Actuant

INDUSTRIAL
TOOLS & SERVICES

ENERPAC

EQUALIZER INTERNATIONAL

hydratight

LARZEP HYDRAULIC

SIMPLEX

MIRAGE

ENGINEERED
COMPONENTS
& SYSTEMS

CORTLAND

crosscontrol

elliott manufacturing

GITS MFG. CO.

maximatecc

POWER-PACKER

Weasler®

Fiscal 2019 Third Quarter Earnings

June 26, 2019

ATU
LISTED
NYSE

Safe Harbor

Statements in this presentation that are not historical are considered “forward-looking statements” and are subject to change based on various factors and uncertainties that may cause actual results to differ significantly from expectations. Those factors are contained in Actuant’s Securities and Exchange Commission filings.

All estimates of future performance are as of June 26, 2019. Actuant’s inclusion of these estimates or targets in the presentation is not an update, confirmation, affirmation or disavowal of the estimates or targets.

In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation or accompanying the Q3 Fiscal 2019 earnings press release for a reconciliation to the appropriate GAAP measure.

Q3 Fiscal 2019 – Progress on our Strategic Objectives

Tools



Services



Components



Core Growth Above Market

- Growth in Industrial Tools & Service (“IT&S”) at 8% resulted from strong service results and solid product sales in North America resulting from investments in commercial and new product development processes

Driving World-Class Operations and Service

- Executing restructuring program announced in March focused on streamlining North America Service and general structure

Disciplined Capital Deployment

- Balanced capital allocation priorities focused on those that create the greatest shareholder value

Portfolio Management

- Process continues on the sale of Engineered Components & Systems.
- After further evaluation of strategic alternatives, will retain Cortland US and grow business

Strong Q3 driven by solid execution and core IT&S growth

Tools

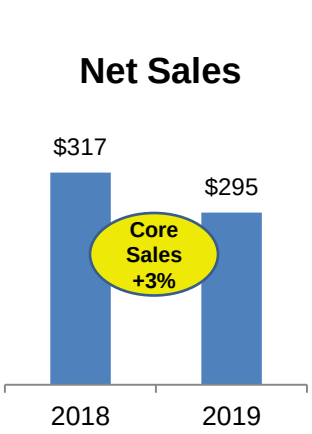


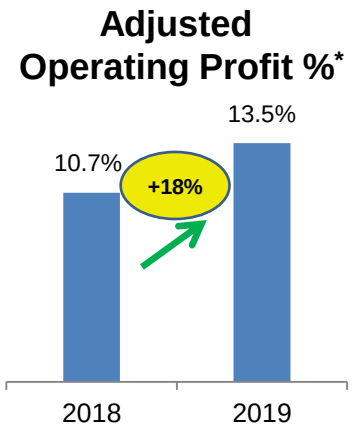
Services

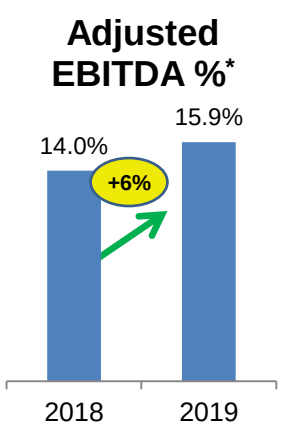


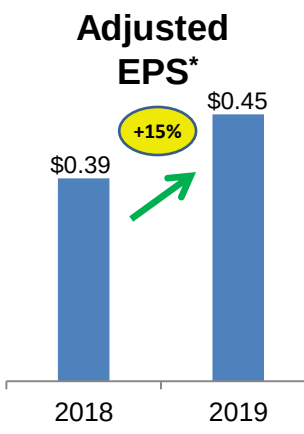
Components











Solid results within expectations

- Core sales growth of 3%
  - IT&S core growth of 8%; EC&S core declined by 2%
  - Impact of divestitures -6%
  - Impact of strong US Dollar -4%
- Adjusted Operating Profit increased 18% with Adjusted Operating Profit Margin expansion of 280bps
- Adjusted EBITDA Margin expansion of 190bps
- Adjusted EPS growth of 15% YOY
- Financial leverage at 1.8x and improved significantly versus prior year 2.6x

*Adjusted Operating Margin, EBITDA Margin and EPS excludes restructuring, impairment and other charges identified in the accompanying reconciliations to GAAP measures.

