ENERPAC TOOL GROUP

Fiscal 2020
Third Quarter Earnings

June 25, 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 June 25, 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 Q3 Fiscal 2020 earnings press release for a reconciliation to the appropriate GAAP measure.

COVID-19 - Controlling What We Can Control

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Employee Safety is #1 Concern

- Plants are operating as essential businesses with extra safety measures in place
- Non-production personnel are working from home – over 60% of our employees
- Suspended all travel except when employees are required at customer sites



Cost Control Measures

- Temporary/COVID-19 related measures generating ~$20M in savings in back half of fiscal 2020
- Permanent cost measures – actions announced in March 2019 and 2020 accelerated to eliminate ~$33 million of structural and redundant costs post EC&S divestiture
- Accelerating Enerpac footprint rationalization



Community Outreach

- Continue to support the communities in which we live through monetary donations as well as masks and face shields



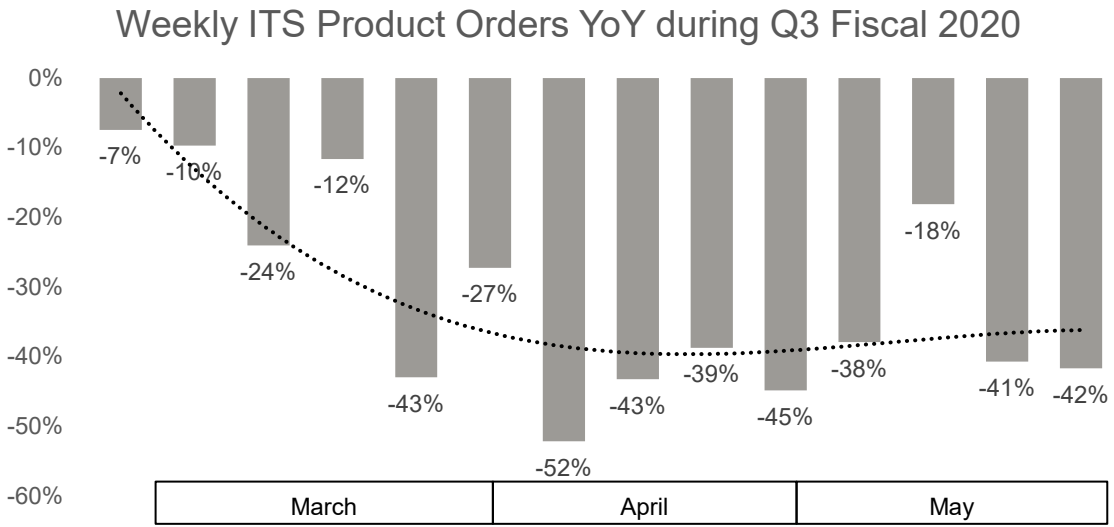
Post-quarantine Preparedness

- Employee safety will continue to be our priority
- Regional preparedness planning underway to open offices and return to work
- Will follow guidelines from local governments

Market Update

Third Quarter Product Order Rates

- Decline accelerated at the end of March and troughed in April
- Starting to see recovery in early Q4 as most regions are slowly reopening



Oil & Gas

- Pricing has slowly recovered, due to production cuts and improved demand
- Spending on maintenance and tools has been very conservative
- Market dynamics are projected to improve gradually through the coming quarters

Third Quarter 2020 Summary

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Financials

- Sales: $102M
- Adjusted EPS: $(0.06)
- Core sales decline of 38% (Product down 35% and Service down 47%)
- Free Cash Flow: $11M of cash compared to $44M in the comparable prior year period
- Maintained leverage of 1.8x, despite the sharp decline in sales
- Proactively amended credit facility and announced prepayment of notes
- Temporary cost actions provided ~ $12M in benefits in the quarter
- Maintained decremental margins of 35%, the low end of our target range

Regional Declines

- North America & Europe – ~ mid 30%
- Asia – ~low 30%
- Middle East – ~high 50%

Strategy Progress

Invest in Ourselves - Organic Growth

- New Product Development
  - 6 new product families
  - New Products as a percent of product sales +10%
- Commercial effectiveness
  - Further realignment of commercial team to get closer to customer
  - Continued support of our distributors through virtual training and meetings
  - Targeted e-commerce and digital marketing programs
  - Newly launched B2C e-commerce site and enhanced B2B



