ENERPAC TOOL GROUP

Fiscal 2020
Second Quarter Earnings

March 19, 2020

Forward-Looking Statements

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 Enerpac Tool Group’s Securities and Exchange Commission filings.

All estimates of future performance are as of March 19, 2020. Enerpac Tool Group’s inclusion of these estimates or targets in the presentation is not an update, confirmation, affirmation or disavowal of the estimates or targets.

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 Q2 Fiscal 2020 earnings press release for a reconciliation to the appropriate GAAP measure.

COVID-19 and Oil & Gas Volatility

COVID-19

- Impact to sales in the quarter: ~$2M
- Operating profit impact : ~$1M
- China operations effectively idled for half of the quarter but are slowly coming back online
- Supply chain currently stable – Our team has found quick solutions to maintain material flow
- Unknown how it may impact remainder of fiscal 2020

Oil & Gas

- Our work is focused on repairs and maintenance
- It is possible that some repairs and maintenance projects might be delayed due to an economic downturn, but the work still needs to be performed and is not dependent on new cap ex spend
- Since the divestiture of Viking and Cortland Fibron, we have very little upstream exposure
- ~25-30% of revenue relates to midstream and downstream oil & gas activity

Second Quarter 2020 Summary

Market Update

- North America – core industrial tools
- Middle East – service in the Caspian region
- Asia – China and S. Korea (COVID-19 impact)
- Europe – Stability and slight growth in several countries

Impact on Core Sales Growth

- Consolidated: down 10% - products down 4%; services down 28%
- Tools & Services: down 11%
- Other: down 2%

Financials

- Results in the guidance range
- Sales: $133M
- Adjusted EPS: $0.09
- Cash Flow: used $9M of cash compared to $31M in the comparable prior year period
- Significant improvement in working capital year-over-year

Second Quarter 2020 Strategy Progress

Organic Growth

- New Product Development
  - 3 new product families
  - NPVI +10%
- Coverage / Vertical market focus

Acquisitions

- HTL acquisition completed in the quarter
  - Completes our bolting product line
  - Enhances our European rental capability
  - Provides global manufacturing, engineering and management for our Bolting business
- Continued focus on target tools and markets

Cost Progression

- Structural moves in Q2
- Accelerating cost efficiency ~$10M of annual savings
- On track to achieve our 20% EBITDA run rate as we exit fiscal 2020



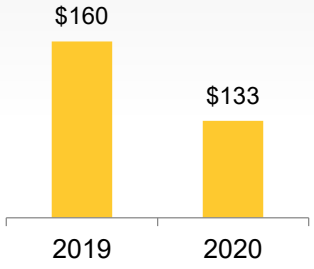
Bolt Torque Equipment



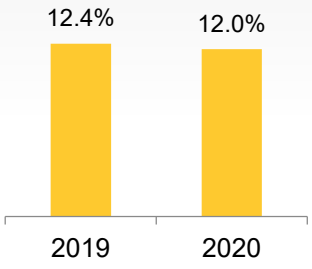
New Enerpac 3 in 1
Torque Wrench System

Second Quarter 2020 Comparable Results

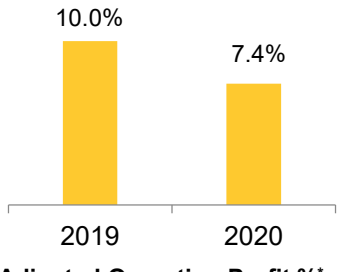
(US$ in millions except EPS)



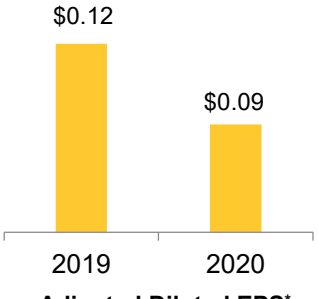
Net Sales*



Adjusted EBITDA %*



Adjusted Operating Profit %*



Adjusted Diluted EPS*

*Adjusted Operating Margin, EBITDA Margin and EPS excludes restructuring, impairment and other charges identified in the accompanying reconciliations to GAAP measures. In addition, see reconciliation of net sales to core sales in the appendix.

