COLFAX

# FOURTH QUARTER 2017 | EARNINGS CONFERENCE CALL

# Forward Looking Statements & Non-GAAP Disclaimer

This press release may contain forward-looking statements, including forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements concerning Colfax's plans, objectives, expectations and intentions and other statements that are not historical or current fact. Forward-looking statements are based on Colfax's current expectations and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause Colfax's results to differ materially from current expectations include, but are not limited to factors detailed in Colfax's reports filed with the U.S. Securities and Exchange Commission including its 2016 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended September 29, 2017 under the caption “Risk Factors.” In addition, these statements are based on a number of assumptions that are subject to change. This press release speaks only as of the date hereof. Colfax disclaims any duty to update the information herein.

Colfax has provided in this press release financial information that has not been prepared in accordance with GAAP. These non-GAAP financial measures are adjusted net income, adjusted net income per share, projected adjusted net income per share, adjusted operating income, organic sales growth (decline), and organic order growth (decline). Adjusted net income, adjusted net income per share, projected adjusted net income per share, and adjusted operating income exclude Restructuring and other related items, Goodwill and intangible asset impairment charges, and Pension settlement loss, to the extent they impact the periods presented. Adjusted net income, adjusted net income per share, and adjusted operating income for the year ended December 31, 2016 exclude the loss recorded on our deconsolidation of our Venezuelan operations. Adjusted net income and adjusted net income per share exclude the impact of acquisition-related amortization, to the extent it impacts the periods presented. The effective tax rates used to calculate adjusted net income and adjusted net income per share are 20.1% and 25.7% for the fourth quarter and year ended December 31, 2017, respectively. The effective tax rates used to calculate adjusted net income and adjusted net income per share are 24.3% and 26.3% for the fourth quarter and year ended December 31, 2016. Organic sales growth (decline) and organic order growth (decline) exclude the impact of acquisitions and foreign exchange rate fluctuations. These non-GAAP financial measures assist Colfax management in comparing its operating performance over time because certain items may obscure underlying business trends and make comparisons of long-term performance difficult, as they are of a nature and/or size that occur with inconsistent frequency or relate to discrete restructuring plans that are fundamentally different from the ongoing productivity improvements of the Company. Colfax management also believes that presenting these measures allows investors to view its performance using the same measures that the Company uses in evaluating its financial and business performance and trends.

Sales and order information by end market are estimates. We periodically update our customer groupings order to refine these estimates.

# Executing Our Strategy in 2017

**Strengthened the foundation**

- Continued to strengthen team
- Achieved targeted restructuring savings
- Safety, quality and delivery improvements

**Turning to growth**

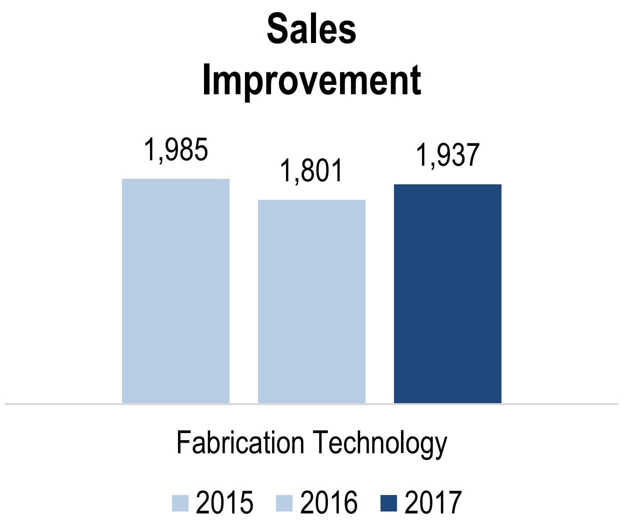
- FabTech returned to organic growth
- Significant growth in A&GH industrial applications
- Accelerated new product innovation
- Invested in growth regions

