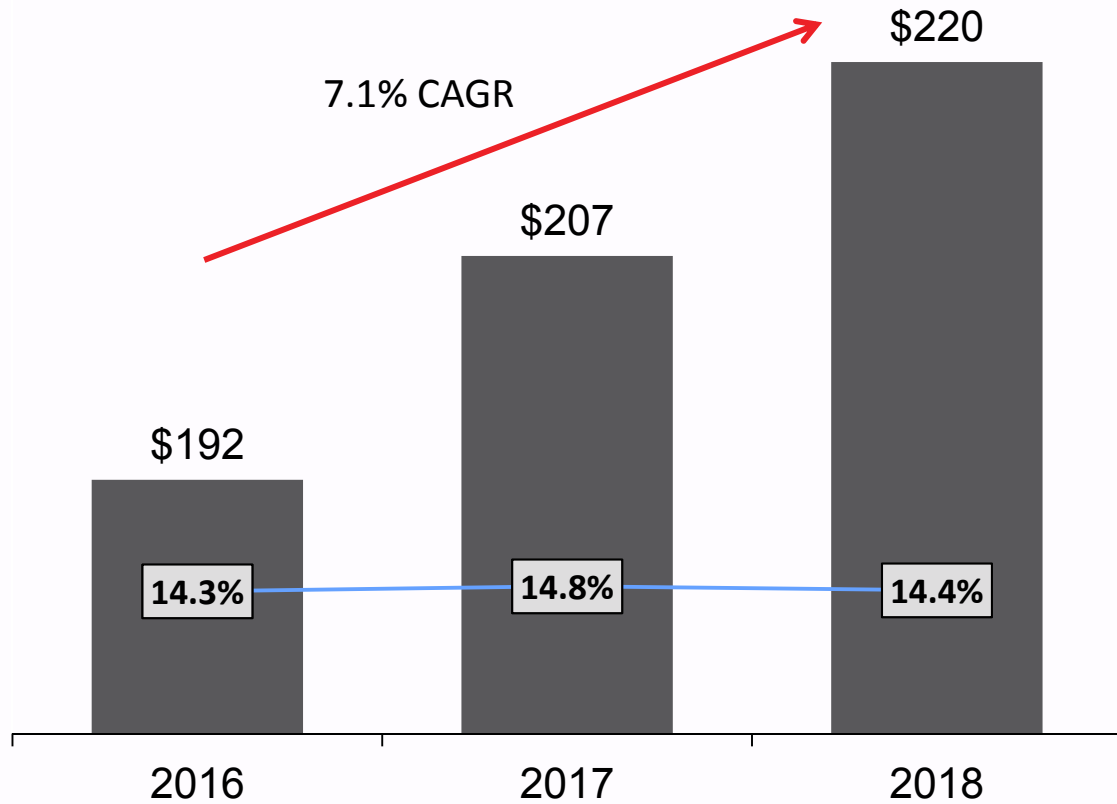
(1) Free Cash Flow = Cash Flow from Operations less Capital Expenditures.

(2) Net debt to EBITDA multiples per Q4 2016, Q4 2017 and Q4 2018 earnings release presentations.