Third Quarter New Products / Platforms

Industrial Tools & Service



E-Pulse Hydraulic Pump
This revolutionary pump is design for all applications from lifting to bolting to power our specialty tools



SCJ-50 Cube Jack
50 ton Lifting system
The Self-Locking Cube Jack offers a new compact and portable hydraulic solution for heavy lifting

9 New product families in the quarter
Great progress toward 10% NPD goal

Engineered Components & Systems



crosscontrol

7” display product for TOYOTA Material Handling





maximatecc



CNH India is adopting the cluster platforms for their new tier 4-B backhoes & soil compactors

10 New platform wins in the quarter
New Product / Platform +15%

Capital Allocation Framework

Capital Allocation Priorities

Invest in Ourselves

- to achieve organic growth, we invest in new product development, sales force effectiveness, etc.

Maintain a strong balance sheet

- prudent debt reduction as required and/or drives value

Invest in strategic tools acquisitions

- through a disciplined process at a fair valuation and conducted in a manner such that does not risk the balance sheet. All targets will be evaluated versus share repurchase

Return capital to shareholders

- via opportunistic share repurchase at the right price

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

Third Quarter 2019 GAAP vs Non-GAAP Reconciliation

	GAAP	Impairment, Divestiture & Other Charges	Tax Reform & Other Costs	Adjusted
Sales	$295.3			$295.3
Operating Profit	$47.4	$8.9	($1.4)	$39.9
Income Taxes	$7.3	($1.0)	$3.5	$4.8
Net Income	$32.4	$9.9	($5.1)	$27.6
Effective tax rate	*18.4%*			
Diluted EPS	$0.52	$0.16	($0.09)	$0.45

Impairment, Divestiture & Other Charges include:

- $9.9 million net benefit from the decision to retain Cortland US, including accounting for certain translation losses and depreciation and amortization, offset by EC&S divestiture costs

Tax Reform & Other Costs include:

- Income tax increase resulting from tax reform law changes which occurred in the quarter were approximately $5 million
- Other charges including restructuring and acceleration of debt issuance cost