NET SALES*

- Core sales decreased 10% - product (-4%) and service (-28%)
  - IT&S sales (11%)
    - Anticipated year-over-year service decline in Middle East and Asia
    - Continued global economic uncertainty
    - COVID-19 impact ~($2M)
  - Other (2%)
    - Continued growth of medical sales
- New Product Development (NPD) – 3 new products families launched
  - NPD % of sales >10% for the 2nd consecutive quarter
- Strategic exits ~($12M)
- HTL acquisition ~$2M

ADJUSTED OPERATING PROFIT*

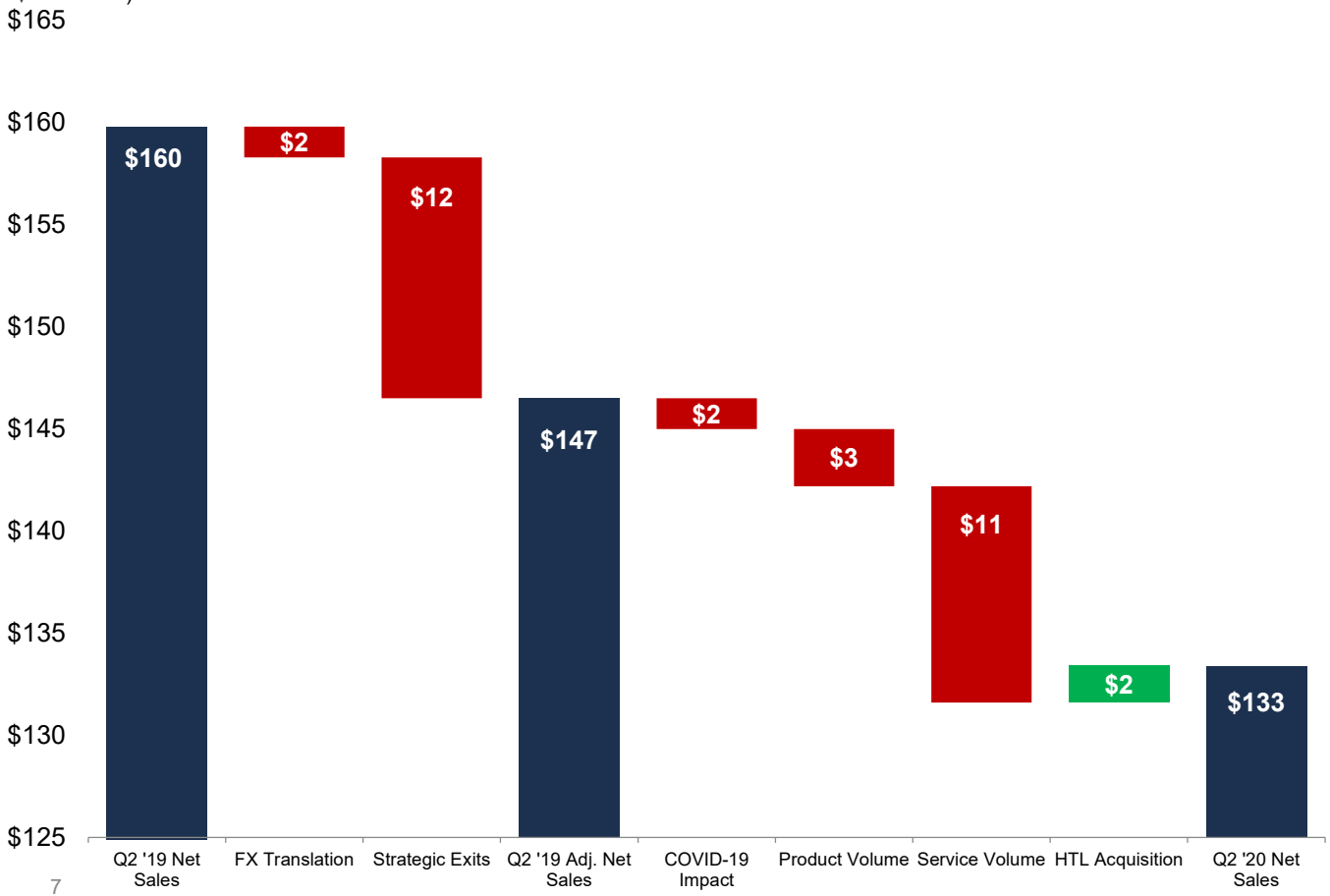
- Year-over-year decline due to reduced volume
- Includes $3.6 million of overhead costs previously allocated to EC&S segment
- COVID-19 impact ~($1M)