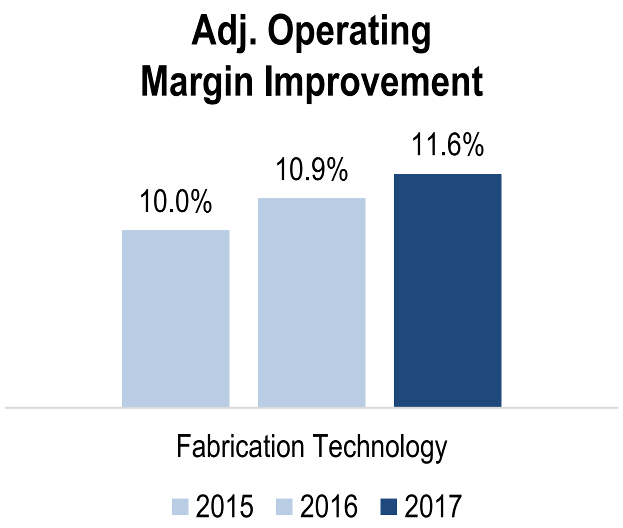
**Improved the portfolio**

- Completed 6 complementary acquisitions
- Divested Fluid Handling business

# FabTech Delivering Growth & Margin Improvement

- Strengthening our core through CBS and talent development
- Building on our global leadership position in filler metal
- Accelerating pace of innovation in equipment
- Driving connectivity & automation




*Refer to Appendix for Non-GAAP reconciliation and footnotes.*



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# Sandvik Welding Acquisition

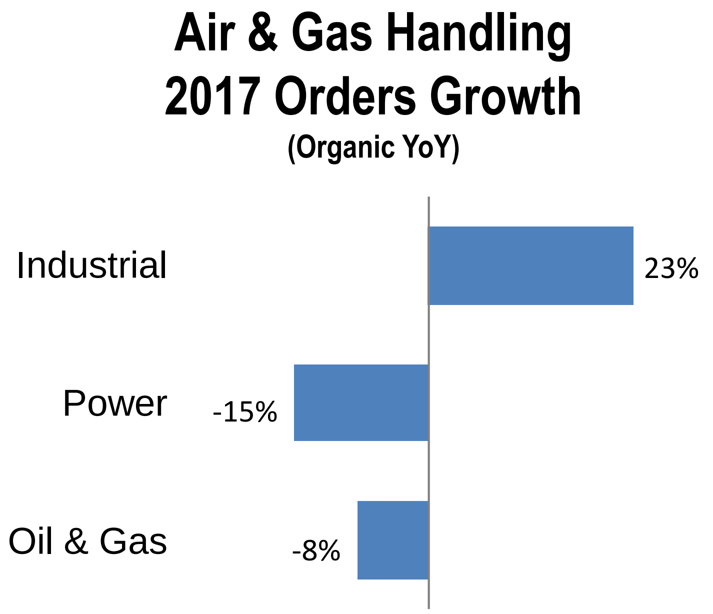
- Acquired Sandvik welding consumables in January 2018
- A leading provider of stainless steel and nickel alloy filler metal
  - Extends ESAB's portfolio in a faster growing filler metal segment
  - Strategic agreement for continuing development of advanced materials
- Enhances capabilities and competitive position in alloyed filler metal
- Significant opportunity for margin improvement

## Sandvik Welding Portfolio


- Solid welding wire and rod
- Flux-cored wire
- Stick electrodes
- Flux
- Thermal Spray wire
- Weld finishing chemical products

# Air & Gas Handling Update

- Broad based strategy to diversify and grow General Industrial orders continues
- Oil & Gas funnels still growing in a fundamentally improving market
- Power market affected by China government action
- Cost structure actions underway to protect 2018 earnings



# 2018 Strategic Direction

- Accelerating growth and profitability in FabTech
  - Using CBS to drive productivity and further improve customer service
  - Increasing pace of new products
- Making the turn in A&GH
  - Restructuring to protect profitability and invest in growth markets
  - Positioning for orders recovery in second half
- Acquiring and integrating great businesses
  - Driving impact from 2017 acquisitions
  - Continuing to pursue accretive, strategic bolt-ons
  - Increasing focus on new growth platforms

# Q4 2017 Adjustments

| **Continuing Operations (Millions, except per share data)** [1] | **Adjusted Operating Profit** | **Adjusted Net Income** | **Per Share – diluted** [2] |
|---|---|---|---|
| GAAP net loss [4] | $ (176.0) | $ (189.0) | $ (1.53) |
| Restructuring | 45.3 | 45.3 | 0.37 |
| Goodwill and intangible impairment | 152.7 | 152.7 | 1.23 |
| Pension settlement loss | 46.9 | 46.9 | 0.38 |
| Acquisition-related amortization | - | 18.7 | 0.15 |
| Tax adjustment [3] | - | (18.8) | (0.15) |
| Total | $ 68.9 | $ 55.8 | $ 0.45 |

