



THIRD QUARTER 2018 | EARNINGS CONFERENCE CALL

# Forward Looking Statements & Non-GAAP Disclaimer

The following information 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 2017 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended September 28, 2018 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, adjusted EBITDA, adjusted EBITDA margin, Core or organic sales growth (decline), and organic order growth (decline). Adjusted net income, adjusted net income per share, projected adjusted net income per share, adjusted operating income, adjusted EBITDA and adjusted EBITDA margin 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 projected adjusted net income per share also exclude the impact of acquisition-related amortization and gain or loss on short term investments, to the extent they impact the periods presented. The 2018 Adjusted EBITDA and adjusted EBITDA margin also exclude the gain or loss on short term investments, to the extent it impacts the periods presented. The effective tax rates used to calculate adjusted net income and adjusted net income per share for the three and nine months ended September 28, 2018 are 20.6% and 18.8%, respectively. The effective tax rates used to calculate adjusted net income and adjusted net income per share for the three and nine months ended September 29, 2017 are 26.6% and 27.5%, respectively. Core or 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.

# Q3 2018 Highlights

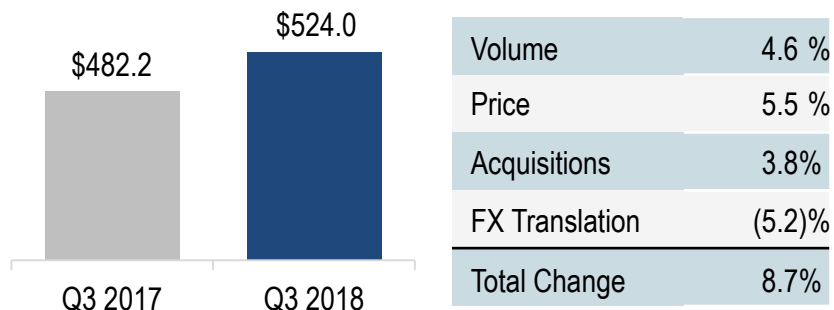
- Delivered Q3 financial performance in-line with expectations
- Expanded Air & Gas Handling adjusted operating margins 250 bps sequentially from the second quarter; strong Industrial order growth
- Achieved Fabrication Technology core growth of 10%; short-term margin impact from inflation, currency, and tariffs beyond in-quarter pricing
- Completed three complementary acquisitions

# Fabrication Technology Growth

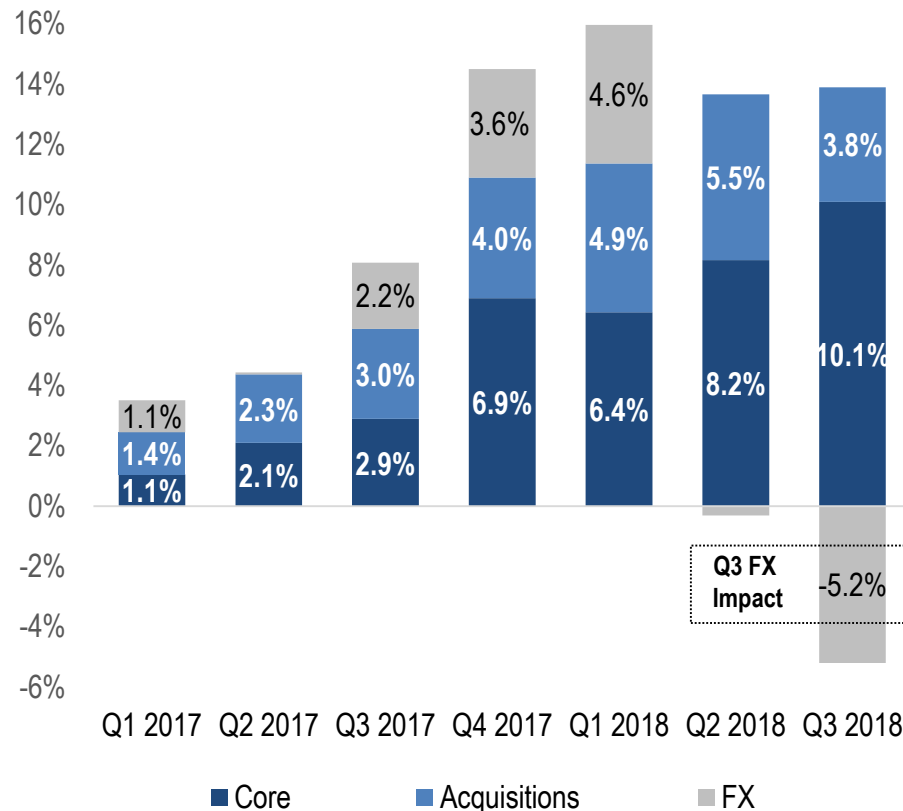
\$Millions

- Strong core growth across all regions and product groups
- Significant automation growth
- Strengthened USD impacted total sales