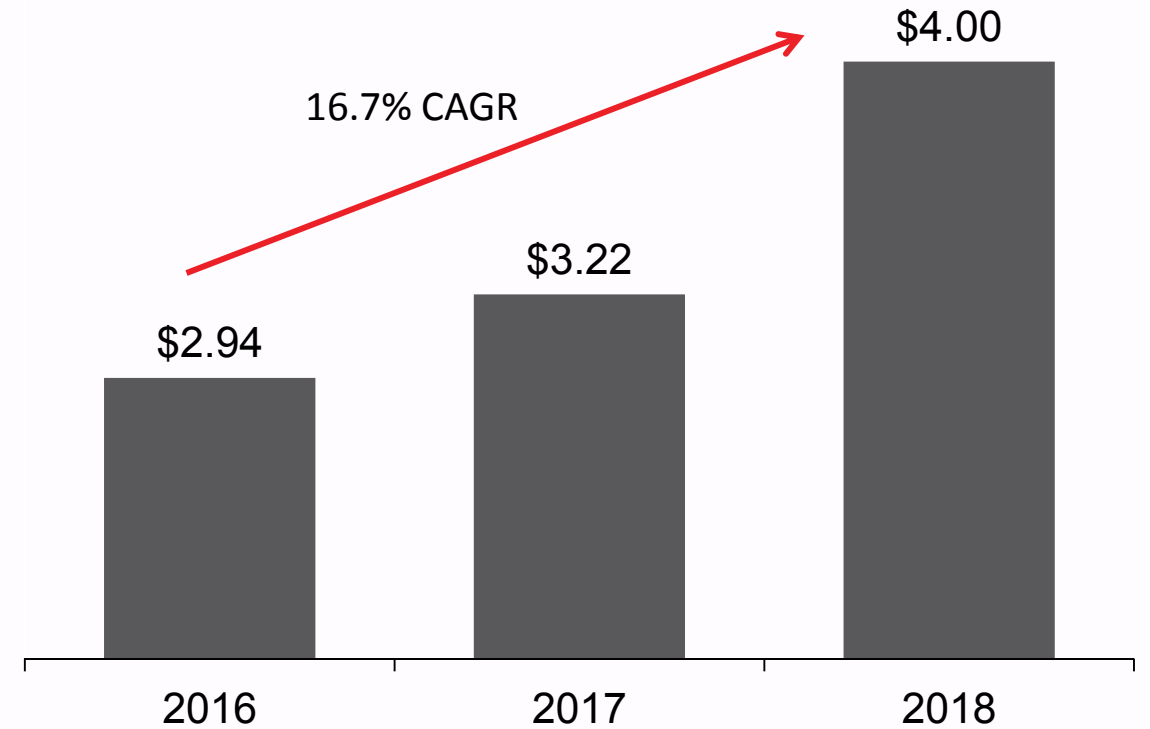
(3) Cash Flow Return on Investment (CFROI) =  $(EBIT * (1-.29) + D\&A - Capital\ Expenditures) / (Gross\ PP\&E + Total\ Net\ Working\ Capital)$ .

# FINANCIAL PERFORMANCE EXCLUDING EDF FX IMPACT: 2016 - 2018

## PRO FORMA EBITDA EXCLUDING EDF FX (\$M)



## PRO FORMA ADJUSTED EPS EXCLUDING EDF FX



# DELIVERING ON OUR COMMITMENTS

	<u>Guidance</u>	<u>Results<sup>(1)</sup></u>	
<b>Annual EBITDA Guidance</b>			
2016	\$200M - \$204M	\$189M	
2017	\$188M - \$193M	\$207M	✓
2018	\$214M - \$220M	\$220M	✓
<b>3-Year Targets</b>	<u>3-Year Target</u>	<u>2019 Guidance</u>	
Sales	2.0% - 2.5%	4.0% - 4.5%	✓
EBITDA	\$220M - \$230M	\$225M - \$233M	✓
<b>Net leverage reduced from 2.3x to 1.5x</b>			✓

(1) Pro Forma EBITDA results exclude impact from FX on EDF contract.

# STRENGTHENING OUR BALANCE SHEET

1

- *Installed new senior credit facility in Q2 2018*
  - *Increased facility from \$300M to \$350M*
  - *Reduced base rate from LIBOR+200 to LIBOR+175*

2

- *Refinanced senior notes in Q3 2018*
  - *Lowered interest expense by reducing offering by \$100M and reducing fixed rate from 5 7/8% to 5 3/4%*
  - *Extended tenor to 2026*
  - *Gained greater flexibility under terms of the indenture agreement*

3

- *Repatriated \$125M in cash*

4

- *Executed \$200M net investment hedge*
  - *Effected through a synthetic cross-currency swap, resulting in annual cash interest expense savings of approximately \$6M-\$7M per year over the life of the hedge*

# CAPITALIZATION

(\$M)	12/31/18
<b>Net Debt Analysis</b>	
Cash	\$130
Credit Facility - Revolver	117
\$350M Senior Notes (2026 Maturity) <sup>(1)</sup>	345
Capital Lease Obligations	3
<b>Net Debt</b>	<b>\$335</b>