- Air & Gas Handling goodwill impairment primarily reflects pressure in Power markets
- Increased restructuring costs include A&GH factory closure to improve cost position
- Noncash pension settlement relates to buy-out of legacy Charter pension plan; reduces future volatility
- $3 million one-time benefit from US tax reform included in "Tax adjustment"

*Refer to Appendix for Non-GAAP reconciliation and footnotes.*

(1) Certain figures within this table were rounded for presentation purposes.
(2) Calculated as adjusted net income column divided by weighted average shares – diluted for the fourth quarter.
(3) The effective tax rate used to calculate adjusted net income and adjusted net income per share is 20.1% for the fourth quarter ended December 31, 2017.
(4) Represents operating loss and net loss from continuing operations attributable to Colfax for the adjusted operating profit column and adjusted net income column

# Q4 2017 Financial Highlights

$Millions

| | Q4 2016 | Q4 2017 |
|---|---|---|
| Net sales | $812 | $874 |
| Gross profit<br>Margin | $250<br>30.8% | $268<br>30.6% |
| Adj Op Profit<br>Margin | $80<br>9.9% | $69<br>7.9% |
| Adj EBITDA | $114 | $103 |
| Adjusted EPS | $0.52 | $0.45 |

- Sales increased 7.6% yr-yr
  - Acquisitions +6.7%, FX +4.0%
  - Organic (3.1)%; FabTech +6.9%
- Q4 2017 adj op profit of $69 million
  - Includes $6 million of acquisition-related costs
  - Excluding these costs, margins declined 130 bps due mainly to lower revenue at A&GH
- Q4 2017 adj EPS of $0.45
  - Lower aOP
  - Higher interest costs
  - Lower tax rate due to exclusion of higher-taxed Fluid Handling US profits, successful resolution of historical tax matters

*Refer to Appendix for Non-GAAP reconciliation and footnotes.*

# Capital Structure

$Millions

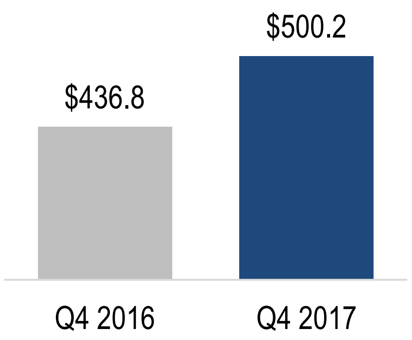
| | Dec. 2017 |
|---|---|
| Gross debt | $1,061 |
| Cash | $262 |
| Net debt | $799 |
| PF net leverage | 1.9x |
| Cash deployed on acquisitions in 2017 | $347 |

- $219M of operating cash flow in 2017
  - Significant cash flow generation despite FH divestiture
  - Slightly higher than adjusted net income
- Finished 2017 at 1.9x net pro forma leverage
  - Or, 1.5x reflecting additional $200 million of liquidity yet to be realized from FH divestiture
- $1.3B revolver undrawn at year end

# Q4 2017 Results: Fabrication Technology

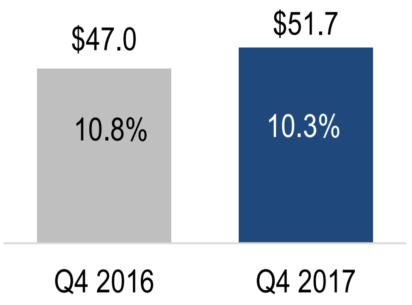
$Millions

## Sales

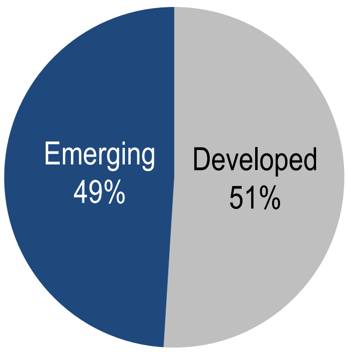



| | |
|---|---|
| Volume | 5.0% |
| Price | 1.9% |
| Acquisitions | 4.0% |
| FX Translation | 3.6% |
| Total Change | 14.5% |

