



GATES INDUSTRIAL CORPORATION PLC

**JUNE
2018**





FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This presentation contains certain “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “predicts,” “intends,” “trends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. These forward-looking statements are subject to risk, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors discussed in the section entitled “Risk Factors” in Gates’ annual report on form 10-K for the fiscal year ended December 30, 2017, as filed with the Securities and Exchange Commission (“SEC”) and the following: conditions in the global and regional economy and the major end markets we serve; economic, political and other risks associated with international operations; availability of raw materials at favorable prices and in sufficient quantities; changes in our relationships with, or the financial condition, performance, purchasing power or inventory levels of, key channel partners; competition in all areas of our business; continued operation of our manufacturing facilities; exchange rate fluctuations; enforcement of our intellectual property rights; work stoppages and other labor matters; changes in legislative, regulatory and legal developments involving taxes and other matters; our substantial leverage; and the significant influence of our majority shareholder, The Blackstone Group L.P., over us, as such factors may be updated from time to time in its periodic filings with the SEC which are accessible on the SEC’s website at www.sec.gov. Gates undertakes no obligation to update or supplement any forward-looking statements as a result of new information, future events or otherwise, except as required by law.

NON-GAAP FINANCIAL INFORMATION

This presentation includes certain non-GAAP financial measures including Adjusted EBITDA and Adjusted EBITDA margin, which management believes are useful to investors. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of non-GAAP financial measures including Adjusted EBITDA and Adjusted EBITDA margin to the most directly comparable financial measures prepared in accordance with GAAP.



LEADING PROVIDER OF MISSION-CRITICAL POWER TRANSMISSION AND FLUID POWER SOLUTIONS



**GLOBAL LEADER WITH SIGNIFICANT
CORE MARKET GROWTH OPPORTUNITY**



**INTRODUCING INNOVATIVE NEW PRODUCTS
FUELED BY MATERIALS SCIENCE**



**MISSION-CRITICAL PRODUCTS, FOCUSED ON
REPLACEMENT IN DEMANDING APPLICATIONS**



**STRONG MARKET POSITION FORGED
OVER 100 YEARS**



ATTRACTIVE FINANCIAL PROFILE

**PREMIER
RECOGNIZED
BRAND**



**A REPUTATION BUILT
OVER 100+ YEARS**

GLOBALY RECOGNIZED

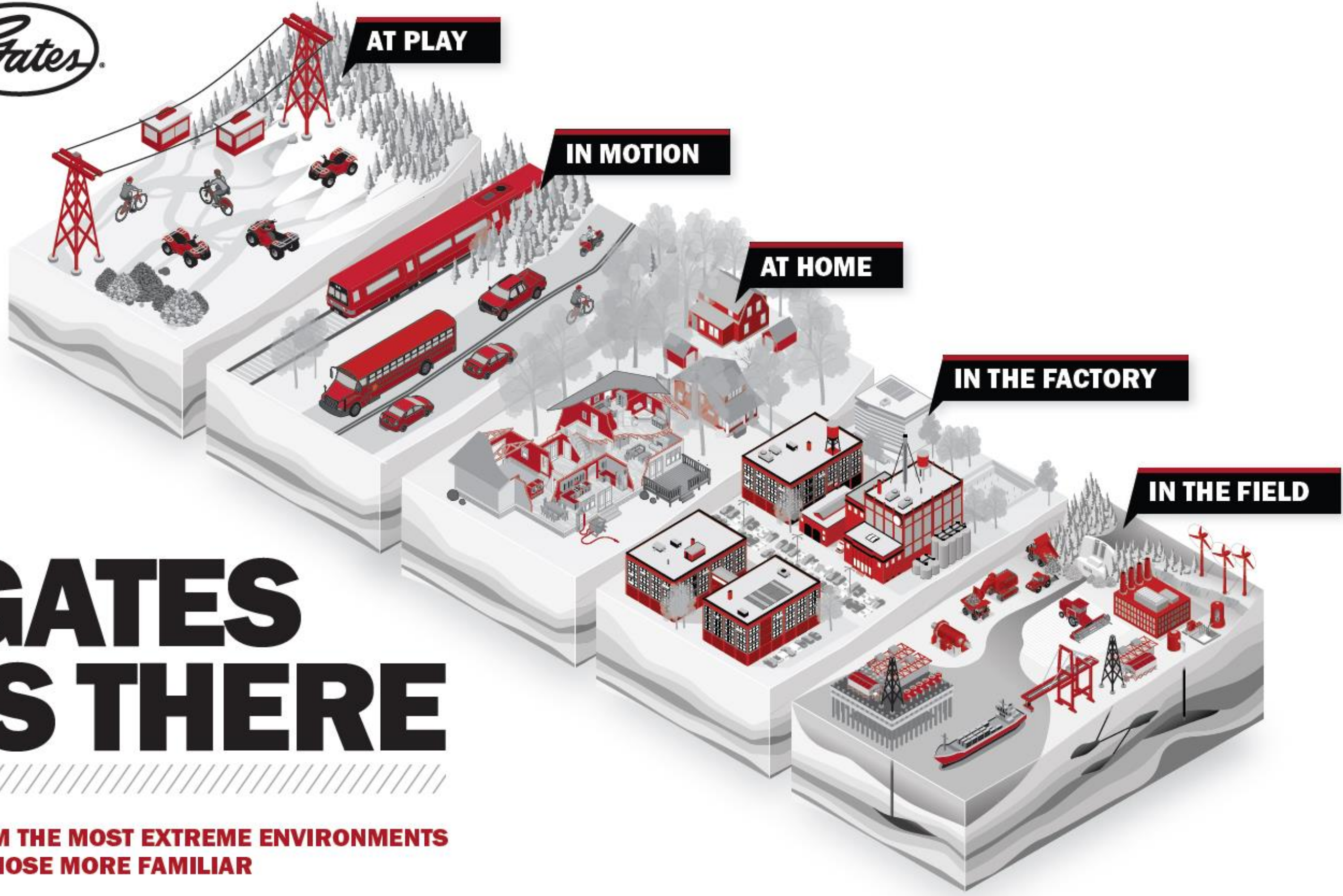
**WELL KNOWN
ACROSS INDUSTRIAL
SEGMENTS**

**STANDS FOR QUALITY
AND RELIABILITY**

**OVER A CENTURY OF
MARKET-LEADING
INNOVATION**

**A CULTURE DRIVEN BY
PRIDE AND POSSIBILITY**





AT PLAY

IN MOTION

AT HOME

IN THE FACTORY

IN THE FIELD

GATES IS THERE

FROM THE MOST EXTREME ENVIRONMENTS TO THOSE MORE FAMILIAR

AT PLAY

Powering fun and excitement, indoors and out.