ADJUSTED DILUTED EPS*

- Reduced interest expense due to debt reduction
- Tax rate improvement versus expectations due to planning actions

Net Sales Waterfall*

(US$ in millions)

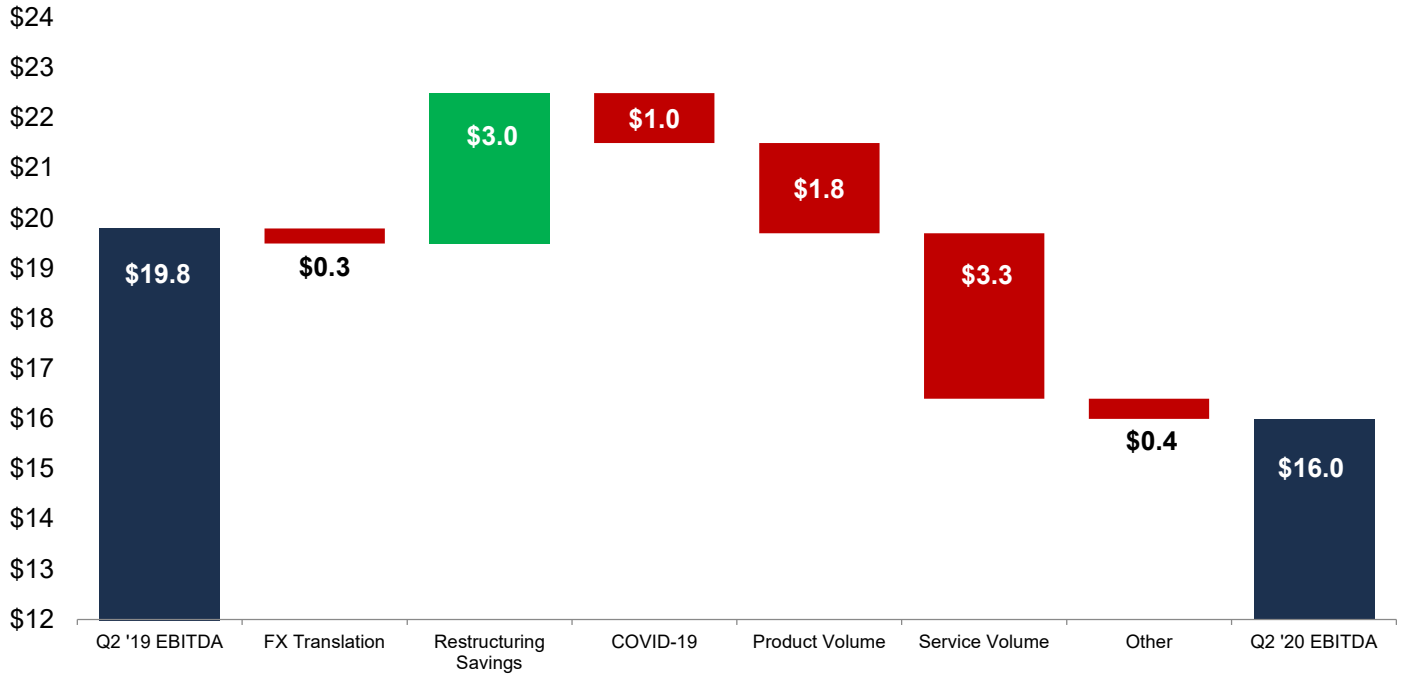


Planned strategic exits, the stronger dollar, COVID-19 and general market softness (primarily in North America and the Middle East) resulted in lower sales year-over-year

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

Adjusted EBITDA Waterfall*

(US$ in millions)



Adjusted EBITDA decreased year-over-year primarily due to COVID-19 and product/service volume decreases, partially offset by restructuring savings

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

Balance Sheet

(US$ in millions)

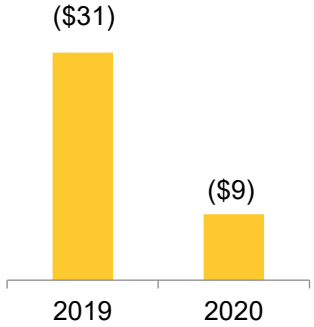
Improvement in use of cash in Q2 fiscal 2020 vs Q2 fiscal 2019