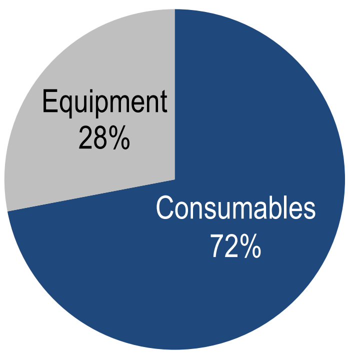
## Adjusted Operating Profit




## Geographic Exposure YTD




## Consumable Mix YTD




- Strong sales growth in the quarter; improved market conditions in North America; all regions grew
- Results include inflation and growth investments

Refer to Appendix for Non-GAAP reconciliation and footnotes.

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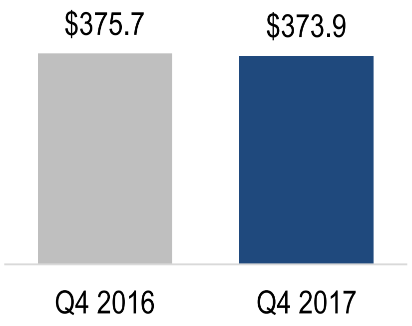
# Q4 2017 Results: Air & Gas Handling

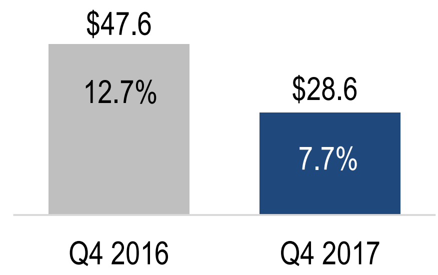
$Millions

## Sales

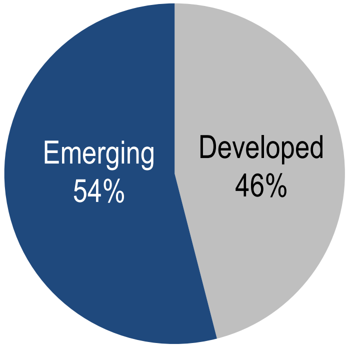



| | |
|---|---|
| Existing Businesses | (14.9)% |
| Acquisitions | 9.9% |
| FX Translation | 4.5% |
| Total Change | (0.5)% |

## Adjusted Operating Profit




## Geographic Exposure FY 2017



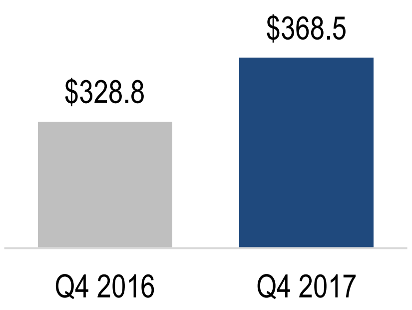

- Organic Revenue decreased due to Oil & Gas project timing, Power market decline
- Margins lower due to volume decline, acquisition-related costs of $6 million in the quarter, margin pressures; partially offset by restructuring benefits

*Refer to Appendix for Non-GAAP reconciliation and footnotes.*

# Q4 2017 Results: Air & Gas Handling (con't)

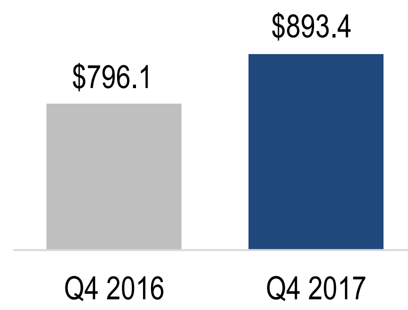
$Millions

## Orders



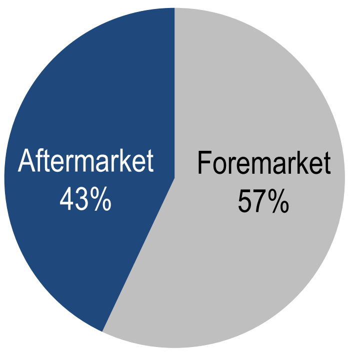

| | |
|---|---|
| Existing Businesses | (2.3)% |
| Acquisitions | 10.5% |
| FX Translation | 3.9% |
| Total Increase | 12.1% |