M&A

- Continues to be an important part of the strategy but waiting for market conditions to stabilize





Cost Progression

- Have taken $33 million in structural cost actions to right size the business
- Positioning the Company to be ready to respond when the market returns to normalized activity

Regional/Vertical Markets – Core Enerpac Products

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Americas / Europe

- Key Verticals
  - Key Power Gen wins - Nuclear
    - Includes products and some service maintenance work as several large sites executed shutdowns
  - Key Power Gen wins - Power Gen/Wind Turbines
    - Providing lifting and positioning equipment for the installation of turbines
  - Other positive activity in Rail maintenance orders
  - General Industrial and Oil & Gas verticals impacted by reduced maintenance activity
- Distribution
  - Distributors remained open as essential businesses but most staff worked remote and end user contact was very limited
  - Focus on cash preservation drove hesitancy to bring on inventory
  - We saw an uptick in percent of direct shipments, indicating we likely saw destocking during the quarter
  - We expect we will see opportunities for re-stocking once confidence builds – have seen evidence in June that has begun to happen
- Commercial Activity
  - Launched new virtual training content
  - Conducted thousands of hours of training –for our own team as well as distributor salespeople
  - High degree of engagement
  - Believe this will position us well to sell more as we begin to recover

Asia Pacific

- China came back online while the rest of the region was shutting down
- Saw many regional distributors close due to country restrictions; beginning to reopen as restrictions are lifted

Regional Markets – Service

Market Conditions

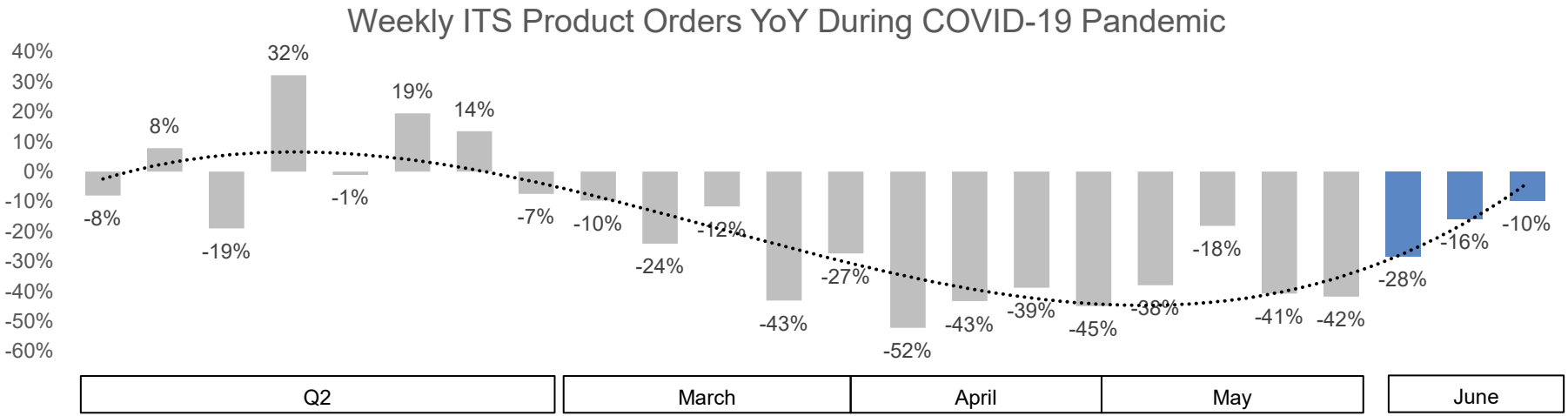
- Combination of COVID-19 and the Oil & Gas shock created a drop in demand
- Difficult Q3 comparison expected due to strong FY2019 (large service projects that would not repeat), accounted for over one-third of the decline
- Borders closed in most countries making it difficult to mobilize service teams during a normally heavy maintenance period

Commercial Activity

- Some service wins in North Sea and Gulf region
- With focus on downstream and MRO, believe most service work has been delayed but not cancelled
- Focused on capturing work that is rescheduled to FY2021