<b>Capitalization Analysis</b>	
Revolver (Variable Rate @ L+1.75%)	\$117
Senior (Fixed Rate @ 5.75%)	350
Equity	863
<b>Total Capitalization</b>	<b>\$1,330</b>

<b>Liquidity Analysis</b>	
Cash	\$130
Revolver Availability	233
<b>Total Liquidity</b>	<b>\$363</b>

*Net Debt/EBITDA:*

*~1.5x*

*Debt Rating:*

*S&P: BB*

*Moody's: Ba3*

(1) Includes impact from unamortized debt issue costs.

# BALANCED CAPITAL ALLOCATION STRATEGY

Capex 3.0-3.5% of sales, on average

Maintain and grow dividend

1.5x - 2.0x net leverage target

Capital Reinvestment

Maintenance Capital Investments

Long-Term R&D and Growth Investments

- Fairly small investments (\$50k - \$250k) with a high level of flexibility
- Investments typically have a positive ROI due to improved efficiency and reliability
- Medium sized investments (\$500k - \$1M) to develop new products, serve new platforms or enter new markets
- Selective large investments (\$1M+) in major new product platforms

Acquisitions

Close to Core

- Bolt-on/tuck-in acquisitions to enhance core growth strategies; emphasis on Sealing Products

Return to Shareholders

Dividends

Share Repurchase

- Maintain with modest annual growth
- Offset dilution from stock-based incentive compensation and opportunistic repurchase; \$50 million outstanding under existing authorization

# CAPITAL ALLOCATION

## REINVEST IN THE BUSINESS

- \$66 million in capital expenditures; expected to moderate beginning in FY19
- Approximately 44% maintenance-related and balance focused on growth

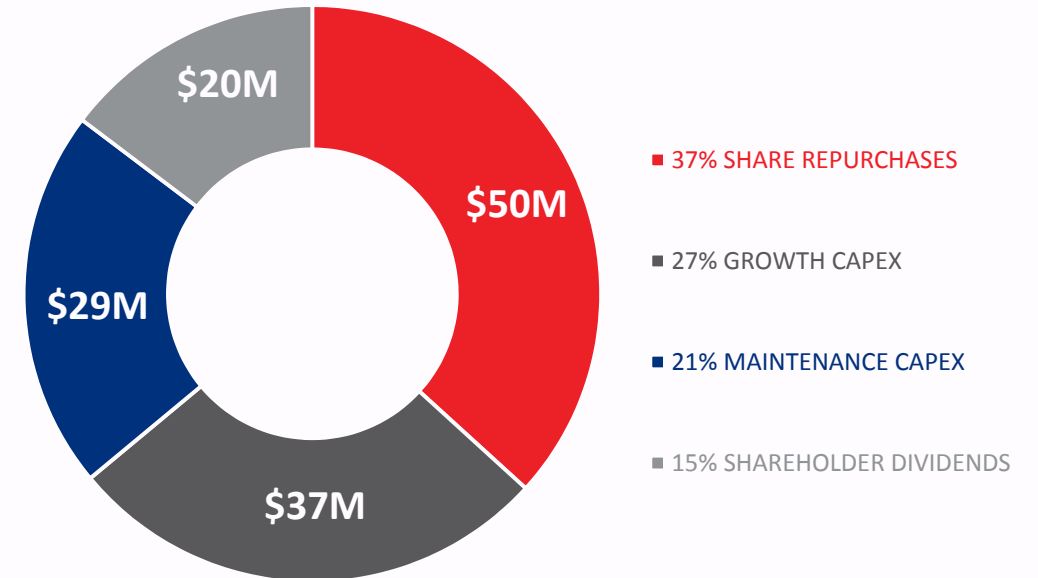
## STRATEGIC ACQUISITIONS

- High technical know-how, IP-rich offering
- Experienced management with proven track record
- Balanced mix between OEM and aftermarket