## Q3 Sales



## Fab Tech Core Sales Improvement

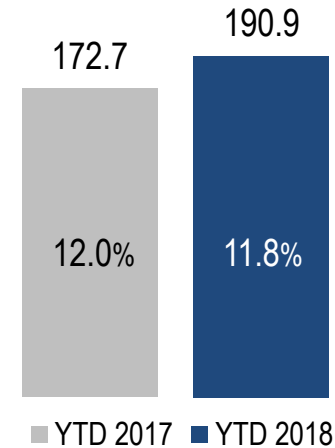


# Fabrication Technology Adj Operating Profit

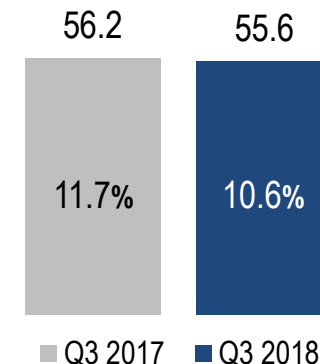
\$Millions

- Continuing to pro-actively address inflationary pressures
  - YTD results include 50 bps compression from price pass through
  - Q3 results also included \$5M additional pressure from sharp in-quarter inflation and currency changes
- Delivered 6% price in Q3; taking further price action
- Driving operational improvements to further improve margin

## YTD Adjusted Operating Profit, Margin



## Q3 Adjusted Operating Profit, Margin



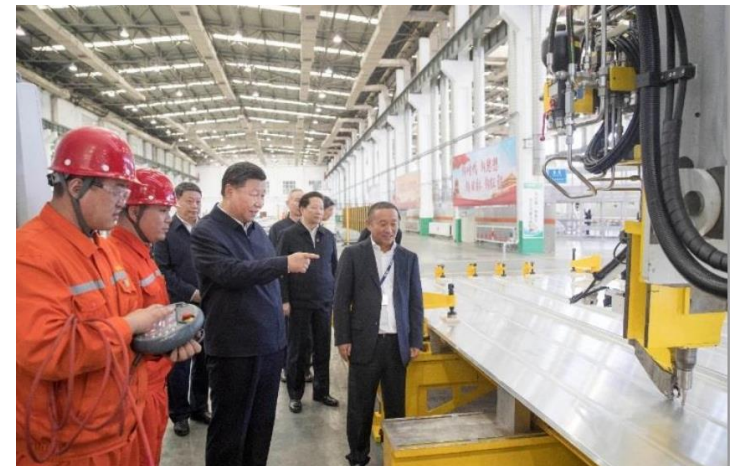
# ESAB Delivering World Leading Technology

- Delivered a Friction Stir Welding (FSW) application to Zhongwang Holdings Limited, a world leading Chinese manufacturer of fabricated aluminum products
- Joint project team from ESAB Sweden and China successfully completed the project
- Increased productivity and quality for Zhongwang; supporting customer expansion in railway and ship building