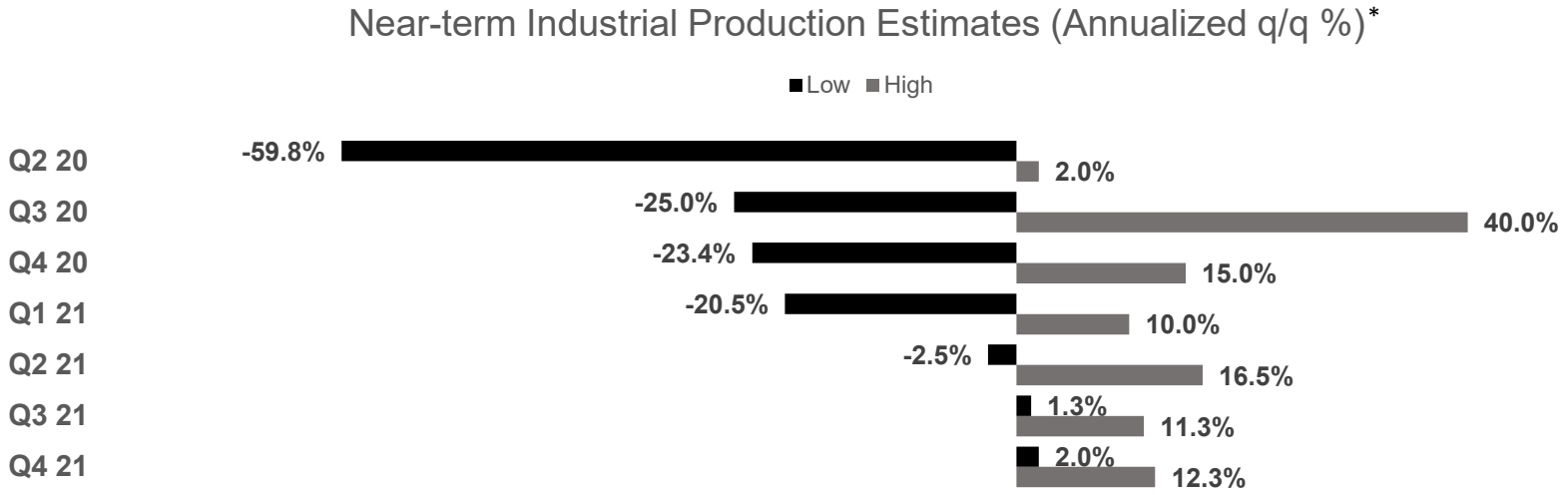
Current Business Trends

- Encouraging start to June/Q4 with sequential improvements week over week
- Comes as our customers are returning to work, construction sites are reopening and general level of activity picking up
- We are optimistic that we will continue to see improving levels of activity *barring resurgences that cause further shutdowns or other unforeseen disruptions*



