

The COLFAX logo is displayed in a bold, black, sans-serif font. The letters are thick and blocky, with a slight shadow effect. The 'O' and 'A' have a small square cutout in the center. The logo is set against a light gray rectangular background.

**COLFAX**

**Journey Toward Excellence**  
**INVESTOR DAY | DECEMBER 17, 2013**

# FORWARD-LOOKING STATEMENTS

These slides and accompanying oral presentation 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 2012 Annual Report on Form 10-K under the caption "Risk Factors." In addition, these statements are based on a number of assumptions that are subject to change. These slides speak only as of this date. Colfax disclaims any duty to update the information herein.

The term "Colfax" in reference to the activities described in these slides may mean one or more of Colfax's global operating subsidiaries and/or their internal business divisions and does not necessarily indicate activities engaged in by Colfax Corporation.

# 2013 INVESTOR DAY AGENDA

- |        |   |
|--------|---|
| 1:00PM | Opening Remarks<br>- Steve Simms, President and CEO   |
| 1:15PM | Business Segment Presentations<br>- Clay Kiefaber, EVP and CEO of ESAB<br>- Carl Pickard, SVP Global Sales and Marketing of Colfax Fluid Handling<br>- Ian Brander, CEO of Howden |
| 3:00PM | Break with Product Tables and Closer Looks  |
| 3:30PM | Business Development<br>- Dan Pryor, EVP Strategy and Business Development  |
| 3:45PM | Colfax Business System and Supply Chain<br>- Steve Wittig, SVP CBS and Supply Chain   |
| 4:15PM | Financial Update<br>- Scott Brannan, SVP and CFO  |
|        | Summary and Outlook<br>- Steve Simms, President and CEO   |
| 4:45PM | Q&A   |
| 5:00PM | Thank you and Goodbye   |

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A central horizontal band is a solid, medium-blue color, providing a clear area for the text.

# **OPENING REMARKS**

## **STEVE SIMMS | President and CEO**

**Journey Toward Excellence**

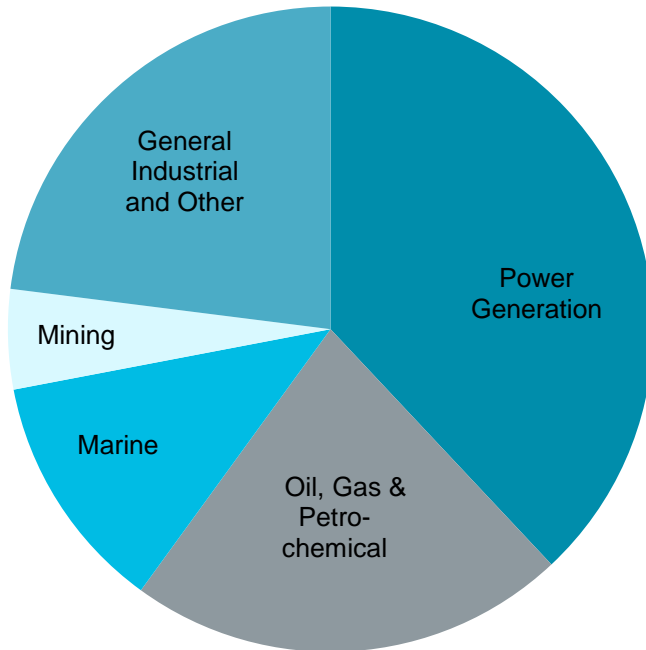
# SUMMARY



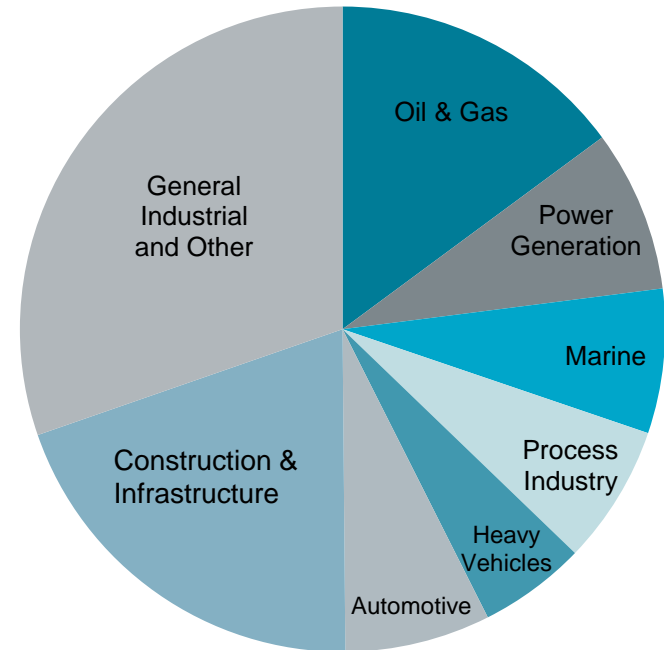
UNIQUE PLATFORM FOR SUSTAINED VALUE CREATION