**ESAB FSW at Zhongwang**



**President Xi Jinping Visit**

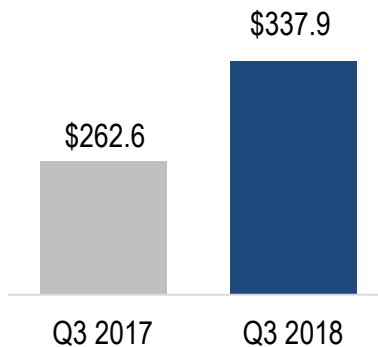


# Air & Gas Handling Progress

\$Millions

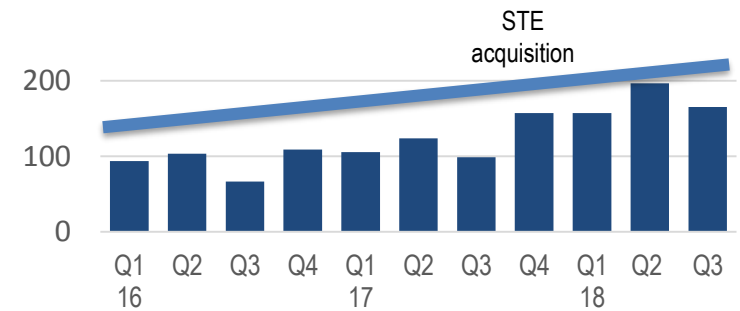
- Air & Gas Handling industrial segment orders grew organically 34%; continued momentum on diversification strategy
- Oil & Gas orders returned to organic growth; margin quality improving
- Mining orders growing; strong opportunity funnel
- Power orders in expected range; projected to improve in Q4

## Q3 Orders

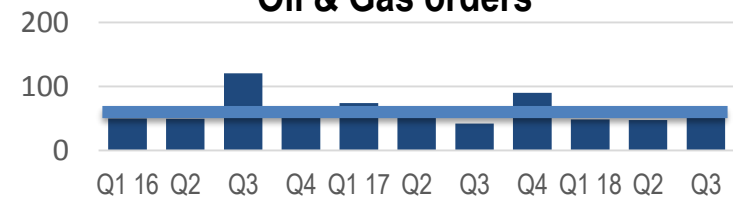


|                       |              |
|-----------------------|--------------|
| Existing Businesses   | 15.6%        |
| Acquisitions          | 15.4%        |
| FX Translation        | (2.3)%       |
| <b>Total Increase</b> | <b>28.7%</b> |

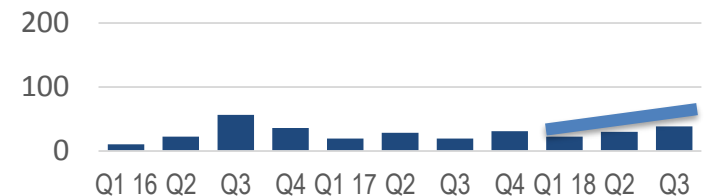
## General Industrial orders



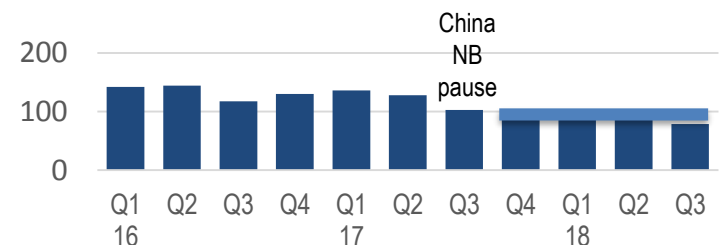
## Oil & Gas orders



## Mining orders



## Power Generation orders



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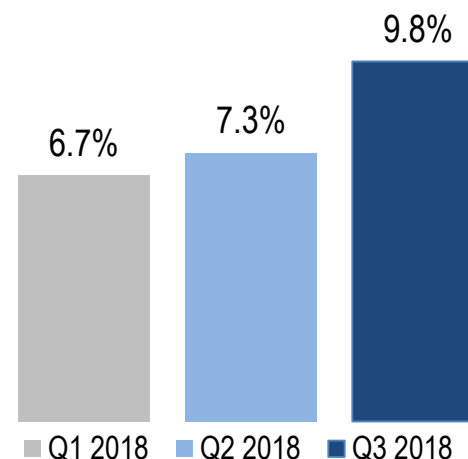


# Air & Gas Margin Improvement

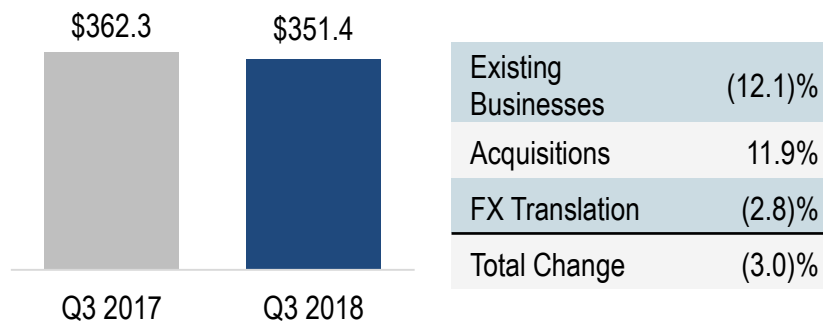
\$Millions

- Delivering improvement in adjusted operating margin; grew sequentially 250 bps
- Operating improvements and restructuring actions progressing well and benefiting margin
- Remain on target to deliver 2018 earnings growth