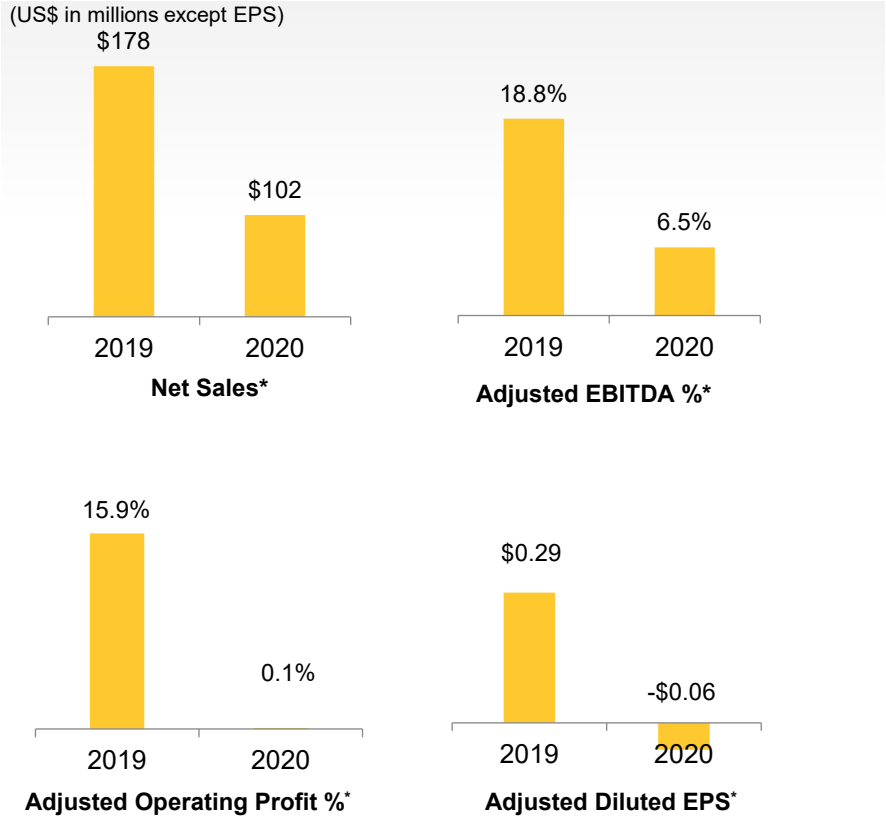
Current Business Trends - Continued

- It will take some time to fully recover to pre-COVID-19 levels and there is little clarity on when that may happen
- The chart below shows the high and low estimates of industrial production based on a survey of economists from financial institutions and other entities. There is a wide disparity of what the near future looks like



*Source: Bloomberg. Based on calendar quarters

Third Quarter 2020 Comparable Results



*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. 2019 EPS is presented as diluted, but 2020 EPS is not diluted due to net loss.

NET SALES*

- Core sales decreased 38% - product -35% and service -47%
  - IT&S sales -39%
    - Heavily impacted by COVID-19 pandemic and volatile oil & gas prices
    - Anticipated year-over-year service decline in Middle East
  - Other -21%
- New Product Development (NPD) – 6 new products families launched
  - NPD % of product sales >10% for the 3rd consecutive quarter
- Strategic exits ~$14M
- HTL acquisition ~$2M

ADJUSTED EBITDA*

- Decremental margins of ~35%

ADJUSTED OPERATING PROFIT*

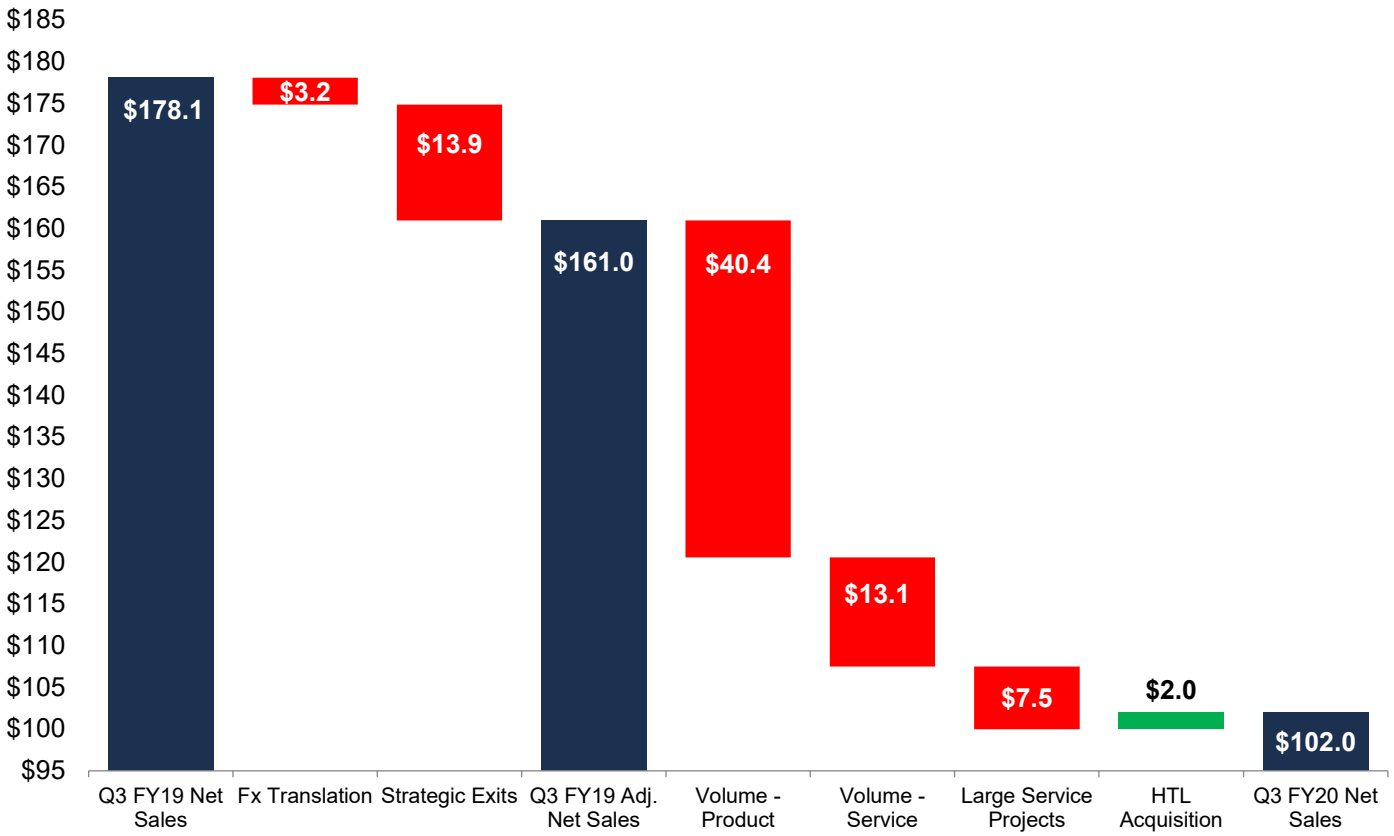
- Year-over-year decline due to significantly reduced volume