- $36 million improvement in working capital
- $4 million less in capital expenditures

Q2 cash balance $163 million

Acquisition of HTL

Repurchased ~503,000 shares since quarter end

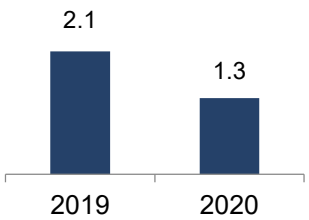


Q2 Free Cash Flow Use

Net Debt Reconciliation

Net Debt – Nov 30, 2019	$79
HTL Acquisition	33
Fx/Other	2
Free Cash Flow Use	9
Net Debt – Feb 29, 2020	$123
Net Debt/Adjusted EBITDA (1)	1.3

Financial Leverage (Q2)



(1) Adjusted for noncash stock compensation expense and excludes impairment charge. Includes certain Non-GAAP financial measures. See the accompanying reconciliation tables for additional details.

Achieving EBITDA Margin Expansion – Next 5 Years

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Fiscal 2019 → Fiscal 2020 → Fiscal 2021-2024

Strategic Vision

EBITDA ~15%

EBITDA ~17%*

- EBITDA run rate of ~20% by end of fiscal 2020
- Restructuring
- Structural Cost Reduction

Restructuring Run Rate / Structural Cost Reduction

~325-425bps**

- Achieve run rate on already announced restructuring
- Eliminate ECS stranded costs
- Redundancy in segment vs corporate costs
- Reduced third party support costs

~$10M

Footprint Optimization

~150-200bps**

- Cortland plant consolidation
- Enerpac plant optimization

~$5M

Incremental Profit on Growth

~275-325bps**

- Profitability on incremental product sales from 35-45%
- Focus on value added service and rental
- Growth from market and NPD

EBITDA ~25%

- Based on actions taken in fiscal 2020-2024 anticipate an EBITDA run rate of ~25% by end of fiscal 2024

Actions to Date

Fiscal 2020 progression

EBITDA ~15%

+200bps*

+200bps**

- Complete Enerpac restructuring
- Eliminate EC&S stranded costs

+100bps**

- Cortland plant consolidation

EBITDA ~20%

- Annualized run rate by end of fiscal 2020

*midpoint of guidance

**estimated expansion opportunity

Conclusion – Prioritizing Capital Allocation

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- Reduce Debt and Maintain a Strong Balance Sheet
- Invest in Ourselves to Drive Organic Growth
- Opportunistic Share Buybacks
- Disciplined M&A within Tool Space

Given the volatility in the market, our current capital allocation priorities are focused on maintaining a strong balance sheet and financial flexibility as well as investing in ourselves

Q&A

Appendix

Second Quarter 2020 GAAP vs Non-GAAP Reconciliation

(US$ in millions except EPS)

	GAAP	Less: Net Impairment & Divestiture Gains	Less: Restructuring Charges	Less: Purchase Accounting Charges	Adjusted
Sales	$133.4				$133.4
Operating Profit	$8.6	$0.8	($1.9)	($0.2)	$9.9
Income Taxes	$0.8	$0.2	($0.3)	($0.0)	$0.9
Net Income	$3.9	$0.6	($1.6)	($0.2)	$5.1
Effective tax rate	*17.1%*				
Diluted EPS	$0.06	$0.01	($0.04)	$0.00	$0.09

Net Impairment & Divestiture Gains include:

- $0.8 million benefit related to the net impact of the divesture of product lines/businesses

Restructuring Charges include:

- $1.9 million charge primarily related to the restructuring plan announced in fiscal 2019 and facility consolidations

Purchase Accounting Charges include:

- $0.2 million charge related to inventory step-up on HTL acquisition

Reconciliation of Non-GAAP Measures

(US$ in millions)

Adjusted EBITDA

	Q2 2020	Q2 2019
Net Earnings	$7	$1
Net Financing Costs	$5	$7
Income Taxes	($2)	$4
Depreciation & Amortization	$5	$4
Restructuring Charges	$2	$0
Impairment/Divestiture	($1)	$4
Adjusted EBITDA	$16	$20

Free Cash Flow

	Q2 2020	Q2 2019
Cash From Operations	$ (6)	$ (22)
Capital Expenditures	$ (4)	$ (8)
Other	$ 1	$ (1)
Free Cash Flow	$ (9)	$ (31)