## RETURN CASH TO SHAREHOLDERS

- Dividend yield of 1.5%
- Approximate 4% increase in quarterly dividend; \$0.25 declared on February 13
- \$50 million in share repurchase in 2018; new authorization for \$50 million in October 2018

## 2018 CAPITAL ALLOCATION (\$M)



# REAFFIRMING FISCAL 2019 GUIDANCE

	<u>FY 2019 Guidance</u>	<u>Increase</u>	<u>Key Assumptions</u>
<b>Sales</b>	\$1,530M - \$1,560M	0% to +2%	<ul style="list-style-type: none"> <li>• Sales Growth                             <ul style="list-style-type: none"> <li>• Flat Sealing Products sales resulting from semiconductor down-cycle</li> <li>• Flat to LSD growth in Eng. Products</li> <li>• MSD growth in Power Systems</li> </ul> </li> <li>• EBITDA Margins                             <ul style="list-style-type: none"> <li>• 100-125 bps increase in Sealing Products, driven primarily by improvements in trucking</li> <li>• Flat to 50 bps decline in Engineered Products, driven by slowing European economy</li> <li>• 30-50 bps increase in Power Systems</li> </ul> </li> <li>• Interest expense \$6M - \$7M lower than 2018</li> <li>• No change to outstanding share count</li> </ul>
<b>EBITDA</b>	\$225M - \$233M	+3.5% to +7.2%	
<b>Adjusted EPS</b>	\$4.28 - \$4.55	+9% to +16%	

## Outlook

## Key Assumptions

**Sales**



**3.0% - 3.5%  
annual growth in  
2020 & 2021**

**EBITDA**



**40 - 50 bps annual margin  
improvement in 2020 &  
2021  
Results in 3-Year  
CAGR of ~5.0%**

- *No further slowdown in the global economy; Industrial Production of 2.0% to 2.5%*
- *Margin expansion from the EnPro Operating System improvements*
- *Organic growth only; no acquisitions assumed*

# KEY TAKEAWAYS

---

1

*Delivering on our commitments*

2

*Strengthening our balance sheet*

3

*Maintaining a balanced approach to capital allocation*

4

*Focused on growing margins, increasing cash flow, and completing bolt-on acquisitions throughout the cycle*

# **CLOSING REMARKS**

Marvin Riley – Executive Vice President & Chief Operating Officer

1

## ***Compelling product portfolio***

Leading global engineered product portfolio with deep technical and applications expertise in high-value niche markets

2

## ***Delivering on our commitments***

Strengthening the business through the completion of the ACRP, operational improvements and disciplined capital allocation

3

## ***Leveraging the EnPro Operating System for continuous improvement and ongoing shareholder value; still early innings of opportunity***

2019 priorities include increasing margins and cash flow

4

## ***Focusing on growth***

Allocating resources to growing in attractive markets where we have competitive advantage

5

## ***Targeting bolt-on acquisitions***

Bolt-on acquisitions that support business unit strategies, focus areas include aerospace, semiconductor and hygienic markets

6

## ***Maintaining a balanced approach to capital allocation***

Disciplined capital allocation philosophy, targeting a net leverage ratio of 1.5x – 2.0x

7

## ***Significant runway for profitable growth and shareholder value creation***

Highly experienced management team driving process and execution excellence

**Q&A**

Leadership Team

# **APPENDIX**

## **STEVE MACADAM**

### President & Chief Executive Officer

Stephen E. Macadam has served as Chief Executive Officer and President and as a director since April 2008. Prior to accepting these positions with EnPro, Mr. Macadam served as Chief Executive Officer of BlueLinx Holdings Inc. since October 2005.

Before joining BlueLinx Holdings Inc., Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific Corp. where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000. Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of principal in charge of McKinsey's Charlotte, North Carolina operation.

Mr. Macadam received a B.S. in mechanical engineering from the University of Kentucky, an M.S. in finance from Boston College and an M.B.A. from Harvard University, where he was a Baker Scholar.