# LEADING BRANDS IN ATTRACTIVE MARKETS

**GAS & FLUID HANDLING**  
(% of Q3 2013 YTD Revenues)



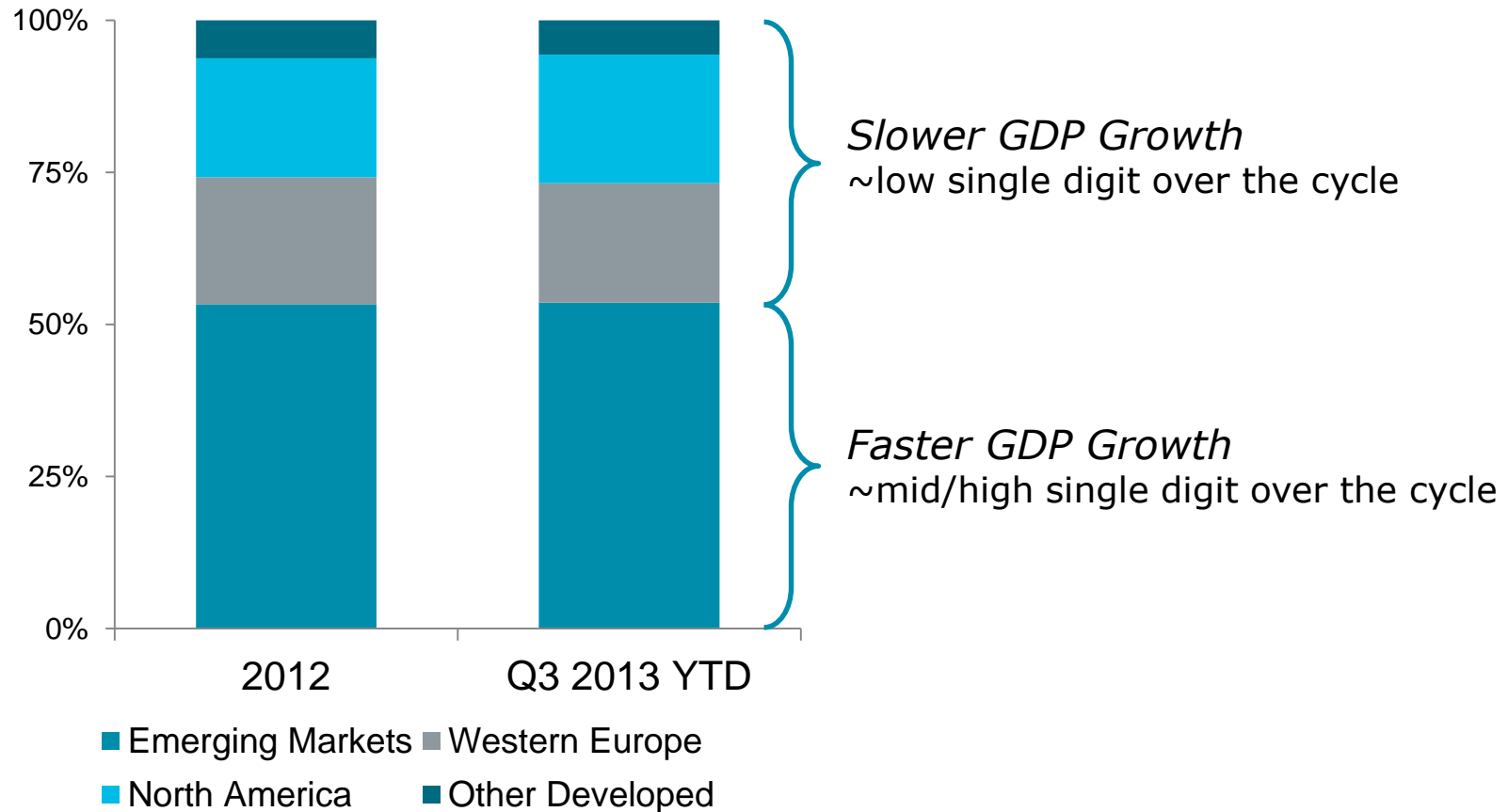
**FABRICATION TECHNOLOGY**  
(% of Served Market<sup>(1)</sup>)