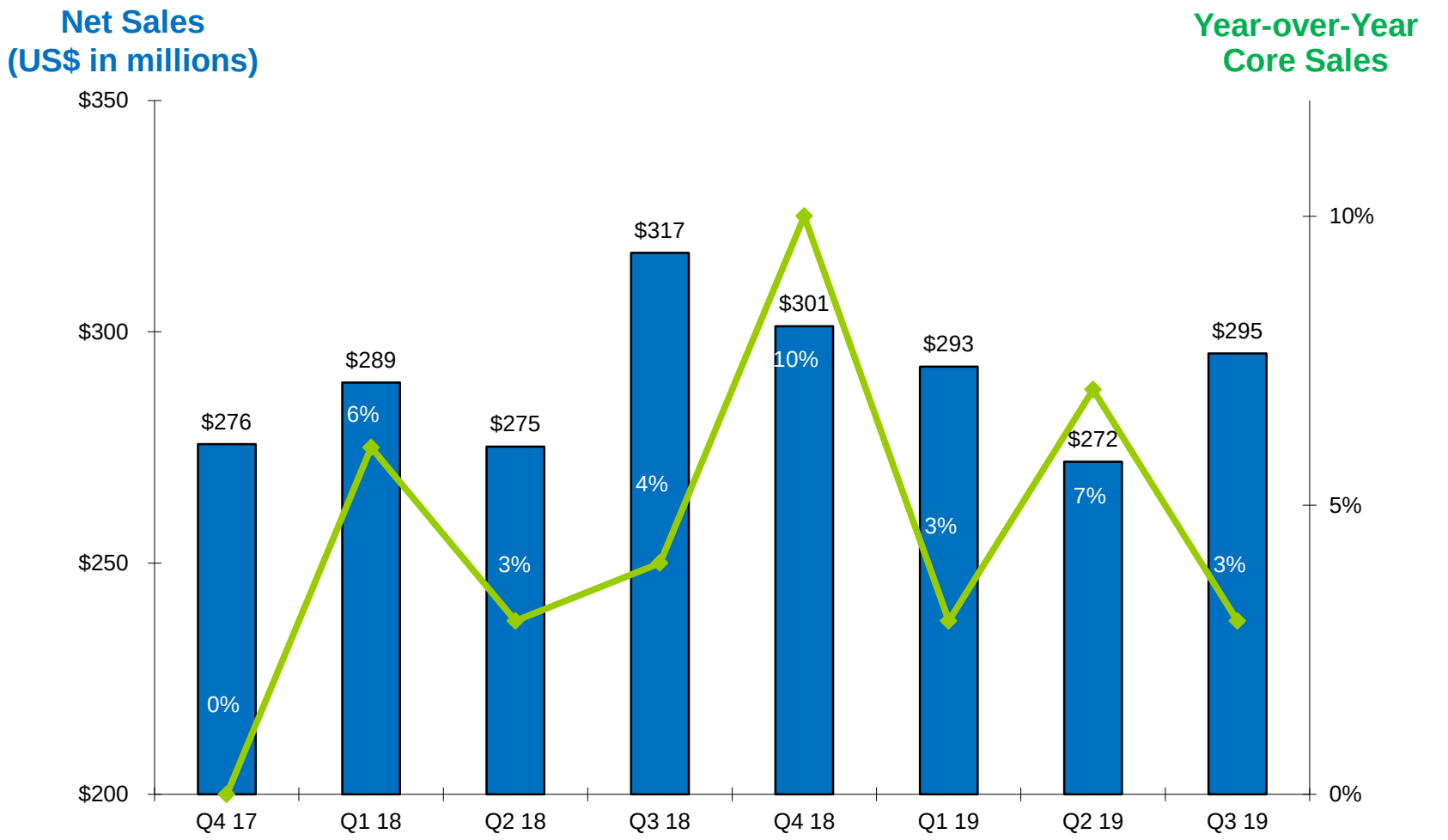
Third Quarter 2019 Comparable Results

(US$ in millions except Diluted EPS)

	F' 2018	F' 2019	Change
Sales	$317	$295	-7%
Adjusted Operating Profit[(1)]	$34	$40	18%
	10.7%	*13.5%*	*+280 bps*
Adjusted Diluted EPS[(1)]	$0.39	$0.45	15%

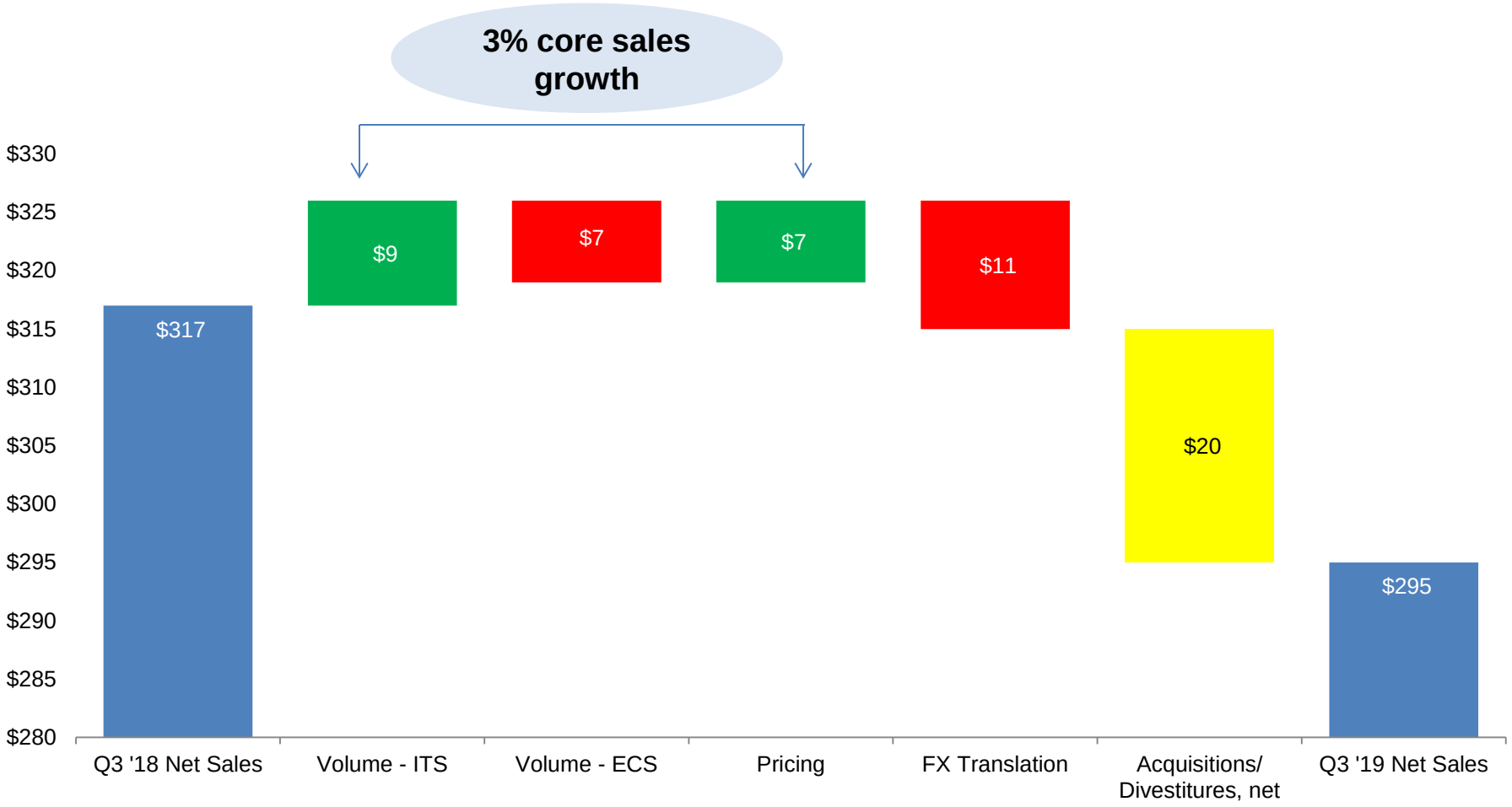
(1) Excluding restructuring, impairment and other specified charges. See the accompanying reconciliation tables.