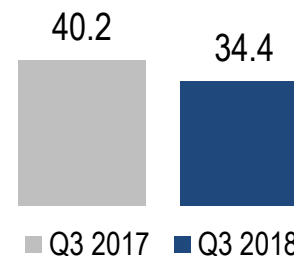
## Adj. Operating Margin Improvement



## Q3 Sales



## Q3 Adjusted Operating Profit





# Air & Gas Handling Acquisitions



## Advanced Combustion Inc.

- Leading global provider of heaters for cold-weather mines
- Extends reach and value of Simsmart dynamic control
- Uniquely positions Howden as full-line solution provider for growing cold-weather segment



## ACH Equipos Ltda.

- Leading aftermarket provider of ventilation systems in Chilean mining industry
- Respected local experts with a strong track record
- Provides direct service platform for Chilean customers and increases Howden's local presence



# 2018 Progress

- ESAB growth momentum; Howden margins improving
- Restructuring actions progressing well
- Investing in and attracting the best talent
- Improving the portfolio with attractive acquisitions
- Remain on target to deliver significant earnings growth in 2018

# Q3 2018 Financial Highlights

\$Millions, except per share amounts

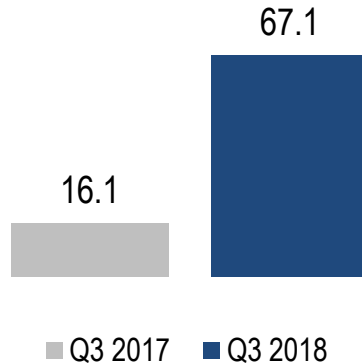
|                 | <u>Q3 2017</u> | <u>Q3 2018</u> |
|-----------------|----------------|----------------|
| Net sales       | \$845          | \$875          |
| Gross profit    | \$264          | \$271          |
| Margin          | 31.2%          | 31.0%          |
| Adj Op Profit   | \$82           | \$76           |
| Margin          | 9.7%           | 8.7%           |
| Adjusted EBITDA | \$112          | \$109          |
| Adjusted EPS    | \$0.46         | \$0.54         |

- Sales increased 4% yr-yr
  - Acquisitions +7%, FX -4%, Organic +1%
- Gross profit up \$7M
  - Acquisitions, restructuring benefits offset by currency & inflation pressures
- Adjusted Operating Profit decreased \$6M
  - Included \$4M higher acquisition-related amortization
- Tax strategies drove in-quarter rate to 21%
- Q3 2018 adjusted EPS increased 17% to \$0.54