**CRITICAL PRODUCTS; STRONG FUNDAMENTALS**

1) Excludes PPE

# BROAD GLOBAL FOOTPRINT



**OVER 50% OF REVENUES IN HIGHER-GROWTH REGIONS**

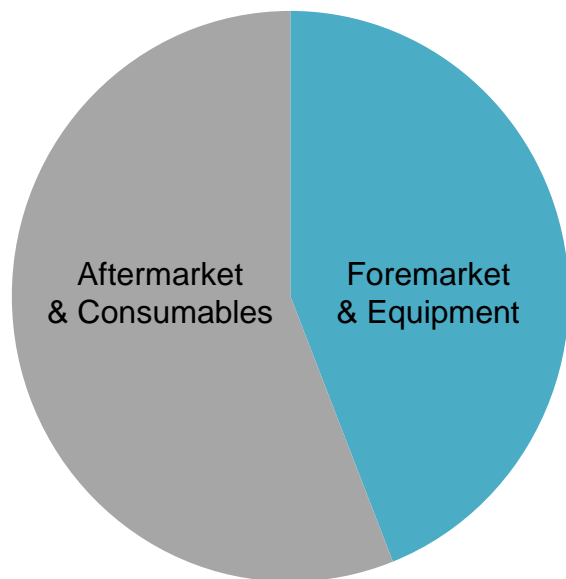
Note: Other Developed = Australia, New Zealand, South Korea, Japan, Singapore.

Source: Company filings

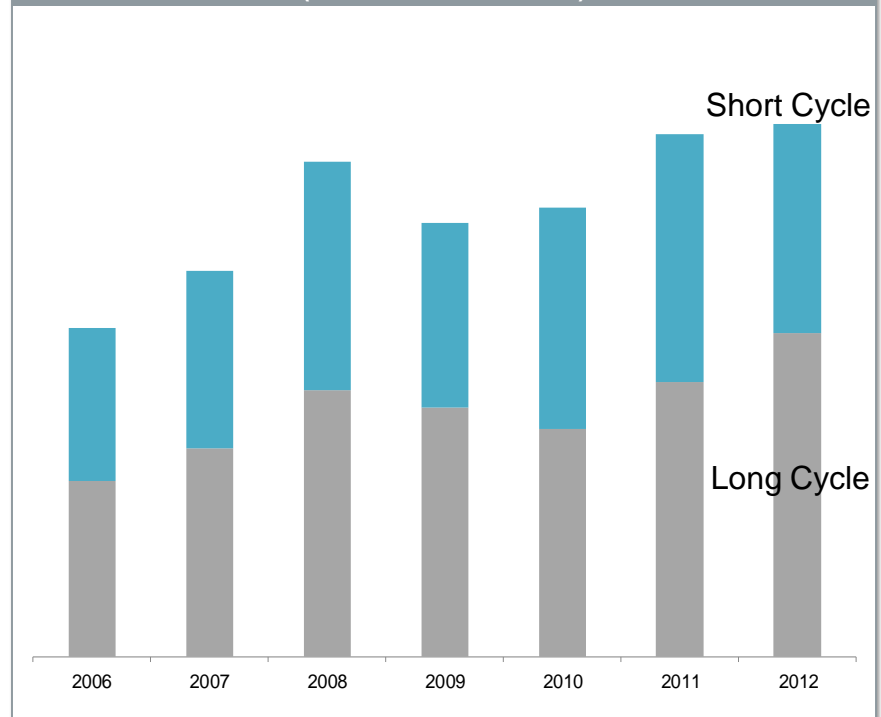
**COLFAX**

# BALANCED REVENUES

**FOREMARKET VS. AFTERMARKET**  
(% of Q3 2013 YTD Revenues)



**LONG-CYCLE VS. SHORT-CYCLE**  
(Prior Year Revenues)



## MUTED VOLATILITY OVER THE CYCLE

Note: Long cycle = Colfax Fluid Handling, Howden, ESAB Cutting & Automation.