Core Sales Trend



Sustained core growth driven by strong 8% contribution from IT&S

Net Sales Waterfall

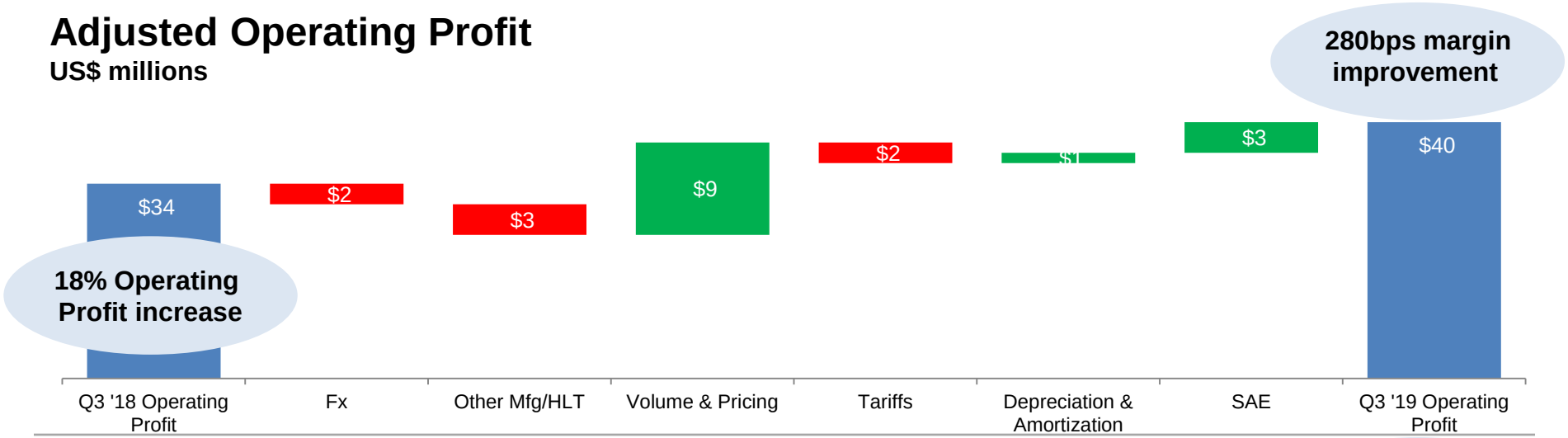


Positive impact from commercially driven volume and pricing actions partially offset by divestitures and the effect of the stronger US$