IN MOTION

Delivering breakthrough technology solutions that maximize performance.



AT HOME

Making life better, easier, and more efficient at home, everyday.



IN THE FACTORY

Enabling manufacturing and automation that's well ahead of the curve.



IN THE FIELD

Performing in the field with total confidence.





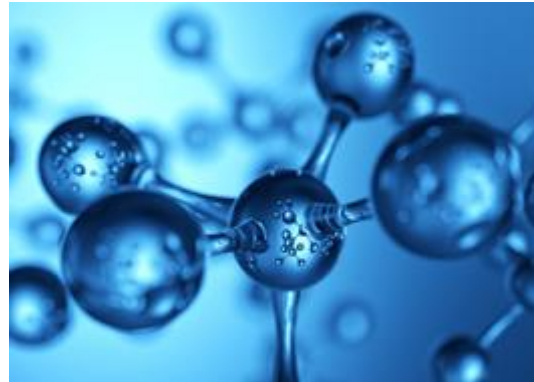
APPLIED MATERIALS SCIENCE THE FOUNDATION FOR GATES' LEADING PRODUCT PERFORMANCE

FLUID
POWER

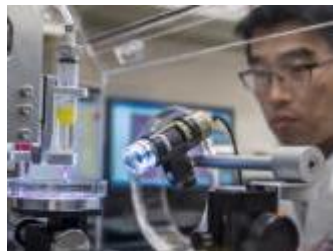
POWER
TRANSMISSION

MATERIALS SCIENCE

- Next-generation wire reinforcement
- Extended range of polymers



- High-performance carbon fiber reinforcement
- Advanced elastomers and polymers
- Metal alloys



ENABLING PROCESS ENGINEERING

- Proprietary construction techniques
- Compounding and adhesion processes



- Proprietary coating process
- Compounding and extrusion processes
- Laser welding



IMPROVED PRODUCT PERFORMANCE

- Lighter weight
- Higher flexibility
- Leak-free performance
- Improved safety
- Abrasion and chemical resistance



- Higher strength and stiffness
- Energy efficient
- Reduced maintenance
- Enhanced cleanliness
- Improved safety
- Lighter weight
- Smaller