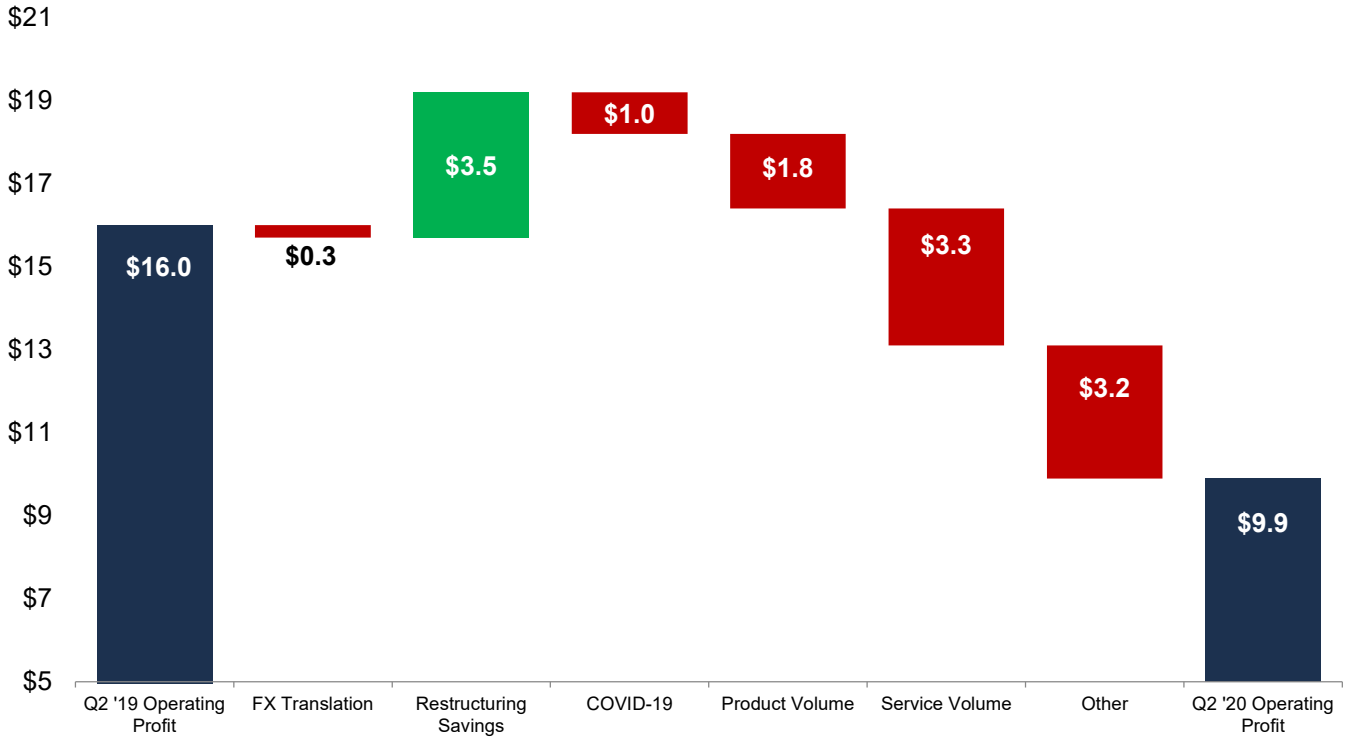
Core Sales

	Consolidated			IT&S Segment		
	Q2 2020	Q2 2019	% Change	Q2 2020	Q2 2019	% Change
Net Sales	$133	$160	-17%	$123	$150	-17%
Fx Impact	$0	($1)		$0	($1)	
Acquisition	($2)	$0		($2)	$0	
Strategic Exits	($2)	($14)		($2)	($14)	
Core Sales	$130	$145	-10%	$119	$134	-11%

- The Enerpac Tool Group fiscal 2020 Q2 earnings release and full GAAP to non-GAAP reconciliation is available online at: https://www.enerpactoolgroup.com/investors/quarterly-results/

Adjusted Operating Profit Waterfall*

(US$ in millions)



Adjusted Operating Profit decreased year-over-year primarily due to COVID-19 and volume/productivity partially offset by restructuring savings

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

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