## MARVIN RILEY

### Executive Vice President & Chief Operating Officer

Marvin A. Riley is currently Executive Vice President and Chief Operating Officer and has held this position since July 2017. Mr. Riley served as President, Fairbanks Morse Engine division from May 2012 to May 2018. Prior to that Mr. Riley served as Vice President, Manufacturing, of EnPro since December 2011. Mr. Riley served as Vice President Global Operations, GGB division, from November 2009 until November 2011 and as Vice President Operations Americas, GGB division, from July 2007 until November 2011.

Prior to joining EnPro, he was an executive with General Motors Vehicle Manufacturing and held multiple positions of increasing responsibility from 1997 to 2007 within General Motors. Mr. Riley has served as on the Board of Directors of TimkenSteel Corporation since August 2018.

Mr. Riley received a B.S.E.E. in electrical engineering from Howard University and an M.B.A. from Johns Hopkins University and completed the Advanced Management Program at the Harvard Business School.



## MILT CHILDRESS

### Executive Vice President and Chief Financial Officer

J. Milton Childress II is currently Executive Vice President and Chief Financial Officer and has held this position since July, 2017. Mr. Childress previously served as Senior Vice President and Chief Financial Officer since March 2015, after having previously served as Vice President, Strategic Planning and Business Development since February 2006. Mr. Childress joined the EnPro corporate staff in December 2005.

He was a co-founder of and served from October 2001 through December 2005 as Managing Director of Charlotte-based McGuireWoods Capital Group. Prior to that, Mr. Childress was Senior Vice President, Planning and Development of United Dominion Industries, Inc. from December 1999 until May 2001, having previously served as Vice President. Mr. Childress held a number of positions with Ernst & Young LLP's corporate finance consulting group prior to joining United Dominion in 1992.

Mr. Childress received a B.S. in Business Administration, Industrial Management and Management Science, from the University of Tennessee and an M.B.A. from the University of Virginia.



## **CHRIS O'NEAL**

### Senior Vice President Strategy, Corporate Development and Investor Relations

William C. O'Neal is currently Senior Vice President, Strategy, Corporate Development and Investor Relations, a position he has held since July 2017. Mr. O'Neal previously served as Vice President, Strategy, Corporate Development and Investor Relations since April 2015. Mr. O'Neal first joined EnPro in 2008 as Director, Strategy and Corporate Development. He then served as Vice President Strategy and Finance, Technetics division, from January 2012 to March 2015.

Mr. O'Neal received a B.S. in Business Administration from Wake Forest University and an M.B.A. from Emory University.



# Reconciliation of Consolidated Adjusted EBITDA

<i>(\$ in millions)</i>	<b>2018</b>
<b>Consolidated Net Income (Loss)</b>	<b>\$24.6</b>
Plus:	
Interest Expense, net	27.3
Income Tax Expense	22.0
Depreciation and Amortization	73.7
Restructuring Costs	22.4
Loss on Extinguishment of Debt	18.1
Environmental Reserve Adjustments	13.4
Pension Expense (non-service cost)	11.9
Other	4.0
<b>Consolidated Adjusted EBITDA</b>	<b>\$217.4</b>
<b>Consolidated Adjusted EBITDA Margin</b>	<b>14.2%</b>

# Reconciliation of Consolidated Segment Profit to Consolidated Adjusted Segment EBITDA

Year Ended December 31, 2018 <i>(\$ in millions)</i>	Sealing Products	Engineered Products	Power Systems	Total Segments
<b>Segment Profit</b>	<b>\$85.2</b>	<b>\$40.1</b>	<b>\$29.3</b>	<b>\$154.6</b>
Acquisition Expenses	1.8	0.1	-	1.9
Restructuring Costs	21.4	0.7	0.3	22.4
Depreciation and Amortization Expense	50.7	15.4	7.6	73.7
<b>Adjusted Segment EBITDA</b>	<b>\$159.1</b>	<b>\$56.3</b>	<b>\$37.2</b>	<b>\$252.6</b>
<b>Adjusted Segment EBITDA Margin</b>	<b>16.7%</b>	<b>17.4%</b>	<b>14.4%</b>	<b>16.5%</b>