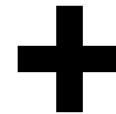


MARKET LEADERSHIP

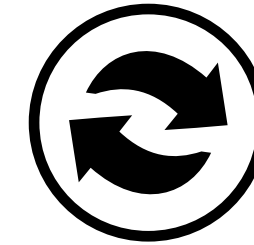


84%

FY2017 Net Sales
From Top-3
Market Positions



AFTERMARKET PARTICIPATION



63%

Replacement Sales
FY2017

PROFITABILITY

40%

Gross Margin
FY2017



22%

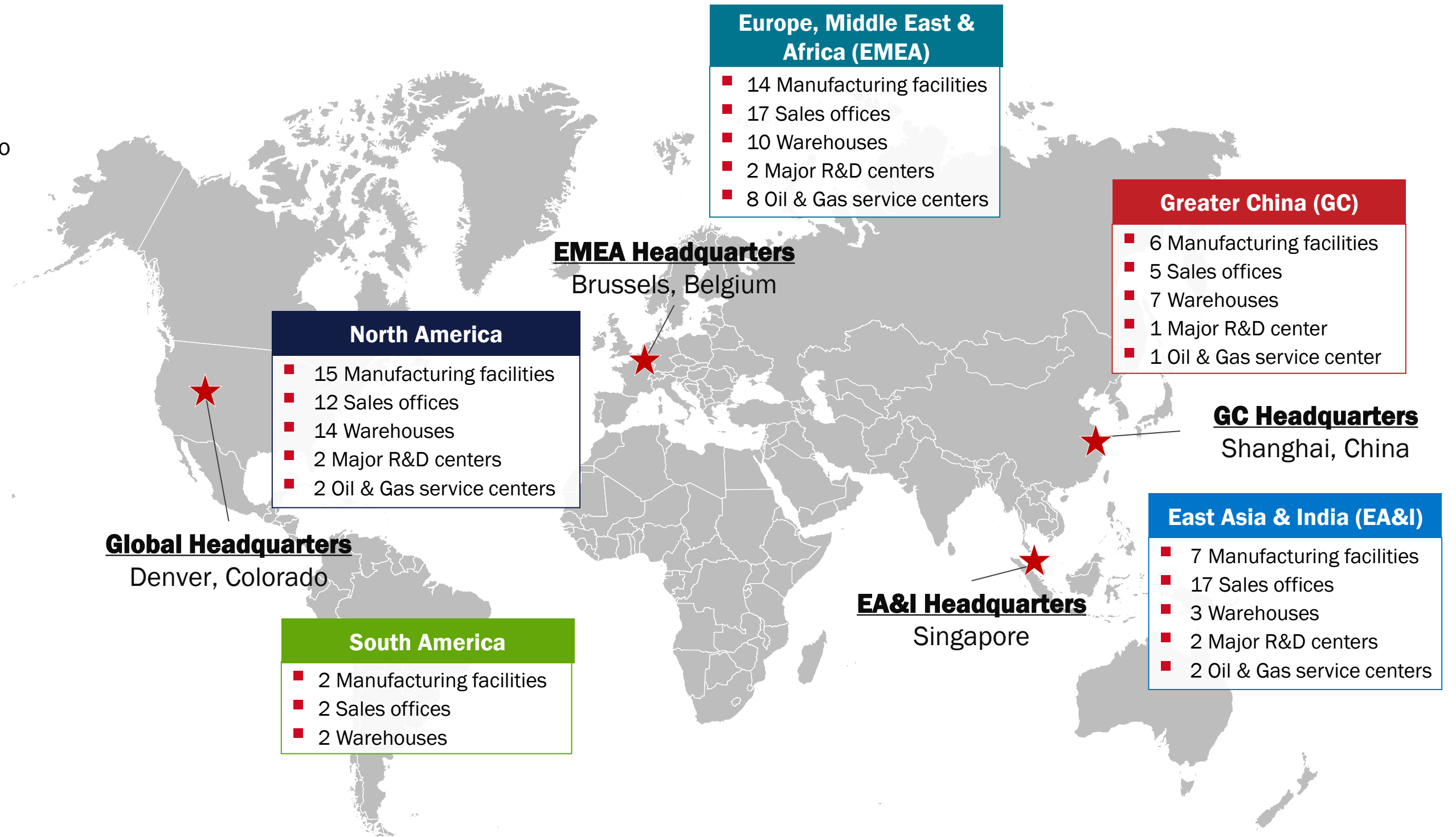
Adjusted
EBITDA Margin
FY2017



WELL-ESTABLISHED GLOBAL FOOTPRINT

13,500+ Employees
100+ Locations
128 Countries Sold To

- “In-region, for-region,” manufacturing strategy
- Local commercial teams have established close, long-term relationships with customers
- Established channel presence provides global market coverage





GATES SERVES CUSTOMERS THROUGH TWO OPERATING SEGMENTS

NET SALES
FY2017

POWER TRANSMISSION \$2.0B

FLUID POWER \$1.0B

MARKET SIZE

Synchronous Drive Systems
Asynchronous Drive Systems
Metals
Other Drive Systems

PT TAM
~\$30B

Hydraulics
Industrial Hose
Engine Hose

FP TAM
~\$29B

PRODUCTS

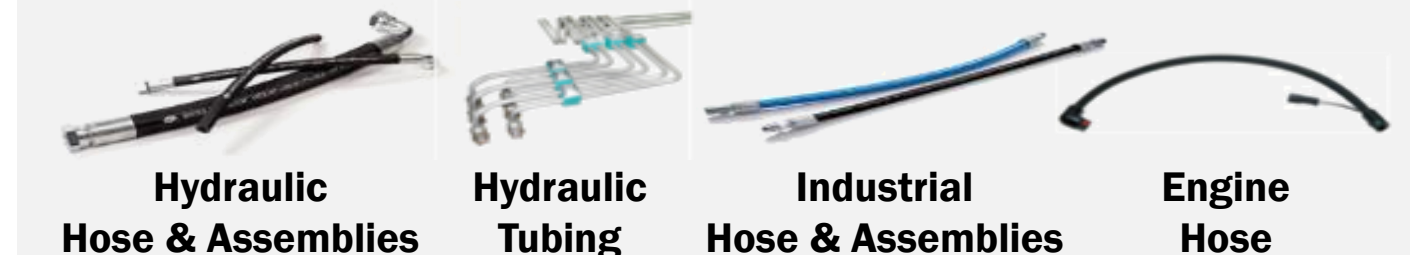


Synchronous Belts

Asynchronous Belts

Metals

Aftermarket Kits



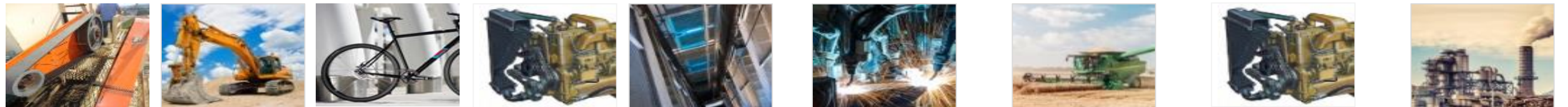
Hydraulic Hose & Assemblies

Hydraulic Tubing

Industrial Hose & Assemblies

Engine Hose

APPLICATIONS



Stationary Drives

Mobile Drives

Personal Mobility

Engine Systems

Vertical Lift



Stationary Hydraulics

Mobile Hydraulics

Engine Systems

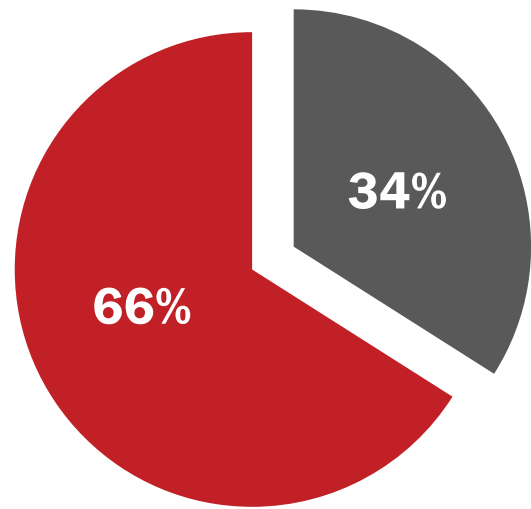
Other Industrial



GATES OPERATES A DIVERSIFIED BUSINESS WITH STRONG REPLACEMENT MARKET MIX

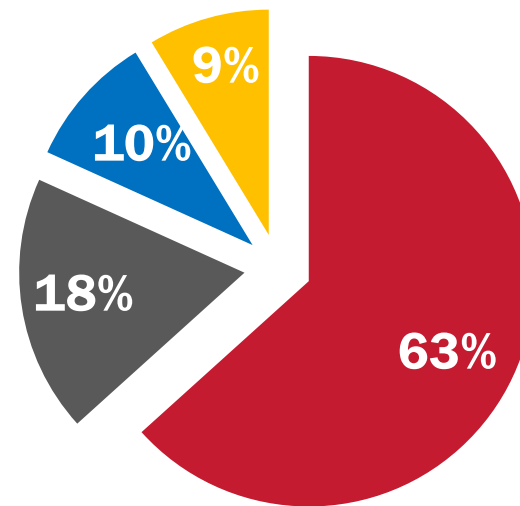
~\$3B FY 2017 NET SALES:

BY PRODUCT CATEGORY



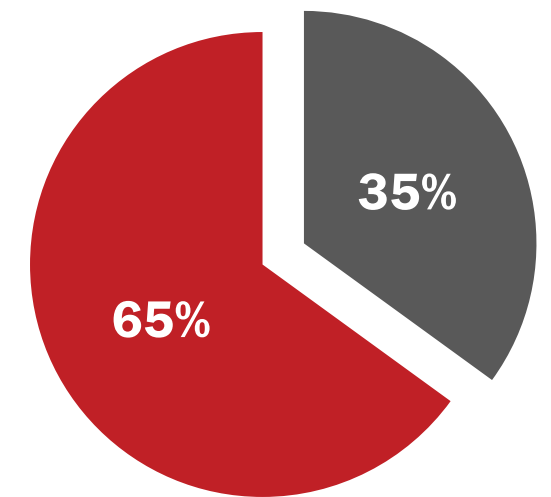
- Fluid Power
- Power Transmission

BY END MARKET



- Replacement
- Industrial First-Fit
- Automotive First-Fit - Emerging
- Automotive First-Fit - Developed

BY GEOGRAPHY



- Emerging Markets
- Developed Markets

BUSINESS MIX ATTRIBUTES:



High-quality growth with attractive margins



Large and growing installed base of equipment



First-fit presence reinforces premium brand



First-fit provides route to replacement channel expansion in emerging markets



Natural replacement cycles drive recurring revenue



Competitive differentiation creates customer stickiness



Resiliency throughout the cycle



Selective first-fit participation where Gates can differentiate with technology

ATTRACTIVE DIVERSIFIED INDUSTRIAL BUSINESS MIX WITH REPLACEMENT MARKET FOCUS DRIVES LONG-TERM GROWTH

GATES PRODUCTS ARE USED IN CRITICAL APPLICATIONS WITH HIGH COST OF DOWNTIME

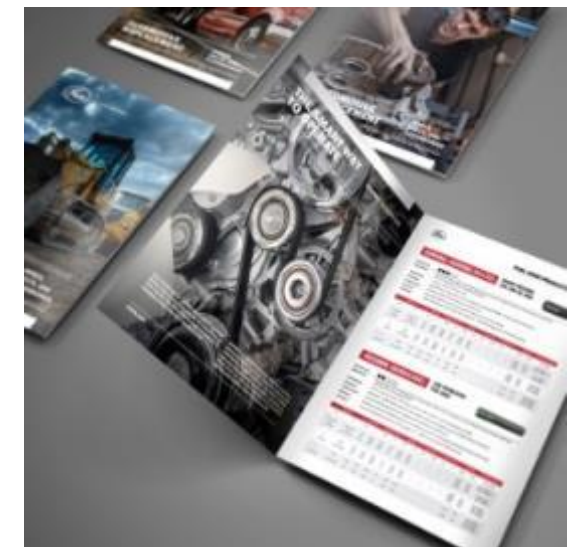


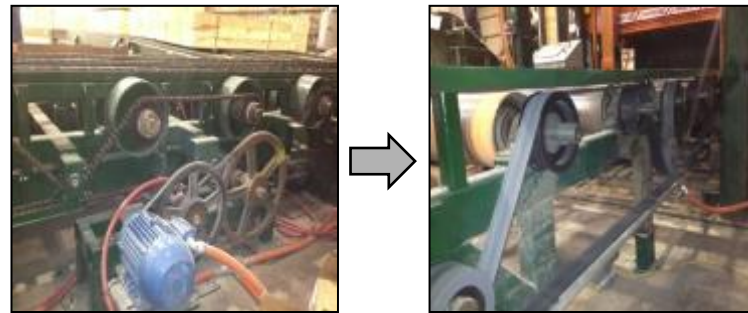
ATTRACTIVE MARKET DYNAMICS

-  Natural replacement cycles drive recurring revenue
-  Opportunities in replacement markets greater than first-fit due to large installed equipment base
-  Highly engineered products for use in demanding applications
-  Company products offer strong value proposition compared to alternative technologies
-  Preference for brands that represent quality and reliability

DIFFICULT TO REPLICATE

- Comprehensive catalogs, product coverage, service levels, inventory optimization and training essential to replacement customers
- Gates' industry-leading product and catalog coverage – difficult to replicate:
 - PT and FP coverage for wide range of industrial and transportation applications
 - Broadest car parc coverage: 99%⁽¹⁾ of North America, Europe and China, representing 70% of the global car parc





CHAIN-TO-BELT CONVERSION

- Materials science fueled innovation enabling development of advanced new products
- Accelerating adoption of belts into large underpenetrated core markets
- Compelling value proposition driving conversion to new belt technologies



EXTEND FLUID POWER PRODUCTS

- Extending fluid power product line with premium fit-for-purpose products
- Materials science combined with advanced process engineering delivers compelling value proposition
- Driving incremental growth within existing customers/applications/markets



EMERGING MARKETS

- Established in highly attractive emerging economies
- Directing further investment into the build-out of channel coverage and commercial presence
- Brand equity and broad product coverage enable further growth

ADVANCED NEW PRODUCT TECHNOLOGIES COMBINED WITH ESTABLISHED MARKET PRESENCE POSITION GATES TO DELIVER FURTHER ORGANIC GROWTH



GATES' ADVANCED BELT PORTFOLIO OFFERS NUMEROUS ADVANTAGES OVER ALTERNATIVE TECHNOLOGIES

WEIGHT

Belts are lightweight

CLEANLINESS

Lubrication attracts dirt and risks contamination – belts require no lubrication

EFFICIENCY

Belt drives have lower friction and higher efficiency



DURABILITY

Belts last 3-4x longer than chain in most applications

SAFETY

Greasy buildup around chains can lead to fire and slip hazards

MAINTENANCE

Chains require constant lubrication and regular re-tensioning – belts do not

INHERENT CHARACTERISTICS OF GATES' BELTS OUTPERFORM ALTERNATIVE DRIVE TECHNOLOGIES



GATES' FLUID POWER PRODUCTS OFFER NUMEROUS ADVANTAGES OVER ALTERNATIVES

MULTI-PURPOSE APPLICATIONS

Multi-purpose hoses reduce inventory needs and provide application flexibility to end users