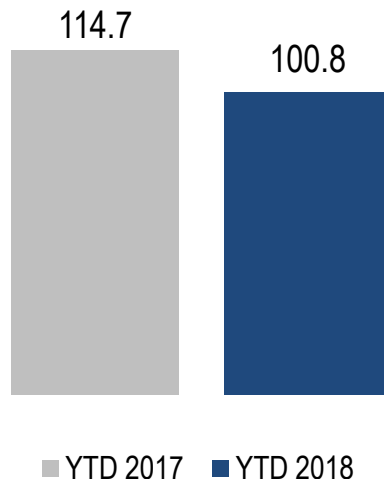
# Operating Cash Flow

\$Millions

## Q3 Operating Cash Flow



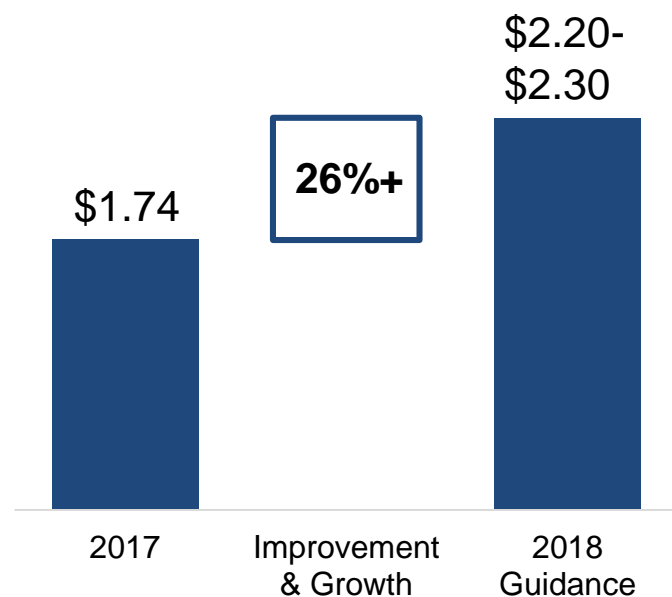
## YTD Operating Cash Flow



- Operating cash flow performance improved in Q3 due to changes in net working capital
- YTD operating cash flow \$14m lower than prior year, which included \$34m from divested FH business
- Excluding FH, operating cash flow improved due to changes in net working capital, reduced by higher restructuring spending and US pension funding

# 2018 Outlook

## Adj Earnings per Share



**Initial 2018 guidance of \$2.00-\$2.15**

**Revised in May to \$2.05-\$2.20**

**Revised in August to \$2.15-2.30**

**Revised in October to \$2.20-2.30**

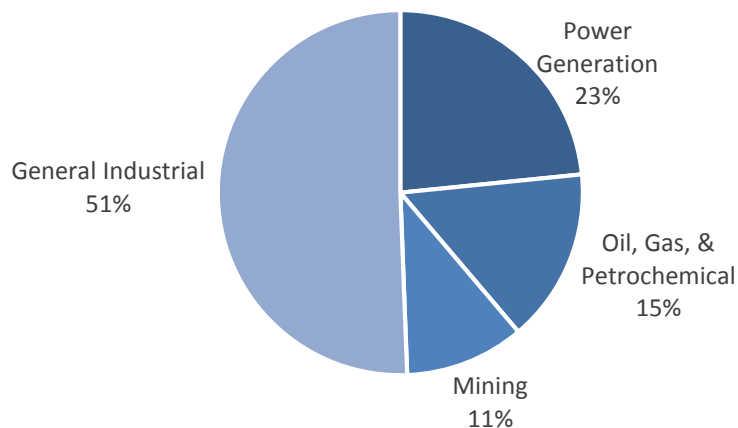
- Expect strong performance in Q4
- Continued growth in FabTech; pricing to recover recent inflation and currency pressures
- Improved Air & Gas Handling adjusted margins from restructuring actions and higher volumes
- Tightened lower end of the guidance range to \$2.20-\$2.30



## APPENDIX

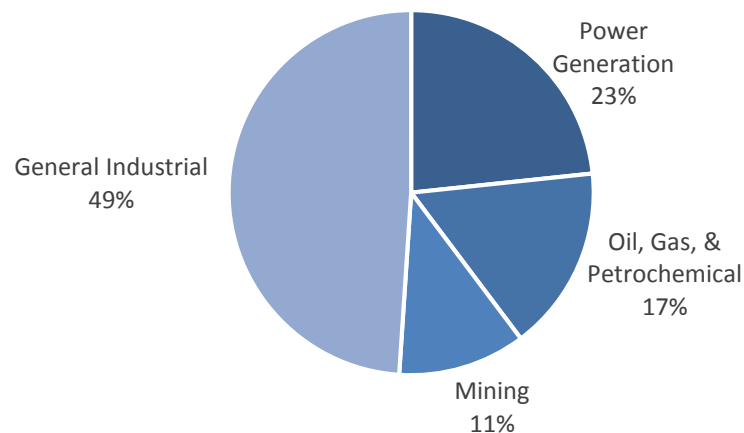
# Q3 2018 Air & Gas Handling Sales and Orders by End Market

**Sales: \$351.4 million**



|                            | Total (Decline) Growth | Organic (Decline) Growth |
|----------------------------|------------------------|--------------------------|
| Power Generation           | (38.1)%                | (38.0)%                  |
| Oil, Gas & Petrochemical   | (24.5)%                | (26.8)%                  |
| Mining                     | (4.8)%                 | 2.7%                     |
| General Industrial & Other | 49.7%                  | 20.7%                    |
| <b>Total</b>               | <b>(3.0)%</b>          | <b>(12.1)%</b>           |