Adjusted Operating Profit and EBITDA Waterfalls*

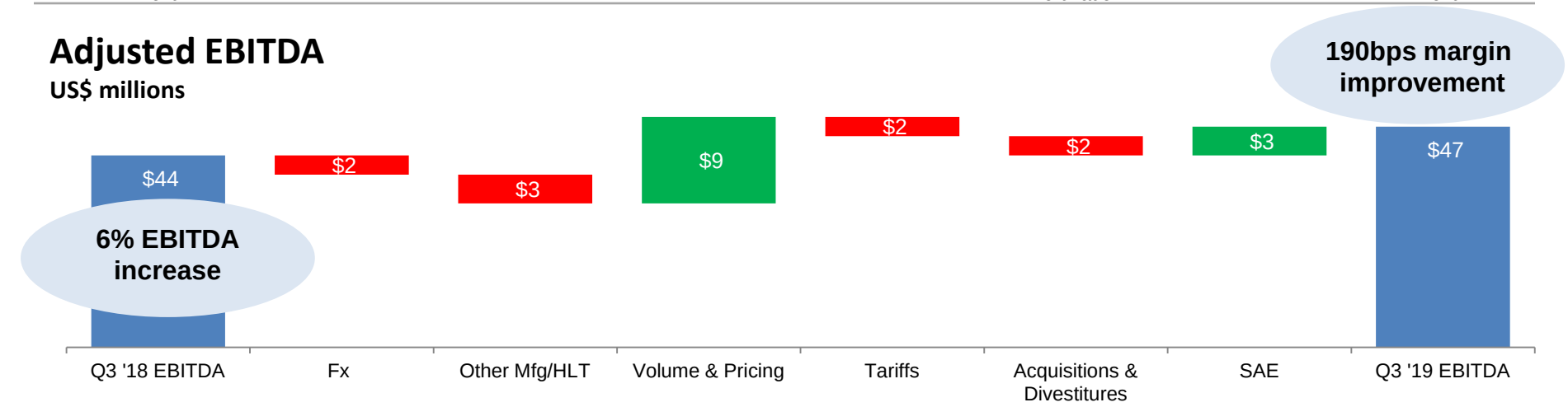
Adjusted Operating Profit

US$ millions



Adjusted EBITDA

US$ millions



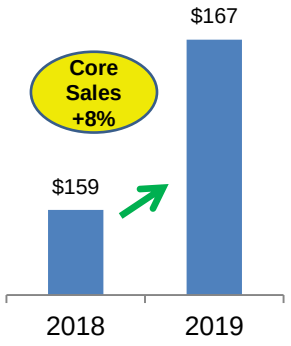
Have begun implementing restructuring plan announced in March initially focusing on IT&S structure and service organization profitability improvement

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

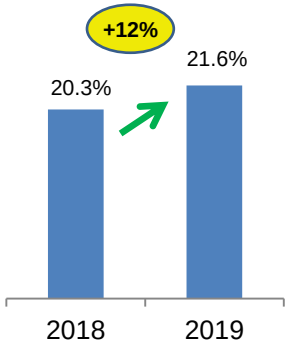
Industrial Tools & Services

Third Quarter FY'18 vs FY'19

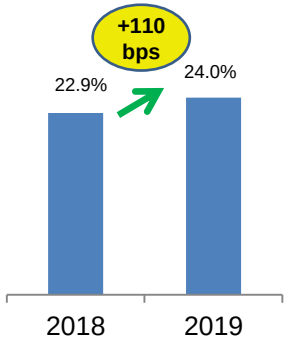
Net Sales



Adjusted Operating Profit %*



Adjusted EBITDA %*



ENERPAC

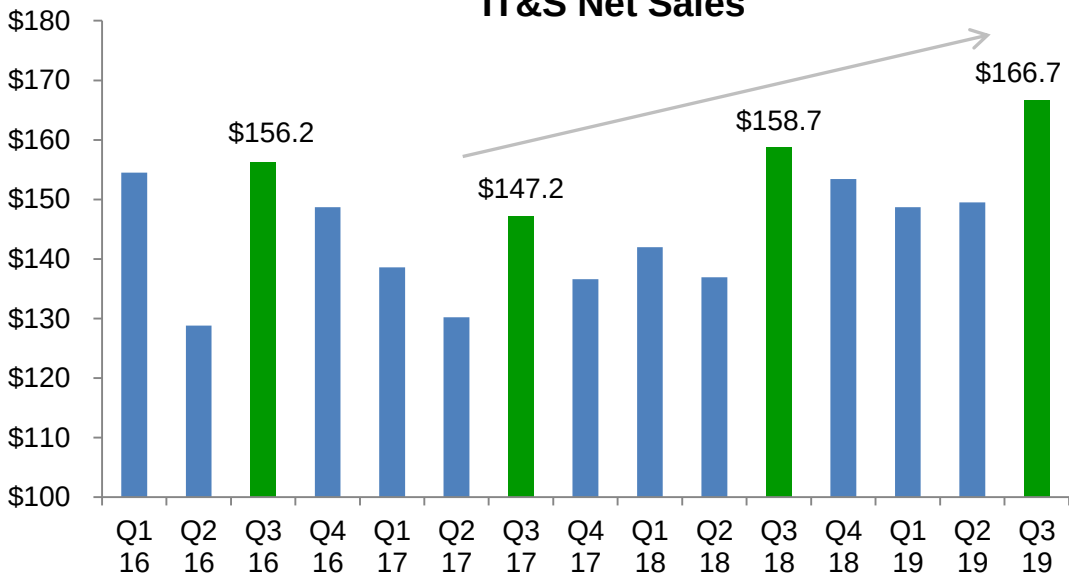




New product launches in the quarter will continue to drive product vitality

- Solid product sales in North America contributed to strong core sales growth
- Very strong service growth in the Middle East and the North Sea resulted from significant scope additions to planned maintenance shutdowns
- Incremental profitability from upsized projects, flow through on incremental product sales, and price realization

IT&S Net Sales



*Excludes restructuring, impairment and other specified charges. See the accompanying reconciliation tables.