CORROSION RESISTANCE

TuffCoat Xtreme® offers red-rust corrosion resistance, 6x the industry standard

ABRASION RESISTANCE

Gates' hose cover technologies outperform alternatives up to 300x



LEAK-FREE

Highly engineered hose and coupling solutions designed to be leak free

SAFETY

LifeGuard™ sleeve adds enhanced protection for line-of-sight burst protection

FLEXIBILITY

Gates' premium hoses have up to 1/3rd the standard bend radius

WEIGHT

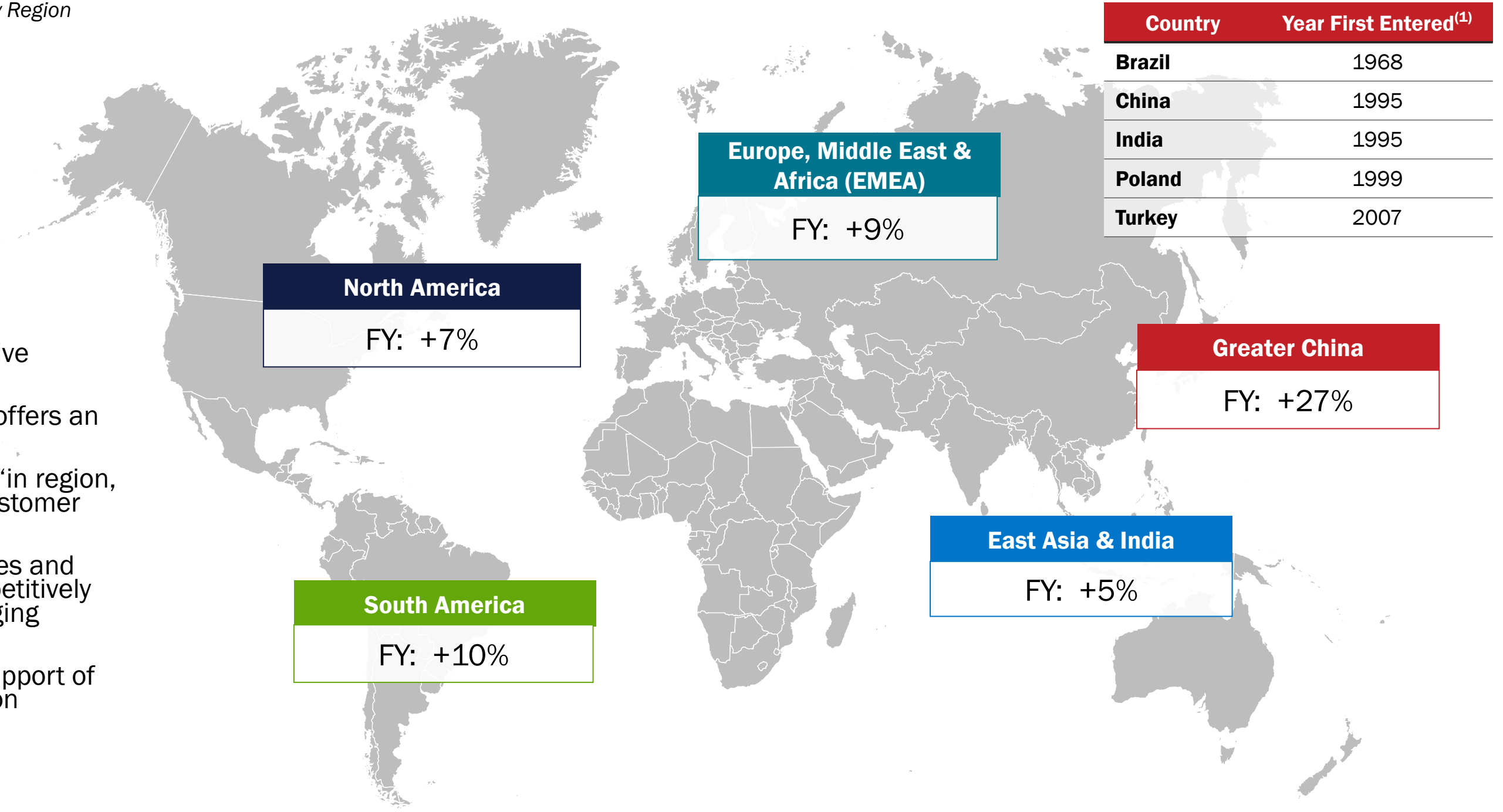
Gates' proprietary reinforcement technologies reduce weight by 26% with half the bend radius

GATES' FLUID POWER SOLUTIONS DELIVER BEST-IN-CLASS PERFORMANCE



WELL-ESTABLISHED EMERGING MARKET PRESENCE & TRACK RECORD

FY 2017 Core Revenue Growth by Region



- Experienced commercial leadership in place to drive channel expansion
- Longstanding presence offers an early entrant advantage
- Products manufactured “in region, for region” to support customer needs
- Driving further efficiencies and operating leverage competitively positions Gates in emerging markets
- Expanding capacity in support of growth initiatives in region



LARGE, UNDERPENETRATED CORE MARKETS PROVIDE SIGNIFICANT GROWTH POTENTIAL

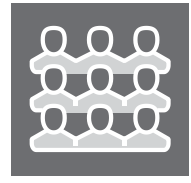
LONG-TERM GLOBAL TRENDS...