**Orders: \$337.9 million**



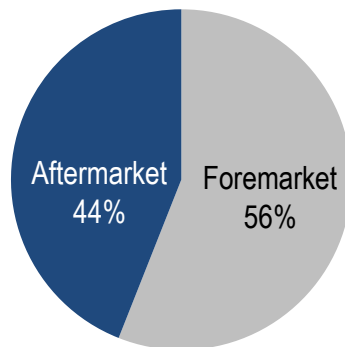
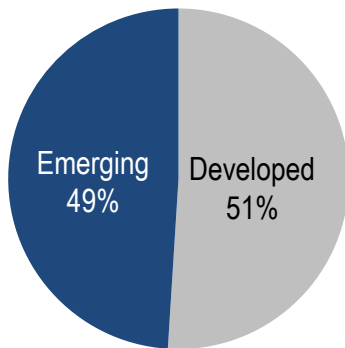
|                            | Total (Decline) Growth | Organic (Decline) Growth |
|----------------------------|------------------------|--------------------------|
| Power Generation           | (23.2)%                | (24.2)%                  |
| Oil, Gas & Petrochemical   | 31.1%                  | 29.7%                    |
| Mining                     | 99.9%                  | 104.3%                   |
| General Industrial & Other | 67.6%                  | 33.9%                    |
| <b>Total</b>               | <b>28.6%</b>           | <b>15.7%</b>             |



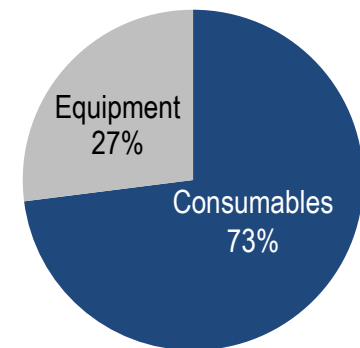
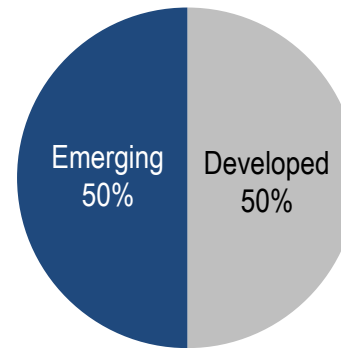
# Q3 2018 Additional Information

\$Millions

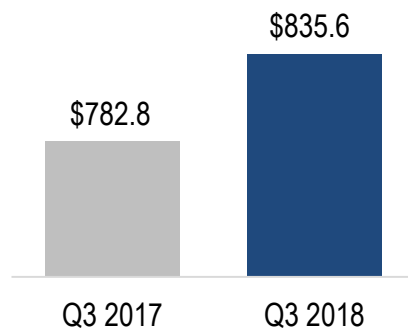
## Air & Gas Handling YTD



## Fabrication Technology YTD



## Air & Gas Handling Backlog



|                     |             |
|---------------------|-------------|
| Existing Businesses | (3.9)%      |
| Acquisitions        | 13.8%       |
| FX Translation      | (3.2)%      |
| <b>Total Change</b> | <b>6.7%</b> |

# Change in Sales, Orders and Backlog

(unaudited)

|                                                      | Net Sales       |        | Air and Gas Handling<br>Orders |        |
|------------------------------------------------------|-----------------|--------|--------------------------------|--------|
|                                                      | \$              | %      | \$                             | %      |
|                                                      |                 |        |                                |        |
| <b>For three months ended September 29, 2017</b>     | \$ 844.5        |        | \$ 262.6                       |        |
| <i>Components of Change:</i>                         |                 |        |                                |        |
| Existing Businesses <sup>(1)</sup>                   | 4.8             | 0.6%   | 41.0                           | 15.6%  |
| Acquisitions <sup>(2)</sup>                          | 61.4            | 7.3%   | 40.5                           | 15.4%  |
| Foreign Currency Translation                         | (35.3)          | (4.2)% | (6.2)                          | (2.3)% |
|                                                      | 30.9            | 3.7%   | 75.3                           | 28.7%  |
| <b>For the three months ended September 28, 2018</b> | <b>\$ 875.4</b> |        | <b>\$ 337.9</b>                |        |