# Reconciliation of Net Sales to Pro Forma Net Sales

<i>\$ in millions</i>	<b>2016</b>	<b>2017</b>
<b>EnPro</b>		
<b>Net Sales</b>	<b>1,187.7</b>	<b>1,309.6</b>
Adjustments:		
Sales of Unconsolidated Entities	195.8	125.9
Intercompany Sales	(45.8)	(33.0)
<b>Pro Forma Net Sales</b>	<b>1,337.7</b>	<b>1,402.5</b>

# Reconciliation of Pro Forma Adjusted EBITDA

(Stated in Millions of Dollars)	Years Ended December 31,	
	2017	2016
Pro forma net income	\$ 53.7	\$ 40.2
Adjustments to arrive at pro forma earnings before interest, taxes, depreciation, and amortization (pro forma EBITDA)		
Interest expense, net	29.9	23.5
Income tax expense	32.2	24.2
Depreciation and amortization expense	73.3	73.4
Pro forma EBITDA	189.1	161.3
Adjustments to arrive at pro forma earnings before interest, income taxes, depreciation, amortization, and other selected items (pro forma adjusted EBITDA):		
Restructuring costs	5.1	14.1
Impairment of ATD intangible assets	10.1	-
Pension (non-service costs)	0.9	3.8
Environmental reserve adjustment	8.7	8.6
Other	1.5	1.6
Pro forma adjusted EBITDA	\$ 215.4	\$ 189.4
Pro forma adjusted EBITDA margin	15.4%	14.2%

The foregoing table provides a reconciliation of pro forma net income set forth in the accompanying unaudited pro forma condensed consolidated statements of operations reflecting reconsolidation of GST to pro forma earnings before interest, income taxes, depreciation, amortization and other selected items (pro forma adjusted EBITDA). The methodology for reconciliation is the same as presented on the table titled "Reconciliation of Consolidated Net Income (Loss) to Consolidated Adjusted EBITDA (Unaudited)".

Supplemental Disclosure: For the year ended December 31, 2017, approximately 40% of pro forma adjusted EBITDA as presented above was attributable to EnPro's subsidiaries that do not guarantee our 5.875% Senior Notes due 2022.

In 2018, we adopted an accounting standard that required an employer to report the service cost component of pension and other postretirement benefits expense in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during that period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations.

Prior periods have been restated to conform to this presentation and accordingly the non-service component of pension costs are included as an adjusting item in our Reconciliation of Pro Forma Net Income to Pro Forma Adjusted EBITDA for each of the periods presented.

# Reconciliation of Net Income to Adjusted Net Income

For the Year Ended December 31, 2018  
(Stated in Millions of Dollars, Except Per Share Data)

	\$	Average common shares outstanding, diluted (millions)	Per share
Net income	\$ 24.6	21.1	\$ 1.16
Income tax expense	22.0		
Income before income taxes	46.6		
Adjustments:			
Restructuring costs	22.4		
Environmental reserve adjustments and other costs associated with previously disposed businesses	13.4		
Loss on extinguishment of debt	18.1		
Pension expense (non-service cost)	11.9		
Other	4.0		
Adjusted income before income taxes	116.4		
Adjusted income tax expense	(33.8)		
Adjusted net income	\$ 82.6	21.1	\$ 3.91**

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 restructuring costs, environmental reserve adjustment, impairment expense, pension (non-service cost), loss on extinguishment of debt, and other are included as part of other operating expense and other expense. Inventory-related restructuring costs and fair value adjustment to acquisition date inventory are included in costs of sales. Acquisition expenses are included as part of selling, general, and administrative expense.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate, excluding discrete items, of 29.0% for 2018. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

\*There were 0.3 million potentially dilutive shares excluded from the calculation of consolidated earnings per share for the quarter ended December 31, 2018 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.