URBANIZATION



INDUSTRIAL AUTOMATION & PRODUCTIVITY



POPULATION GROWTH

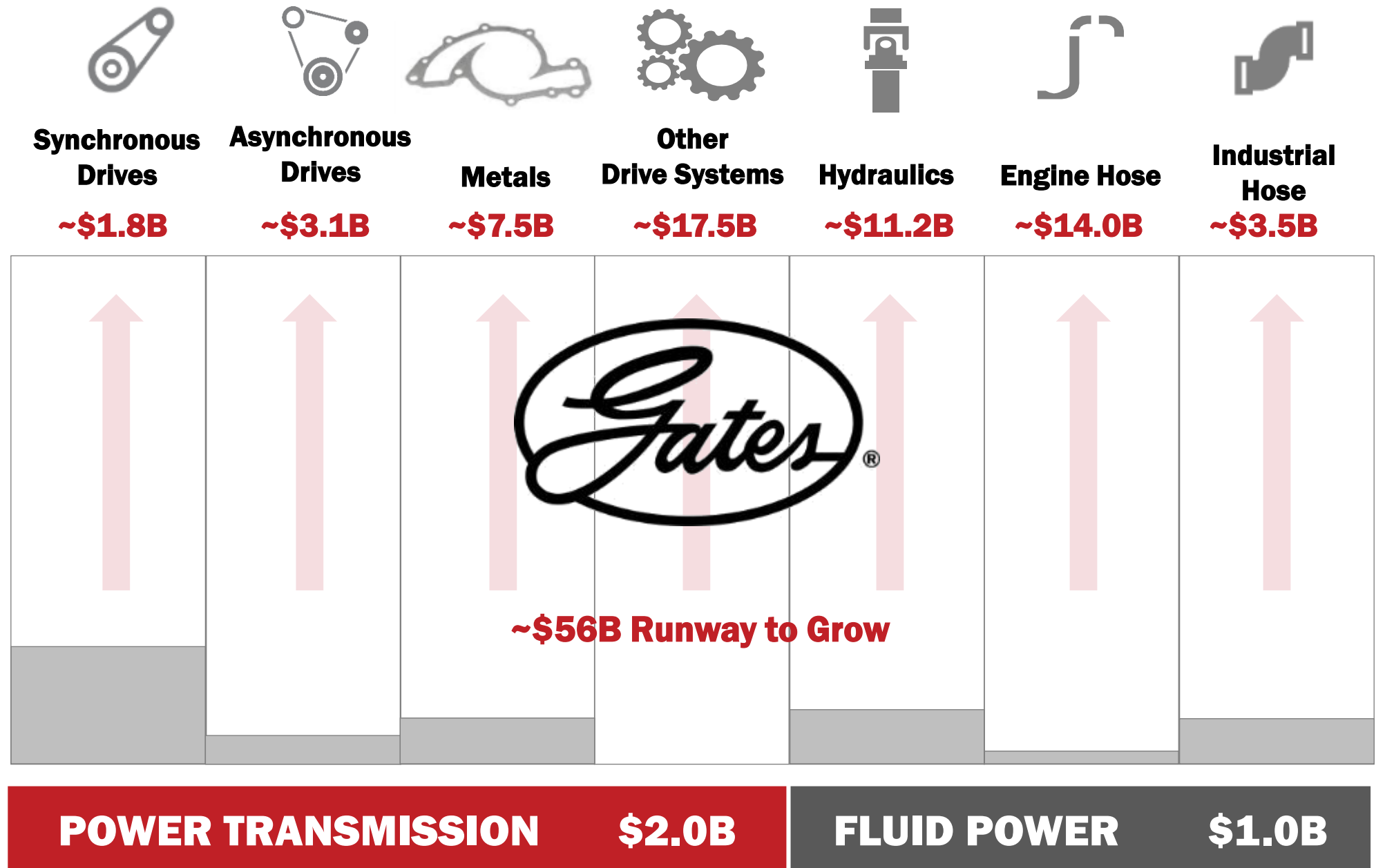


INFRASTRUCTURE DEVELOPMENT



ENERGY & EFFICIENCY

...DRIVING ~\$59B TOTAL ADDRESSABLE MARKET





















□ Addressable Market ■ Gates FY2017 Net Sales



RECENT ACQUISITIONS EXPANDING PRODUCT BREADTH



COMPANY	DESCRIPTION	SELECTED PRODUCTS	M&A PRIORITIES MET	
 Date of Acquisition: June 2017	<ul style="list-style-type: none"> Integrated operation supplying high-pressure hose, couplings and assemblies to the oil and gas industry Combined portfolio provides near complete coverage of high-performance products for land and off-shore applications 	 API 7K Mud & Cement Hose  Choke & Kill Hose	 INDUSTRIAL PRODUCT LINE EXPANSION  GEOGRAPHIC EXPANSION	 VERTICAL INTEGRATION  REPLACEMENT PORTFOLIO BREADTH
 Date of Acquisition: October 2017	<ul style="list-style-type: none"> Specializes in the design, manufacture and supply of hydraulic tubing and hose/tube assemblies Manufacturing capabilities and product portfolio complement Gates' existing fluid power product line offering 	 Hydraulic Hose/Tube Assemblies  Hydraulic Adapters  Hydraulic Manifolds	 VERTICAL INTEGRATION	 INDUSTRIAL PRODUCT LINE EXPANSION
 Date of Acquisition: April 2018	<ul style="list-style-type: none"> Engineers, manufactures and distributes high quality molded and branched hoses Comprehensive aftermarket portfolio with extensive coverage across a variety of applications 	 Branched Engine Hose  Molded Engine Hose	 GEOGRAPHIC EXPANSION	 REPLACEMENT PORTFOLIO BREADTH