## Backlog




| | |
|---|---|
| Existing Businesses | (7.2)% |
| Acquisitions | 13.2% |
| FX Translation | 6.2% |
| Total Change | 12.2% |

## Revenue Profile FY 2017




- Continued significant growth in Industrial applications
- Oil & Gas grew on customer project releases
- Power lower due to China Power action
- Continue to expect strengthening of orders and backlog after Q1



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# 2018 Outlook

- Continue to expect 0% to 2% organic revenue growth … off of lower-than-expected 2017 revenue levels
  - A&GH 1H margin pressures
  - FabTech raw material cost dynamics
- Expect interest expenses of $30-34 million and amortization of $68-72 million
- Tax rate reduced to 24%
- Re-affirming 2018 Adjusted EPS guidance range of $2.00 to $2.15

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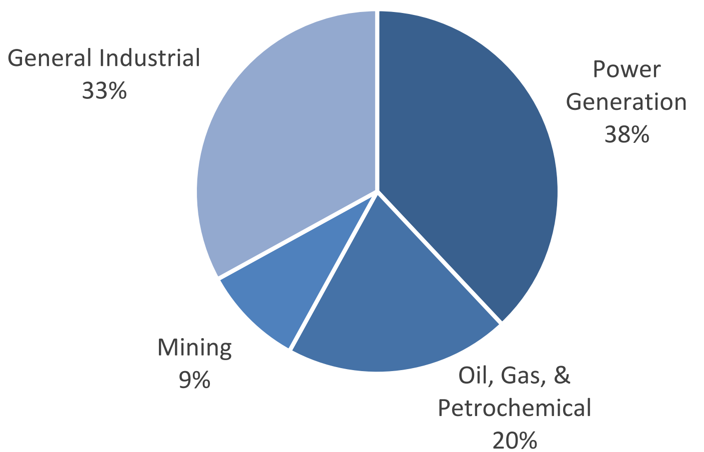
# APPENDIX

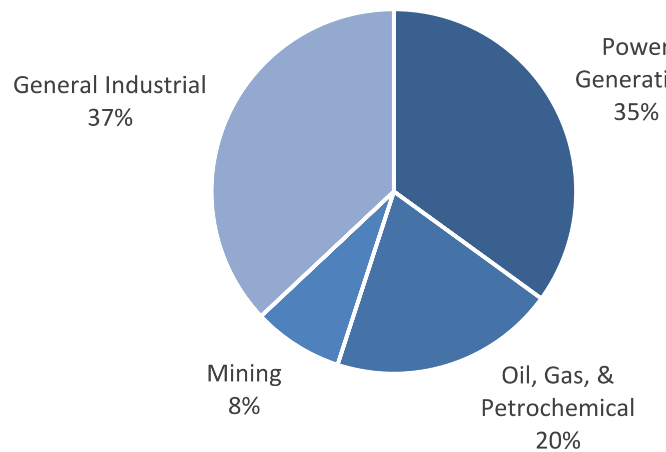
# FY 2017 Air & Gas Handling Sales and Orders by End Market

## Sales: $1,362.9 million




| | Total (Decline) Growth | Organic (Decline) Growth |
|---|---|---|
| Power Generation | (13.5)% | (14.5)% |
| Oil, Gas & Petrochemical | (16.6)% | (17.7)% |
| Mining | 50.1% | 45.1% |
| General Industrial & Other | 18.1% | 8.0% |
| **Total** | **(1.6)%** | **(5.4)%** |

## Orders: $1,306.5 million




| | Total (Decline) Growth | Organic (Decline) Growth |
|---|---|---|
| Power Generation | (14.4)% | (14.6)% |
| Oil, Gas & Petrochemical | (2.5)% | (8.1)% |
| Mining | (21.8)% | (27.9)% |
| General Industrial & Other | 30.2% | 24.4% |
| **Total** | **0.1%** | **(3.4)%** |