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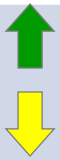
IT&S Restructuring and Q4 Expectations

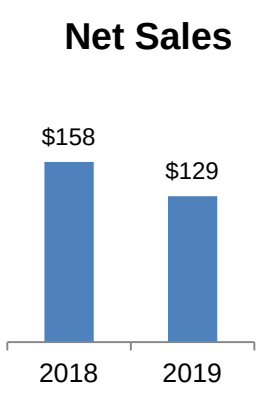
- IT&S Restructuring expected to result in $12-$15 million of annual savings at a one-time cost of $15-$20 million
- Began to implement plan in Q3 with most actions expected in Q4 and FY'20
  - Restructuring charges of $1 million in Q3; remainder in Q4 and FY'20
- Areas of Focus
  - Repositioning North American Service – aligning resources and future investments toward driving incremental product and rental sales, while focusing on higher margin specialty services
  - General Structure – integration of Enerpac and Hydratight

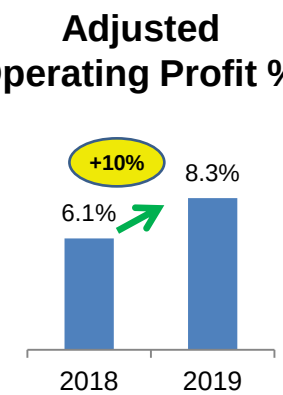
Q4 Expectations

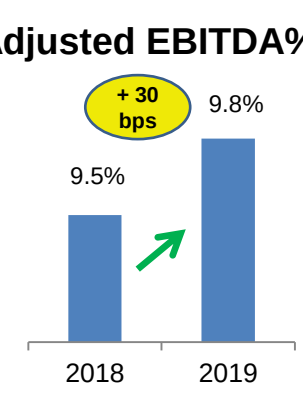
IT&S Projections – Q4	Trend	*Range*
Core Tools Sales HLT Restructuring impact		*LSD*
Service Core Restructuring impact		*MSD*
Consolidated		*1-4%*

Engineered Components & Systems

Third quarter FY'18 vs FY'19







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CORTLAND
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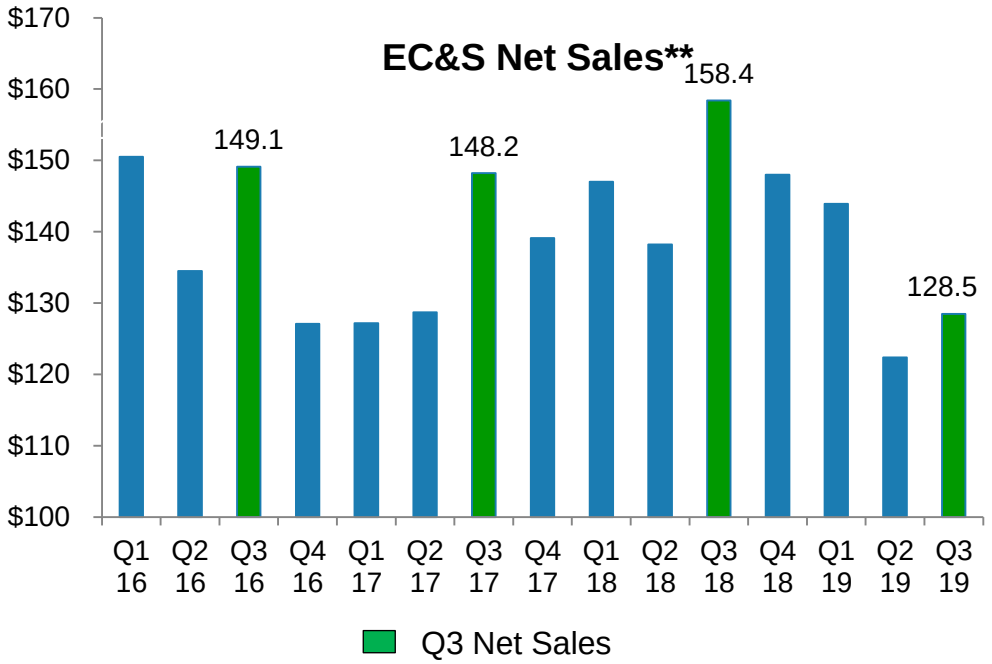
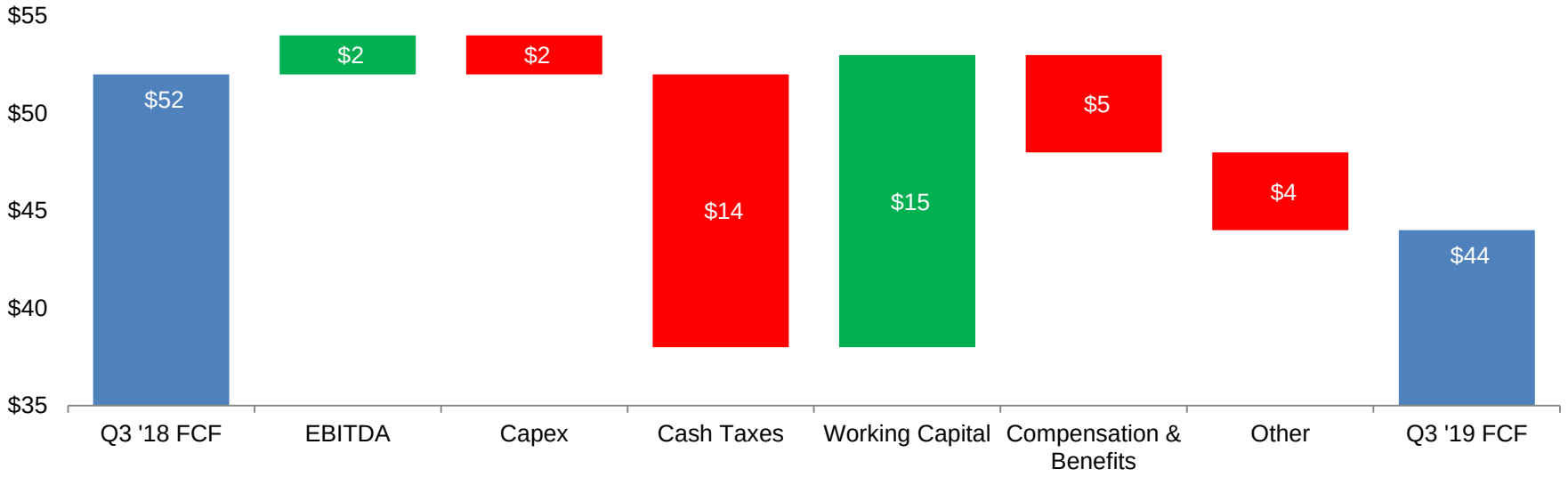
- Net sales decline in the quarter resulted from low single digit decline in core sales, divestitures (Cortland Fibron and Precision-Hayes) and the impact of the stronger dollar.
- Weather related (Ag) impacts as well as softening in US Frac and European Truck resulted in core sales decline.
- Cortland US sales were flat to prior year although medical sales grew solidly over prior year.
- Continued profit margin improvement resulted from price realization, spend control and reduced incentive compensation .