ADJUSTED DILUTED EPS*

- Year-over-year decline as the result of significantly reduced volume due to the global shutdown related to COVID-19

Net Sales Waterfall*

(US$ in millions)

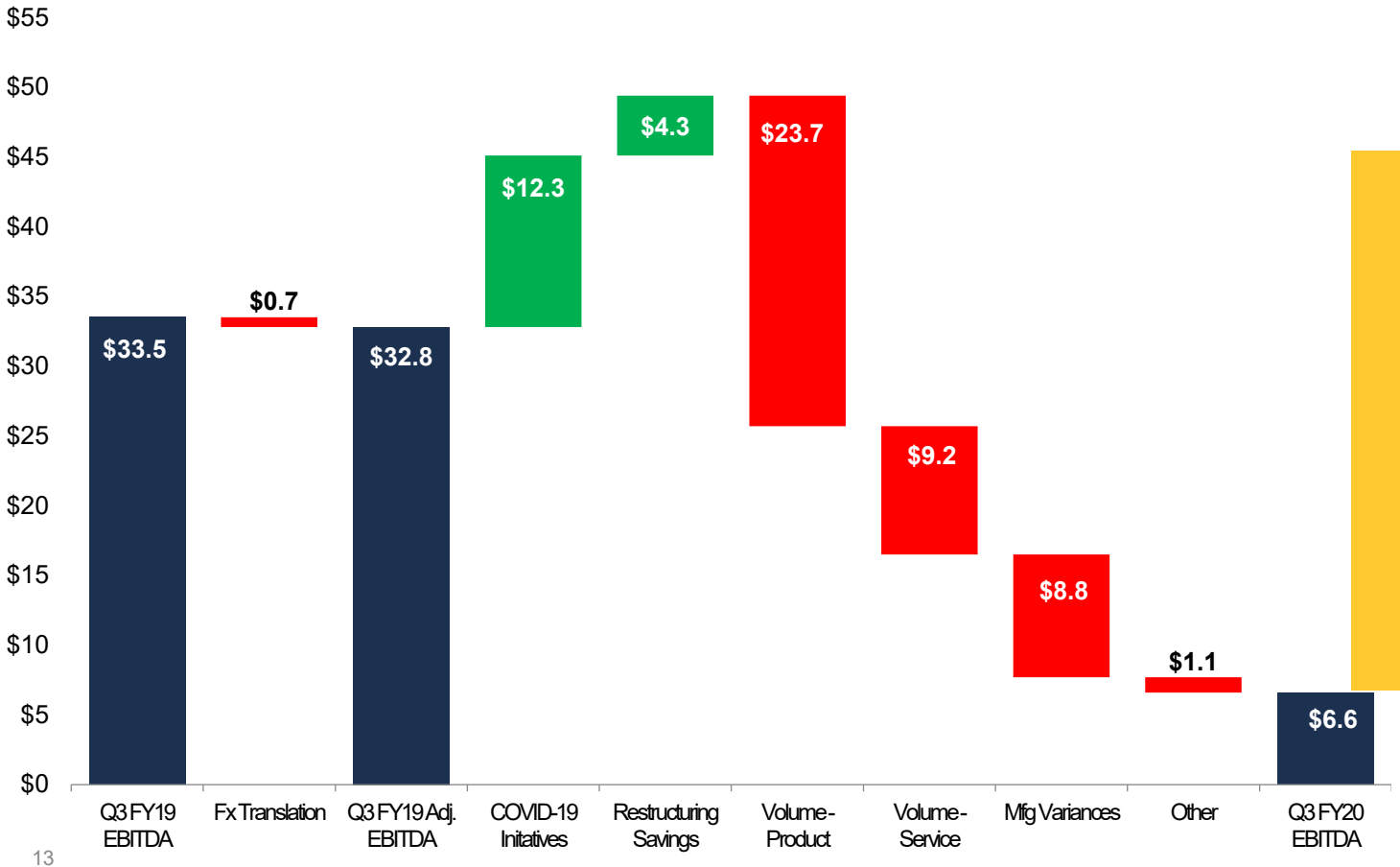


Planned strategic exits, the stronger dollar, the impact of the global shut-down due to the COVID-19 pandemic, and the sharp drop in Oil & Gas prices resulted in lower sales year-over-year

* 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 and other cost savings initiatives
Maintained low end of expected decremental EBITDA margin range

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

EBITDA Margin Expansion – Controlling What We Can Control

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Fiscal 2019 → Fiscal 2020 → Fiscal 2021-2024+ (assuming normal conditions)

Strategic Vision

EBITDA ~15%

~200-300bps*

- ✓ Enerpac/Hydratight Consolidation

Structural Cost Reduction

~200-300bps*

- ✓ Eliminate EC&S stranded costs — ~$3M