# Reconciliation of Pro Forma Net Income to Pro Forma Adjusted Net Income

	Years Ended December 31,					
	2017			2016		
	Average common shares outstanding, diluted (millions)		Per share	Average common shares outstanding, diluted (millions)		Per share
Pro forma net income	\$ 53.7	21.8	\$ 2.46	\$ 40.2	21.8	\$ 1.84
Income tax expense	32.2			24.2		
Income before taxes	85.9			64.4		
Adjustments:						
Environmental reserve adjustment	8.7			8.6		
Restructuring costs	5.1			14.1		
Impairment of ATD intangible assets	10.1			-		
Pension expense (non-service cost)	0.9			3.8		
Other	1.5			1.6		
Adjusted income before taxes	112.2			92.5		
Adjusted income tax expense	(36.5)			(30.1)		
Pro forma adjusted net income	\$ 75.7	21.8	\$ 3.48*	\$ 62.4	21.8	\$ 2.86*

The foregoing tables provide a reconciliation of pro forma net income set forth in the accompanying unaudited pro forma condensed consolidated statements of operations reflecting reconsolidation of GST to pro forma net income before selected items (pro forma adjusted net income). The methodology for reconciliation is the same as presented on the table titled "Reconciliation of Consolidated Net Income (Loss) to Consolidated Adjusted Net Income and Consolidated Adjusted Diluted Earnings Per Share (Unaudited)".

Note that for the calculation Pro Forma Adjusted Diluted Earnings Per Share, the option that had been in existence permitting the Trust to purchase for \$1 shares of EnPro stock having a value of \$20 million was not considered dilutive due to EnPro's positive intent to settle the option in cash. The option was settled in cash as part of the \$78.8 million funding of the Trust on November 29, 2017.

In 2018, we adopted an accounting standard that required an employer to report the service cost component of pension and other postretirement benefits expense in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during that period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations.

Prior periods have been restated to conform to this presentation and accordingly the non-service component of pension costs are included as an adjusting item in our Reconciliation of Pro Forma Net Income to Pro Forma Adjusted Net Income for each of the periods presented.

\* Pro forma adjusted diluted earnings per share.

# Reconciliation of Free Cash Flow

<i>(\$ in millions)</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Adjusted EBITDA	189.4	215.4	217.4
Cash Taxes	(23.2)	(8.7)	77.5
Change in NWC	11.0	(22.6)	(57.5)
Interest Payments	(22.6)	(27.1)	(33.3)
Other	(36.2)	8.0	(7.6)
<b>Cash Provided by (Used in) Operations</b>	<b>118.4</b>	<b>165.0</b>	<b>196.5</b>
Capex	(46.4)	(46.5)	(66.0)
<b>Operating Free Cash Flow "OFCF"</b>	<b>72.0</b>	<b>118.5</b>	<b>130.5</b>
Adjusted Net Income	61.5	75.7	82.6
<b>OFCF as % of Adjusted Net Income</b>	<b>117%</b>	<b>157%</b>	<b>158%</b>

# Reconciliation of Net Debt to EBITDA Multiple

<i>\$ millions</i>		December 31, 2018
	Credit Facility	\$117
	Senior Notes <sup>(1)</sup>	\$345
	Capital Lease Obligations	\$3
<b>A</b>	<b>Debt Components</b>	<b>\$465</b>
<b>B</b>	<b>Cash and Equivalents</b>	<b>\$130</b>
<b>C = (A – B)</b>	<b>Net Debt</b>	<b>\$335</b>
<b>D</b>	<b>FY December 31, 2018 Adjusted EBITDA</b>	<b>\$217</b>
<b>E = (C / D)</b>	<b>Leverage Ratio</b>	<b>1.5x</b>

(1) Includes impact from unamortized debt issue costs.

# Reconciliation of Net Debt to EBITDA Multiple

<i>\$ millions</i>		December 31, 2017
	Credit Facility	\$174
	Senior Notes <sup>(1)</sup>	444
<b>A</b>	<b>Debt Components</b>	<b>\$618</b>
	Cash and Equivalents	189
	Asbestos Insurance Receivable	17
<b>B</b>	<b>Cash and Equivalents</b>	<b>\$206</b>
<b>C = (A – B)</b>	<b>Net Debt</b>	<b>\$412</b>
<b>D</b>	<b>FY December 31, 2017 Pro Forma Adjusted EBITDA</b>	<b>\$215</b>
<b>E = (C / D)</b>	<b>Leverage Ratio</b>	<b>1.9x</b>

1) Includes impact from unamortized debt issue costs.