**Historical sales are not adjusted for divestitures

*Excludes restructuring, impairment and other specified charges. See the accompanying reconciliation tables.

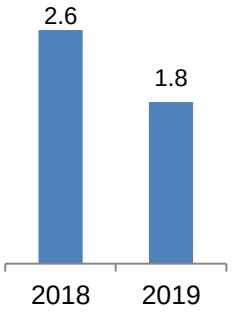
Free Cash Flow - Leverage Continues to Improve



Net Debt Reconciliation

Net Debt – February 28, 2019	$315
FX/Other	3
Free Cash Flow	(44)
Net Debt – May 31, 2019	$274
Net Debt/Adjusted EBITDA [(1)]	1.8

Financial Leverage (May 31)



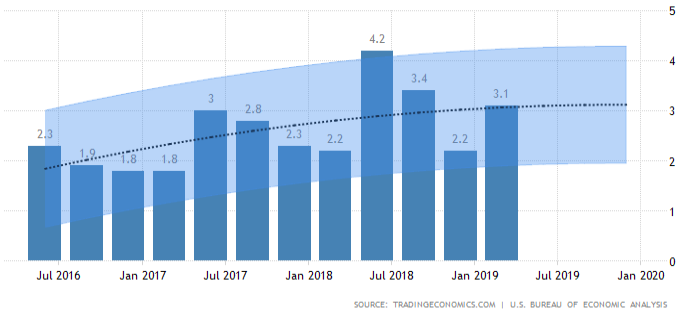
(1) Includes certain Non-GAAP financial measures. See the accompanying reconciliation tables for additional details.