- ✓ 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 structural actions taken and when markets return to growth, positioned to generate EBITDA margins of 25% or better.

Impacted by COVID-19

Actions to Date

Cost structure progression in Fiscal 2020

$15M

- ✓ Enerpac/Hydratight restructuring

$13M

- ✓ Eliminate redundancies
- ✓ Eliminate EC&S stranded costs

$5M

- ✓ Cortland plant consolidation

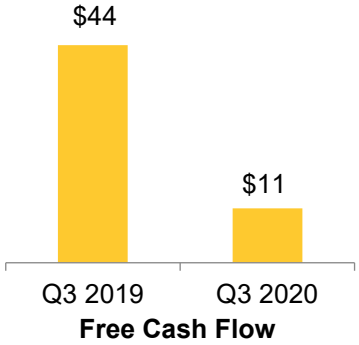
$33M Structural Cost Out

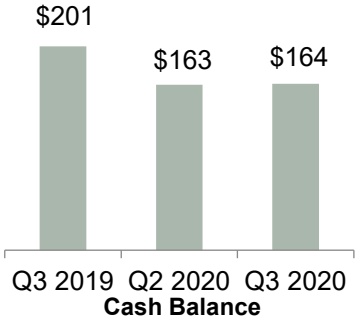
- ✓ Operational structure positioned for growth

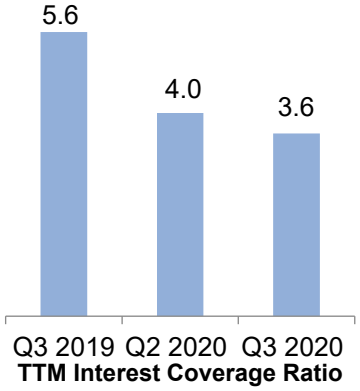
*based on 2019 Adjusted Revenue and EBITDA

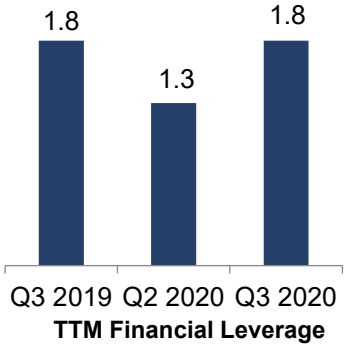
Liquidity – Controlling What We Can Control

(US$ in millions)









Cash Preservation

- Reduced Working Capital in the quarter
- Focused on controlling what we can control
- Proactively managing Receivables and Inventory
- Expanded focus on global procurement