ATTRACTIVE FINANCIAL PROFILE

60%+

REPLACEMENT SALES
FY2017

40%+

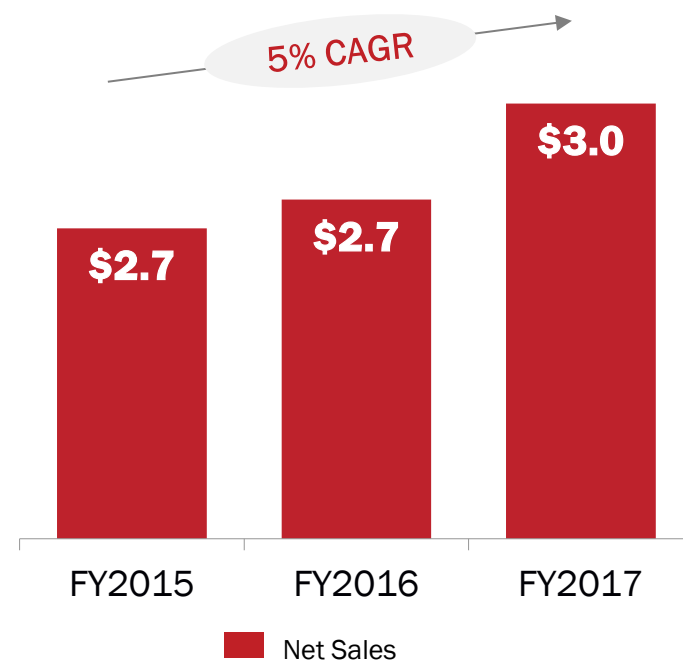
GROSS MARGINS

~22%

ADJUSTED EBITDA MARGINS

NET SALES

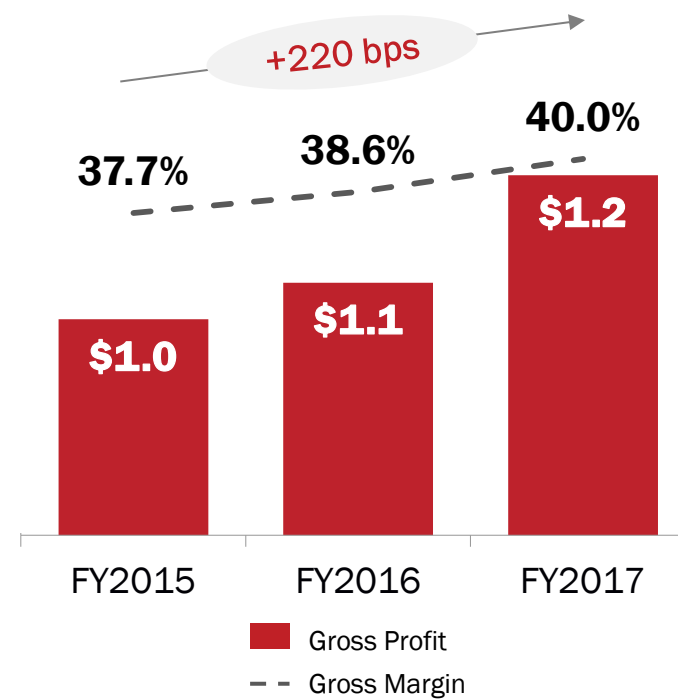
\$B



GROSS PROFIT

\$B

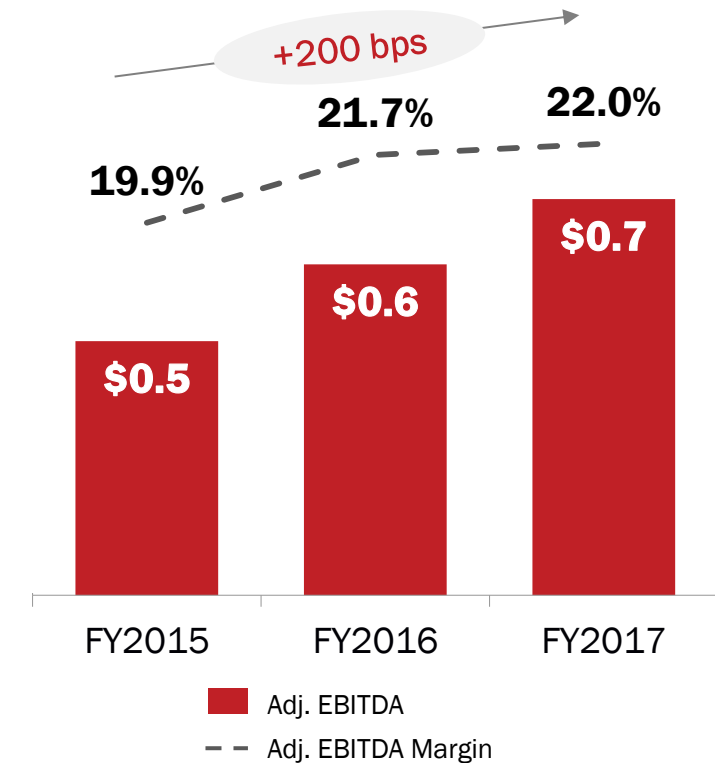
% Margin



ADJUSTED EBITDA

\$B

% Margin



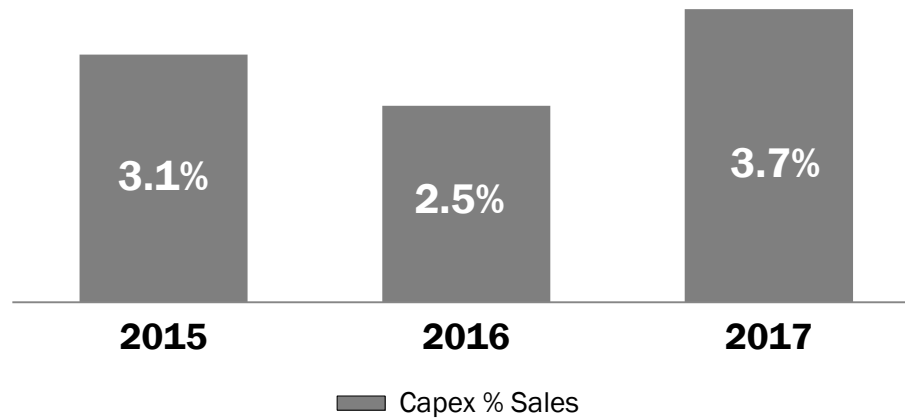
DEMONSTRATED ABILITY TO GROW REVENUE AND EXPAND MARGINS