Macro Industry Dynamics

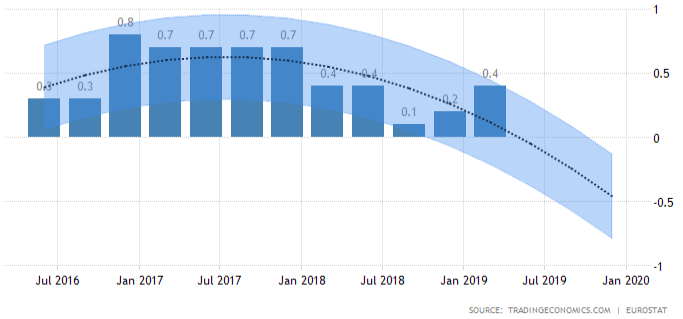
- General economic factors – tempered growth rates, with inflationary concerns
  - Global GDP: US growth / Euro Area decline
  - Commodity prices stabilized
- Industrial Tools & Services
  - Positive activity continues in tool sales, distributor optimism, retail demand
  - Strong maintenance sales growth
- Off-Highway Mobile Equipment
  - Ag & CE producers balancing wholesale with retail activity
  - Mining continued growth
- On-Highway
  - China on-highway slowing further due to the on going trade issue
  - European truck volume stabilizing

GDP Growth Rate

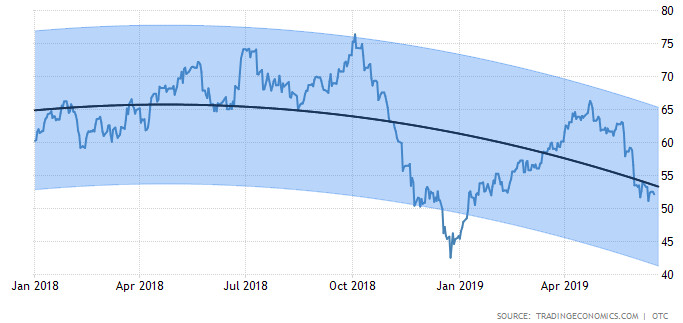
USA



Euro Area



Crude oil



Fiscal 2019 Core Sales Expectations

Core Growth	FY 2019	*2019 Q1 Actual*	*2019 Q2 Actual*	*2019 Q3 Actual*	*2019 Q4*
Industrial Tools & Services (IT&S)	6% to 7%	*+4%*	*+12%*	*+8%*	*+1 to +4%*
Engineered Components & Systems (EC&S)	-2% to -3%	*+2%*	*Flat*	*-2%*	*-7 to -11%*
Consolidated	2 to 3%	*+3%*	*+7%*	*+3%*	*-1 to -3%*

- Industrial Tools & Services
  - Markets expected to continue steady growth
  - Tools: Continued positive core growth driven by commercial actions, NPD and pricing partially offset by reductions in HLT
  - Services: Fourth quarter is seasonally slowest also impacted by service restructuring actions
- Engineered Components & Systems
  - On-Highway: Lower demand in China and European markets
  - Off-highway: Manufactures are controlling inventory through constrained wholesale plans

Fiscal 2019 Guidance Summary

(US$ in millions except EPS)

	Full Year	
	2018	2019E
Net Sales	$1,183	$1,125-$1,135
Adj. EBITDA*	$145	$151-$155
Adj. Diluted EPS*	$1.09	$1.15-$1.21

	Fourth Quarter	
	2018	2019E
Net Sales	$317	$265-$275
Adj. EBITDA*	$44	$38-$42
Adj. Diluted EPS*	$0.39	$0.25-$0.31

2018 and 2019 guidance excludes restructuring, impairment & divestiture charges and other tax adjustments. 2019 guidance also excludes any future acquisitions, divestitures or stock repurchases not specially identified.

Assumptions

- Key FX rates – approximately $1.15/1€ and $1.30/1£

Full Year Guidance

- Full year core sales +2% to +3%
- EPS of $1.15 – 1.21
- ~20% effective tax rate
- Shares outstanding ~62 million
- Free cash flow $62-$70 million

Fourth Quarter Guidance

- Low-single digit core sales decrease
- EPS of $0.25-$0.31/share
- Mid-to-high twenty percent effective tax rate (vs. 9% rate in prior year)

Expect to see continued growth from IT&S commercial actions and end markets
Projecting incremental profitability in line with internal expectations

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

Q & A

Appendix

Reconciliation of Non-GAAP Measures

(US$ in millions)

Adjusted EBITDA

	Q3 2019	Q3 2018
Net Earnings	$32	$29
Net Financing Costs	$7	$8
Income Taxes	$7	($2)
Depreciation & Amortization	$10	$10
Restructuring Charges/Debt Modificatio	$2	($1)
Impairment/Divestiture	($11)	$0
Adjusted EBITDA	**$47**	**$44**

Free Cash Flow

	Q3 2019	Q3 2018
Cash From Operations	$53	$58
Capital Expenditures	($8)	($6)
Sale of PP&E	$1	$0
Other	($2)	$0
Free Cash Flow	**$44**	**$52**

The Actuant Fiscal 2019 Q3 earnings release and full GAAP to non-GAAP reconciliation is available online at:
https://actuant.gcs-web.com/news-releases/news-release-details/actuant-reports-third-quarter-2019-results