|                                                               | Net Sales         |       | Air and Gas Handling<br>Orders |        | Backlog at Period End |        |
|---------------------------------------------------------------|-------------------|-------|--------------------------------|--------|-----------------------|--------|
|                                                               | \$                | %     | \$                             | %      | \$                    | %      |
|                                                               |                   |       |                                |        |                       |        |
| <b>As of and for the nine months ended September 29, 2017</b> | \$ 2,426.1        |       | \$ 938.0                       |        | \$ 782.8              |        |
| <i>Components of Change:</i>                                  |                   |       |                                |        |                       |        |
| Existing Businesses <sup>(1)</sup>                            | 34.7              | 1.4%  | (78.9)                         | (8.4)% | (30.5)                | (3.9)% |
| Acquisitions <sup>(2)</sup>                                   | 200.3             | 8.3%  | 130.7                          | 13.9%  | 108.4                 | 13.8 % |
| Foreign Currency Translation                                  | 20.5              | 0.8%  | 34.8                           | 3.7%   | (25.1)                | (3.2)% |
|                                                               | 255.5             | 10.5% | 86.6                           | 9.2%   | 52.8                  | 6.7%   |
| <b>As of and for the nine months ended September 28, 2018</b> | <b>\$ 2,681.6</b> |       | <b>\$ 1,024.6</b>              |        | <b>\$ 835.6</b>       |        |

(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 acquisitions completed in our Air and Gas Handling segment, and incremental sales for acquisitions completed in our Fabrication Technology segment.

Note: in millions

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# Non-GAAP Reconciliation

(unaudited)

|                                         | Three Months Ended September 28, 2018 |           |                        |    |                     |       |                          |          | Three Months Ended September 29, 2017 |           |                        |    |                     |       |                          |           |       |    |          |    |           |      |
|-----------------------------------------|---------------------------------------|-----------|------------------------|----|---------------------|-------|--------------------------|----------|---------------------------------------|-----------|------------------------|----|---------------------|-------|--------------------------|-----------|-------|----|----------|----|-----------|------|
|                                         | Air and Gas Handling                  |           | Fabrication Technology |    | Corporate and Other |       | Total Colfax Corporation |          | Air and Gas Handling                  |           | Fabrication Technology |    | Corporate and Other |       | Total Colfax Corporation |           |       |    |          |    |           |      |
| Net sales                               | \$                                    | 351,350   |                        | \$ | 524,023             |       | \$                       | —        | \$                                    | 875,323   |                        | \$ | 362,310             |       | \$                       | 482,199   |       | \$ | —        | \$ | 844,509   |      |
| Operating income (loss)                 |                                       | 25,123    | 7.2%                   |    | 48,976              | 9.3%  |                          | (13,919) |                                       | 60,180    | 6.9%                   |    | 36,173              | 10.0% |                          | 52,995    | 11.0% |    | (14,402) |    | 74,766    | 8.9% |
| Restructuring and other related charges |                                       | 9,257     |                        |    | 6,659               |       |                          | —        |                                       | 15,916    |                        |    | 4,061               |       |                          | 3,237     |       |    | —        |    | 7,298     |      |
| Adjusted operating income (loss)        | \$                                    | 34,380    | 9.8%                   | \$ | 55,635              | 10.6% | \$                       | (13,919) | \$                                    | 76,096    | 8.7%                   | \$ | 40,234              | 11.1% | \$                       | 56,232    | 11.7% | \$ | (14,402) | \$ | 82,064    | 9.7% |
|                                         | Nine Months Ended September 28, 2018  |           |                        |    |                     |       |                          |          | Nine Months Ended September 29, 2017  |           |                        |    |                     |       |                          |           |       |    |          |    |           |      |
|                                         | Air and Gas Handling                  |           | Fabrication Technology |    | Corporate and Other |       | Total Colfax Corporation |          | Air and Gas Handling                  |           | Fabrication Technology |    | Corporate and Other |       | Total Colfax Corporation |           |       |    |          |    |           |      |
| Net sales                               | \$                                    | 1,063,433 |                        | \$ | 1,618,153           |       | \$                       | —        | \$                                    | 2,681,586 |                        | \$ | 989,044             |       | \$                       | 1,437,057 |       | \$ | —        | \$ | 2,426,101 |      |
| Operating income (loss)                 |                                       | 63,287    | 6.0%                   |    | 171,240             | 10.6% |                          | (46,471) |                                       | 188,056   | 7.0%                   |    | 88,285              | 8.9%  |                          | 158,850   | 11.1% |    | (42,024) |    | 205,111   | 8.5% |
| Restructuring and other related charges |                                       | 21,148    |                        |    | 19,625              |       |                          | 18       |                                       | 40,791    |                        |    | 9,285               |       |                          | 13,846    |       |    | —        |    | 23,131    |      |
| Adjusted operating income (loss)        | \$                                    | 84,435    | 7.9%                   | \$ | 190,865             | 11.8% | \$                       | (46,453) | \$                                    | 228,847   | 8.5%                   | \$ | 97,570              | 9.9%  | \$                       | 172,696   | 12.0% | \$ | (42,024) | \$ | 228,242   | 9.4% |