STRONG CASH FLOW GENERATION

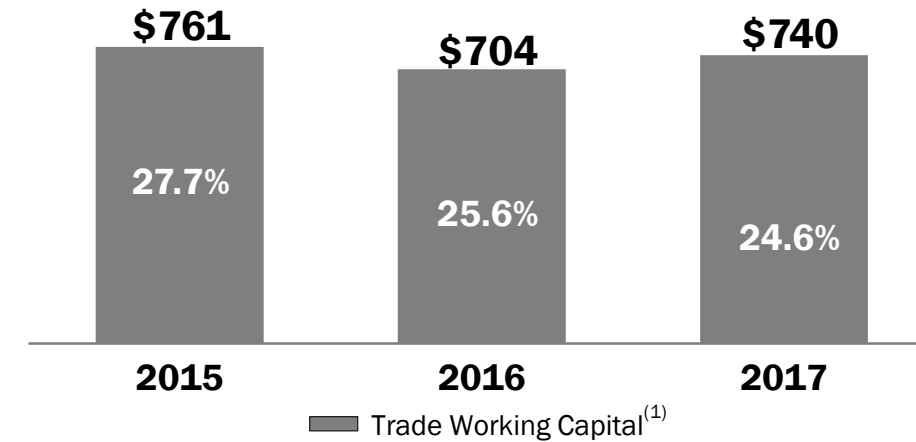
CAPITAL EXPENDITURES

% of Sales



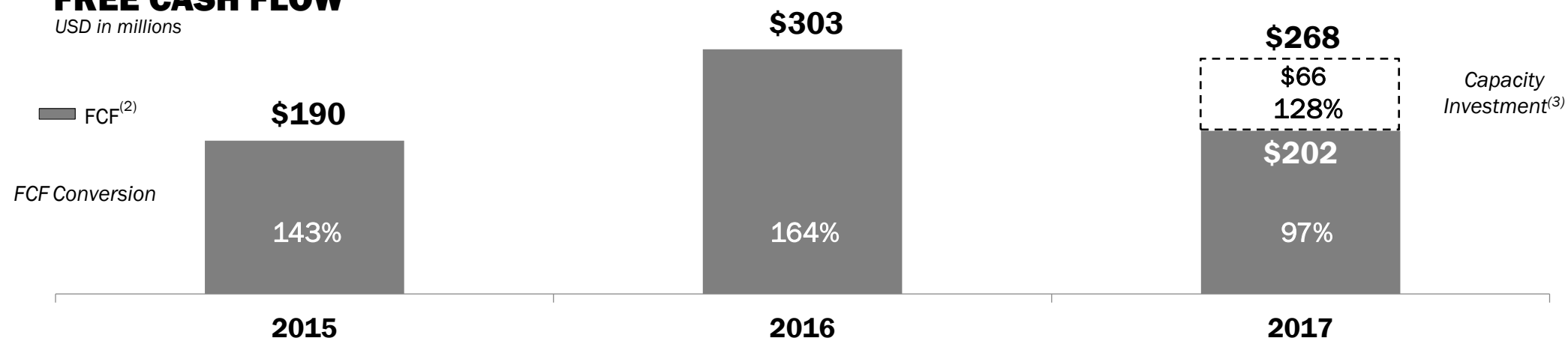
TRADE WORKING CAPITAL

USD in millions



FREE CASH FLOW

USD in millions



(1) Trade Working Capital defined as accounts receivable plus inventory less accounts payable excluding acquisitions. Conversion is as a percent of net sales excluding acquisitions.

(2) Free Cash Flow (FCF) defined as cash flow from operations less capex; FCF conversion calculated as a percent of adjusted net income

(3) Excluding the capacity investment of \$66M, FCF would have been \$268M, with a conversion of 128%.

GENERATING STRONG CASH CONVERSION WHILE INVESTING IN CAPACITY FOR FUTURE GROWTH



USD in millions

2018 RANGE

Revenue Growth

8.0% – 11.0%

Core Revenue Growth

5.0% – 6.0%

Adjusted EBITDA

\$738 – \$758

Capital Expenditures

\$150 – \$170



LONG-TERM TARGETS

5%+

Organic Sales Growth

23%+

Adj. EBITDA Margin

100%+

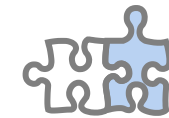
Free Cash Flow Conversion

BUSINESS GROWTH



Continue investing in organic growth initiatives

M&A



Maintain flexibility to pursue additional strategic acquisitions

LEVERAGE



Targeting medium-term net leverage of < 3.0x

DIVIDENDS / SHARE REPURCHASE



No current plans to pay dividends or repurchase stock

FOCUS ON DELEVERAGING THE BUSINESS, WHILE CONTINUING TO INVEST IN GROWTH



- **Diversified, replacement-focused business**
- **Structurally attractive: critical products, cost of which is insignificant relative to cost of application downtime**
- **Large, underserved core markets offer long-term, sustainable growth opportunity**
- **Applied materials science expertise differentiates and expands product portfolio**
- **Financially attractive:**
 - **60%+ sales from replacement channels**
 - **40%+ gross margin**
 - **22% Adjusted EBITDA margin**
- **Experienced management team with proven public company track record**



APPENDIX





RECONCILIATION – ADJUSTED EBITDA

	FY 2017
<i>(USD in millions)</i>	
Reconciliation to Adjusted EBITDA	\$ 182.7
Net income	(0.7)
Gain on disposal of discontinued operations	(72.5)
Income tax (benefit) expense	290.9
Net finance costs	212.2
Depreciation & amortization	18.1
Transaction-related costs	17.4
Restructuring expenses	6.7
Sponsor fees	5.4
Share-based compensation	2.5
Adjustments relating to post-retirement benefits	2.0
Inventory impairments & adjustments (incl. in cost of sales)	2.8
Other impairments	1.6
Other adjustments	1.6
Adjusted EBITDA	\$ 669.1
Adjusted EBITDA margin	
Net Sales	\$3,041.7
Adjusted EBITDA	669.1
Adjusted EBITDA margin	22.0%



RECONCILIATIONS – ADJUSTED NET INCOME

(USD in millions)

FY 2017

Reconciliation to Adjusted Net Income

Net Income Attributable to Shareholders	\$ 151.3
Plus:	
Amortization of acquisition-related intangible assets	124.2
Transaction-related expenses	18.1
Impairments	2.8
Restructuring expenses	17.4
Sponsor fees and expenses	6.7
Share-based compensation	5.4
Adjustments relating to post-retirement benefits	2.5
Inventory impairments and adjustments (incl. in cost of sales)	2.0
Non-cash financing-related FX losses (gains)	61.2
Income from discontinued operations	(0.7)
One-time deferred tax benefit from U.S. tax reform	(118.2)
Normalization for quarterly variances in effective tax rates	-
Other adjustments	(9.3)
Estimated tax effect of the above adjustments	(53.9)
Adjusted Net Income	\$ 209.5