# Reconciliation of Net Debt to EBITDA Multiple

		December 31, 2016			
<i>\$ millions</i>		NPO	GST	Consolidation and Plan Adjustments	Pro Forma Consolidation after Plan Adjustments
	Third-Party Debt	425.0	-	122.6	547.6
	Intercompany Debt	322.1	-	(322.1)	-
	Asbestos Liability	110.0	388.6*	(418.6)*	80.0
<b>A</b>	<b>Debt Components</b>	<b>857.1</b>			<b>627.6</b>
	Asbestos Insurance Receivable	-	62.0	-	62.0
	Cash and Investments	111.5	309.8	(294.4)	126.9
<b>B</b>	<b>Cash and Equivalents</b>	<b>111.5</b>			<b>188.9</b>
<b>C = (A - B)</b>	<b>Net Debt</b>	<b>745.6</b>			<b>438.7</b>
<b>D</b>	<b>FY 2016 Adjusted EBITDA</b>	<b>150.0</b>			<b>189.4</b>
<b>E = (C / D)</b>	<b>Leverage Ratio</b>	<b>5.0x</b>			<b>2.3x</b>

\* Includes \$1.6 million of pre petition unsecured claims against GST, assumed to be reflected in accounts payable after the effective date.

# Reconciliation of CFROI Calculation

	Pro Forma	Pro Forma	Consolidated	
	2016	2017	2018	
<b><u>CFROI - Cash Flow</u></b>				
Adjusted EBITDA	189	215	217	
Less: D&A	(63)	(68)	(74)	
Adjusted EBIT	126	148	144	
Less: taxes <sup>(1)</sup>	(37)	(43)	(42)	
Adjusted EBIT (tax impacted)	89	105	102	
Plus: D&A	63	68	74	
Less: capex (inc. software)	(52)	(49)	(68)	
<b>CFROI - Cash Flow Total</b>	<b>101</b>	<b>124</b>	<b>107</b>	<b>A</b>
<b><u>CFROI - Investments</u></b>				
Gross PP&E	708	686	713	
NWC, TTM average	267	269	298	
<b>CFROI - Investments Total</b>	<b>975</b>	<b>955</b>	<b>1,011</b>	<b>B</b>
<b>CFROI</b>	<b>10.3%</b>	<b>13.0%</b>	<b>10.6%</b>	<b>= A / B</b>

1) Assumes 29% tax rate for all years.

# Reconciliation of Adjusted EBITDA Excluding EDF FX Impact

*(\$ in millions)*

	2016	2017	2018
<b>Pro forma adjusted EBITDA</b>	<b>189</b>	<b>215</b>	<b>217</b>
% margin	14.2%	15.4%	14.2%
EDF FX impact	3	(8)	3
<b>Pro forma adjusted EBITDA (ex. EDF FX)</b>	<b>192</b>	<b>207</b>	<b>220</b>
% margin	14.3%	14.8%	14.4%

# Reconciliation of Adjusted EPS Excluding EDF FX Impact

	Pro Forma 2016	Pro Forma 2017	Consolidated 2018
<b>Adjusted EPS</b>	<b>\$2.86</b>	<b>\$3.48</b>	<b>\$3.91</b>
<b><u>EDF FX impact on adjusted EPS</u></b>			
EDF EX impact	(2.5)	8.4	(2.6)
Tax rate	32.5%	32.5%	29.0%
Tax adjusted EDF FX impact	(1.7)	5.7	(1.8)
Avg. common shares uustanding, diluted (millions)	21.8	21.8	21.1
EDF FX impact on EPS	(\$0.08)	\$0.26	-\$0.09
Adjusted EPS	\$2.86	\$3.48	\$3.91
EDF FX impact on EPS	\$0.08	(\$0.26)	\$0.09
<b>Adjusted EPS ex. EDF FX impact</b>	<b>\$2.94</b>	<b>\$3.22</b>	<b>\$4.00</b>