Capital Allocation

- Q1 - $18 million in share buybacks
- Q2 - $33 million acquisition of HTL
- Q3 - $10 million in share buybacks

Capital Structure

- Completed redemption of senior notes on June 15, 2020
  - Funded by drawing on revolving credit facility
  - Interest expense savings over $10 million at current rates
  - Proforma interest coverage ratio 8.8x on forward interest expense
- Extended the 3.00x minimum interest coverage through FY 2021

Global Procurement During the Crisis

What We Are Seeing

Supply Chain

- No real disruptions
- No lost suppliers or stock outs
- All suppliers focused on liquidity

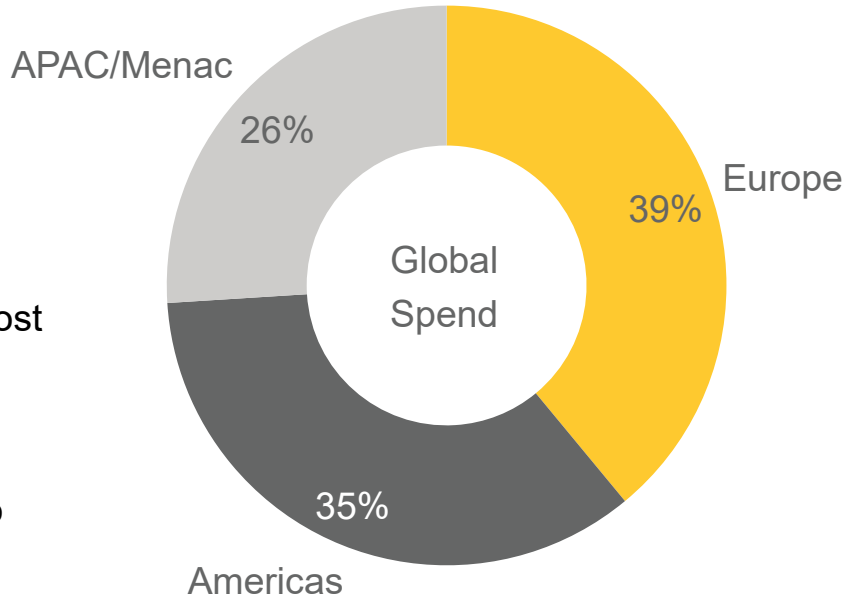
Logistics

- We are moving product
- Airfreight volatile but no other significant cost increases

How We Are Responding

- Accelerated transition of Asian Sourcing to Global Procurement Office
- Suspending purchase orders
- Reducing safety stock levels
- Negotiating cost concessions

$150-$160M Direct Global Spend*



*Normalized annual spend

Capital Allocation Priorities Remain Unchanged

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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
- Investing in ourselves is a key priority
- We have suspended share repurchases until we have greater clarity
- We will continue to cultivate our M&A pipeline to act opportunistically when markets stabilize

Q&A

Appendix

Third 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	$101.9				$101.9
Operating Profit	($2.0)	$1.4	($3.3)	($0.2)	$0.1
Income Taxes	($0.4)	$0.5	($1.1)	($0.0)	$0.2
Net Income	($4.9)	$1.0	($2.2)	($0.2)	($3.5)
Effective tax rate	*7.6%*				
Diluted EPS	($0.08)	$0.02	($0.04)	$0.00	($0.06)

Net Impairment & Divestiture Gains include:

- $1.4 million benefit related to the net impact of the divesture of product lines/businesses

Restructuring Charges include:

- $3.3 million charge primarily related to cost structure actions

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

	Q3 2020	Q3 2019
Net Earnings	($5)	$27
Net Financing Costs	$5	$7
Income Taxes	$0	$5
Depreciation & Amortization	$5	$6
Restructuring Charges	$3	$1
Impairment/Divestiture	($1)	($13)
Adjusted EBITDA	$7	$33

Free Cash Flow

	Q3 2020	Q3 2019
Cash From Operations	$ 13	$ 53
Capital Expenditures	$ (2)	$ (8)
Other	$ -	$ (1)
Free Cash Flow	$ 11	$ 44