# Change in Sales, Orders and Backlog
## (unaudited)

| | Net Sales | | Air and Gas Handling Orders | |
|---|---|---|---|---|
| | $ | % | $ | % |
| **For the three months ended December 31, 2016** | $ 812.4 | | $ 328.8 | |
| *Components of Change:* | | | | |
| Existing Businesses[1] | (25.3) | (3.1)% | (7.7) | (2.3)% |
| Acquisitions[2] | 54.5 | 6.7% | 34.6 | 10.5% |
| Foreign Currency Translation | 32.5 | 4.0% | 12.8 | 3.9% |
| | 61.7 | 7.6% | 39.7 | 12.1% |
| **For the three months ended December 31, 2017** | **$ 874.1** | | **$ 368.5** | |

| | Net Sales | | Air and Gas Handling | | | |
|---|---|---|---|---|---|---|
| | | | Orders | | Backlog at Period End | |
| | $ | % | $ | % | $ | % |
| **As of and for the year ended December 31, 2016** | $ 3,185.8 | | $ 1,305.0 | | $ 796.1 | |
| *Components of Change:* | | | | | | |
| Existing Businesses[1] | (15.7) | (0.5)% | (44.1) | (3.4)% | (57.0) | (7.2)% |
| Acquisitions[2] | 85.2 | 2.7% | 34.7 | 2.7% | 105.3 | 13.2% |
| Foreign Currency Translation | 44.9 | 1.4% | 10.9 | 0.8% | 49.0 | 6.3% |
| | 114.4 | 3.6% | 1.5 | 0.1% | 97.3 | 12.2% |
| **As of and for the year ended December 31, 2017** | **$ 3,300.2** | | **$ 1,306.5** | | **$ 893.4** | |

(1) Excludes the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of growth due to factors such as price, product mix and volume.

(2) Represents the incremental sales, orders and order backlog as a result of the acquisition completed in our Air and Gas Handling segment, and incremental sales for acquisitions completed in our Fabrication Technology segment.

*Note: Dollars in millions.*

# Non-GAAP Reconciliation
## (unaudited)

| Three Months Ended December 31, 2017 | Air and Gas Handling | | Fabrication Technology | | Corporate and Other | Total Colfax Corporation | |
|---|---|---|---|---|---|---|---|
| Net sales | $ 373,858 | | $ 500,225 | | $ — | $ 874,083 | |
| Operating income (loss) | (166,974) | (44.7)% | 49,355 | 9.9% | (58,341) | (175,960) | (20.1)% |
| Restructuring and other related charges | 42,909 | | 2,311 | | — | 45,220 | |
| Goodwill and intangible asset impairment charge | 152,700 | | — | | — | 152,700 | |
| Pension settlement loss | — | | — | | 46,933 | 46,933 | |
| Loss on deconsolidation of Venezuelan operations | — | | — | | — | — | |
| Adjusted operating income (loss) | $ 28,635 | 7.7% | $ 51,666 | 10.3% | $ (11,408) | $ 68,893 | 7.9% |

| Three Months Ended December 31, 2016 | Air and Gas Handling | | Fabrication Technology | | Corporate and Other | Total Colfax Corporation | |
|---|---|---|---|---|---|---|---|
| Net sales | $ 375,663 | | $ 436,745 | | $ — | $ 812,408 | |
| Operating income (loss) | 37,377 | 9.9% | 36,444 | 8.3% | (14,443) | 59,378 | 7.3% |
| Restructuring and other related charges | 10,175 | | 10,323 | | — | 20,498 | |
| Goodwill and intangible asset impairment charge | — | | 134 | | — | 134 | |
| Pension settlement loss | — | | — | | 48 | 48 | |
| Loss on deconsolidation of Venezuelan operations | — | | — | | — | — | |
| Adjusted operating income (loss) | $ 47,552 | 12.7% | $ 46,901 | 10.7% | $ (14,395) | $ 80,058 | 9.9% |

| Year Ended December 31, 2017 | Air and Gas Handling | | Fabrication Technology | | Corporate and Other | Total Colfax Corporation | |
|---|---|---|---|---|---|---|---|
| Net sales | $ 1,362,902 | | $ 1,937,282 | | $ — | $ 3,300,184 | |
| Operating income (loss) | (78,689) | (5.8)% | 208,205 | 10.7% | (100,365) | 29,151 | 0.9% |
| Restructuring and other related charges | 52,194 | | 16,157 | | — | 68,351 | |
| Goodwill and intangible asset impairment charge | 152,700 | | — | | — | 152,700 | |
| Pension settlement loss | — | | — | | 46,933 | 46,933 | |
| Loss on deconsolidation of Venezuelan operations | — | | — | | | — | |
| Adjusted operating income (loss) | $ 126,205 | 9.3% | $ 224,362 | 11.6% | $ (53,432) | $ 297,135 | 9.0% |