# Non-GAAP Reconciliation

(unaudited)

|                                                                                         | Three Months Ended    |                       | Nine Months Ended     |                       |
|-----------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                                         | September 28,<br>2018 | September 29,<br>2017 | September 28,<br>2018 | September 29,<br>2017 |
| <b>Adjusted Net Income and Adjusted Net Income Per Share</b>                            |                       |                       |                       |                       |
| Net income from continuing operations attributable to Colfax Corporation <sup>(1)</sup> | \$ 34,006             | \$ 43,781             | \$ 125,564            | \$ 116,010            |
| Restructuring and other related charges- pretax                                         | 15,916                | 7,298                 | 40,791                | 23,131                |
| Acquisition-related amortization and other non-cash charges- pretax <sup>(2)</sup>      | 18,661                | 14,286                | 58,723                | 41,364                |
| Loss on short term investments-pretax                                                   | —                     | —                     | 10,128                | —                     |
| Tax adjustment <sup>(3)</sup>                                                           | (5,113)               | (8,788)               | (37,010)              | (20,010)              |
| Adjusted net income from continuing operations                                          | \$ 63,470             | \$ 56,577             | \$ 198,196            | \$ 160,495            |
|                                                                                         |                       |                       |                       |                       |
| Adjusted net income per share continuing operations                                     | \$ 0.54               | \$ 0.46               | \$ 1.63               | \$ 1.29               |
|                                                                                         |                       |                       |                       |                       |
| Net income per share- diluted from continuing operations (GAAP)                         | \$ 0.29               | \$ 0.35               | \$ 1.03               | \$ 0.94               |

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

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

(3) The effective tax rates used to calculate adjusted net income and adjusted net income per share for the third quarter and nine months ended September 28, 2018 are 20.6% and 18.8%, respectively. The effective tax rates used to calculate adjusted net income and adjusted net income per share for the third quarter and nine months ended September 29, 2017 are 26.6% and 27.5%, respectively.

Note: In thousands, except per share amounts.

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# Non-GAAP Reconciliation

(unaudited)

|                                         | Three Months Ended |                    |
|-----------------------------------------|--------------------|--------------------|
|                                         | September 28, 2018 | September 29, 2017 |
| Net income from continuing operations   | \$ 37,898          | \$ 49,622          |
| Interest expense                        | 9,885              | 11,328             |
| Provision for income taxes              | 12,397             | 13,816             |
| Depreciation and amortization           | 33,365             | 30,411             |
| Restructuring and other related charges | 15,916             | 7,298              |
| Adjusted EBITDA                         | \$ 109,461         | \$ 112,475         |

*Note: In thousands*

# Non-GAAP Reconciliation

(unaudited)

|                                                                                    | Updated Guidance |                | Previous Guidance |                |
|------------------------------------------------------------------------------------|------------------|----------------|-------------------|----------------|
|                                                                                    | Low              | High           | Low               | High           |
| <b>2018 Earnings Per Share</b>                                                     |                  |                |                   |                |
| Projected net income per share from continuing operations (GAAP)- diluted          | \$ 1.28          | \$ 1.39        | \$ 1.19           | \$ 1.35        |
| Restructuring and other related charges- pretax                                    | 0.56             | 0.56           | 0.58              | 0.58           |
| Acquisition-related amortization and other non-cash charges- pretax <sup>(1)</sup> | 0.68             | 0.68           | 0.61              | 0.61           |
| Loss on short term investments- pretax                                             | 0.08             | 0.08           | 0.08              | 0.08           |
| Tax adjustment <sup>(2)</sup>                                                      | <u>(0.40)</u>    | <u>(0.41)</u>  | <u>(0.31)</u>     | <u>(0.32)</u>  |
| Projected adjusted net income per share                                            | <u>\$ 2.20</u>   | <u>\$ 2.30</u> | <u>\$ 2.15</u>    | <u>\$ 2.30</u> |

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

(2) The estimated effective tax rate for adjusted net income and adjusted net income per share for the year ended December 31, 2018 is 20-21%.