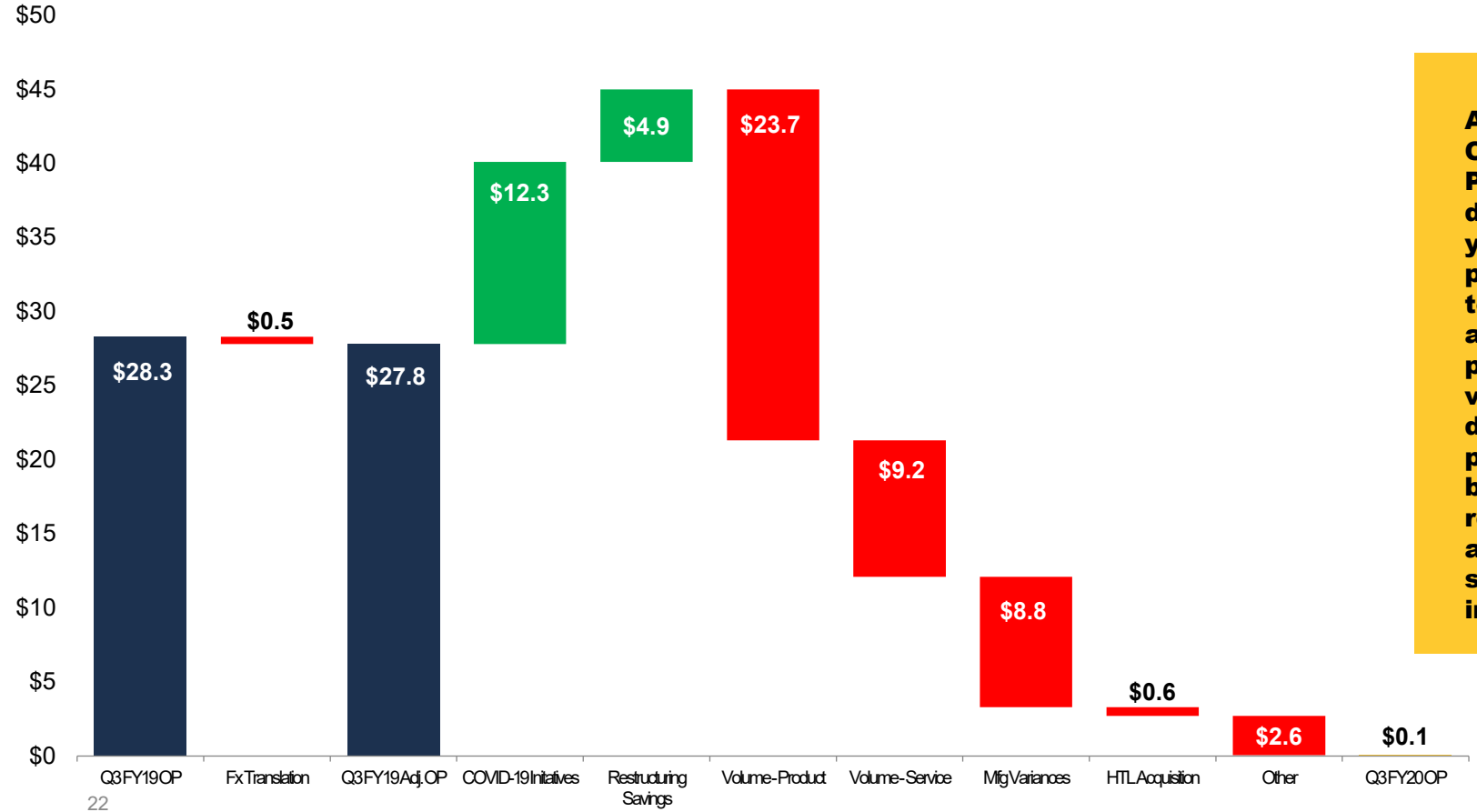
Core Sales

	Consolidated			IT&S Segment		
	Q3 2020	Q3 2019	% Change	Q3 2020	Q3 2019	% Change
Net Sales	$102	$178	-43%	$93	$167	-44%
Fx Impact	$0	($3)		$0	($3)	
Acquisition	($2)	$0		($2)	$0	
Strategic Exits	($1)	($15)		($1)	($15)	
Core Sales	$99	$160	-38%	$90	$149	-39%

- The Enerpac Tool Group fiscal 2020 Q3 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 product/service volume decreases, partially offset by restructuring and other cost savings initiatives

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