| Year Ended December 31, 2016 | Air and Gas Handling | | Fabrication Technology | | Corporate and Other | Total Colfax Corporation | |
|---|---|---|---|---|---|---|---|
| Net sales | 1,385,261 | | 1,800,492 | | — | 3,185,753 | |
| Operating income (loss) | 123,322 | 8.9% | 163,509 | 9.1% | (50,031) | 236,800 | 7.4% |
| Restructuring and other related charges | 26,808 | | 31,688 | | — | 58,496 | |
| Goodwill and intangible asset impairment charge | — | | 238 | | — | 238 | |
| Pension settlement loss | — | | — | | 48 | 48 | |
| Loss on deconsolidation of Venezuelan operations | | | — | | 495 | 495 | |
| Adjusted operating income (loss) | $ 150,130 | 10.8% | $ 195,435 | 10.9% | $ (49,488) | $ 296,077 | 9.3% |

*Note: Dollars in thousands.*

# Non-GAAP Reconciliation
## (unaudited)

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| **Adjusted Net Income and Adjusted Net Income Per Share** | | | | |
| Net (loss) income from continuing operations attributable to Colfax Corporation (1) | $ (188,967) | $ 38,123 | $ (72,957) | $ 137,672 |
| Restructuring and other related charges- pretax | 45,220 | 20,498 | 68,351 | 58,496 |
| Goodwill and intangible asset impairment charge – pretax | 152,700 | 134 | 152,700 | 238 |
| Pension settlement loss – pretax | 46,933 | 48 | 46,933 | 48 |
| Loss on deconsolidation of Venezuelan operations- pretax | — | — | — | 495 |
| Acquisition-related amortization- pretax | 18,728 | 16,503 | 60,091 | 58,859 |
| Tax adjustment (2) | (18,779) | (11,205) | (38,789) | (33,601) |
| Adjusted net income from continuing operations | $ 55,835 | $ 64,101 | $ 216,329 | $ 222,207 |
| Adjusted net income per share continuing operations | $ 0.45 | $ 0.52 | $ 1.74 | $ 1.80 |
| Net (loss) income per share- diluted from continuing operations (GAAP) | $ (1.53) | $ 0.31 | $ (0.59) | $ 1.12 |

(1) Net (loss) income from continuing operations attributable to Colfax Corporation for the respective periods is calculated using Net (loss) income from continuing operations less the income attributable to noncontrolling interest, net of taxes.

(2) The effective tax rates used to calculate adjusted net income and adjusted net income per share are 20.1% and 25.7% for the fourth quarter and year ended December 31, 2017.

*Note: In thousands, except per share amounts.*

# Non-GAAP Reconciliation
## (unaudited)

| | Three Months Ended | |
|---|---|---|
| | December 31, 2017 | December 31, 2016 |
| Net (loss) income from continuing operations | $ (184,417) | $ 43,170 |
| Interest expense | 12,031 | 5,288 |
| Provision for income taxes | (3,574) | 10,920 |
| Depreciation and amortization | 34,414 | 32,969 |
| Restructuring and other related charges | 45,220 | 20,498 |
| Goodwill and intangible asset impairment charge | 152,700 | 134 |
| Pension settlement loss | 46,933 | 48 |
| Loss on deconsolidation of Venezuelan operations | — | 495 |
| Adjusted EBITDA | $ 103,307 | $ 113,522 |
| Adjusted EBITDA margin | 11.8% | 14.0% |

*Note: Dollars in thousands.*

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# Non-GAAP Reconciliation
## (unaudited)

| | 2018 Earnings Per Share Range | |
|---|---|---|
| | Low | High |
| **2018 Guidance** | | |
| Projected net income per share continuing operations (GAAP)- diluted | $ 1.36 | $ 1.51 |
| Restructuring and other related charges- pretax | 0.28 | 0.28 |
| Acquisition-related amortization and other non-cash charges- pretax[(1)] | 0.56 | 0.56 |
| Tax adjustment | (0.20) | (0.20) |
| Projected adjusted net income per share | $ 2.00 | $ 2.15 |

(1) Includes amortization of acquired intangibles and fair value charges on acquired inventory.