**COLFAX**



# 2013 REVIEW

## MEDIUM-TERM GOALS

- Realize GDP plus 1-2% growth over the economic cycle
- Achieve mid-teens operating margins
- Consistently deliver FCF in excess of net income

## 2013 PROGRESS

(Q3 2013 YTD)

- Revenue up 5.2% year-on-year; roughly flat organically
- Adjusted Op Income Margins up 220 bps to 11.1%
- Working capital turns up nearly 1x

**MAKING PROGRESS TOWARD OUR FINANCIAL GOALS**

# 2013 REVIEW

## Portfolio

- 6 strategic acquisitions
- New product releases gaining steam

## People

- Bench getting deeper/broader
- Talent management/development process in place

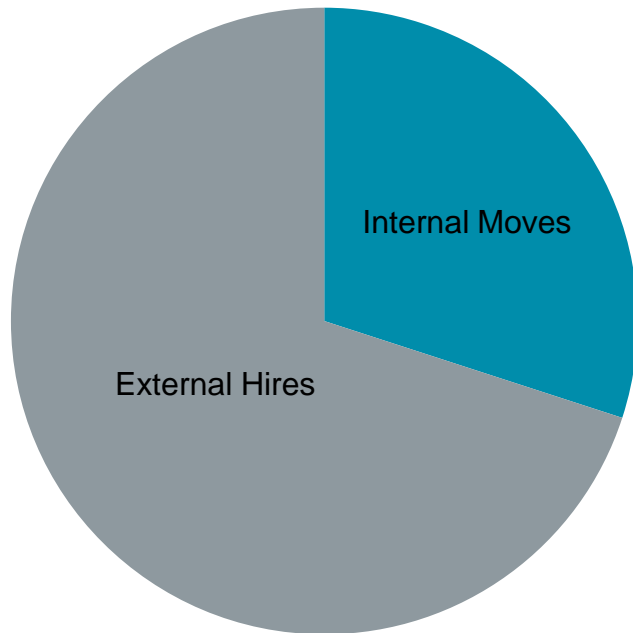
## Process/Culture

- Kaizen activity delivering results
- CBS momentum continues to build

STRENGTHENING THE FOUNDATION

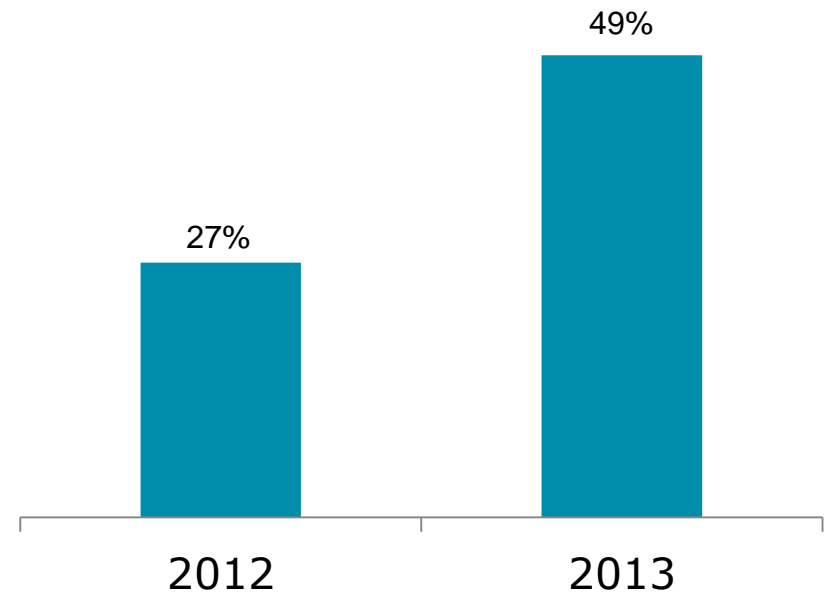
# DEVELOPING ORGANIZATIONAL CAPABILITY

**SENIOR HIRES & INTERNAL MOVES**  
(2013 YTD = 56 Positions)



- Improving ability to fill key positions internally

**SENIOR TALENT PIPELINE**



- Increasing key talent within our funnels

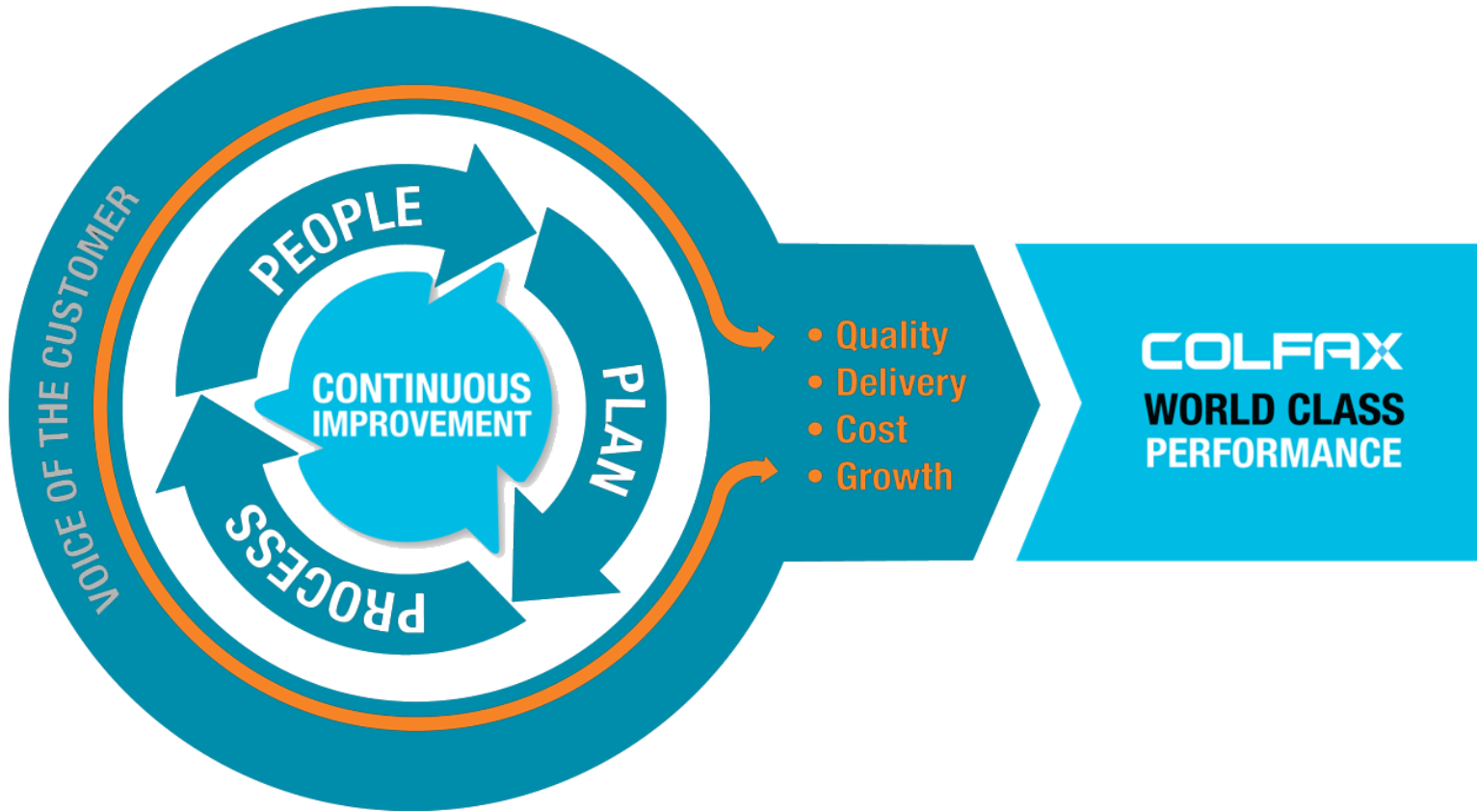
**STRENGTHENING THE TEAM...BUILDING THE BENCH**

# DEVELOPING ORGANIZATIONAL CAPABILITY



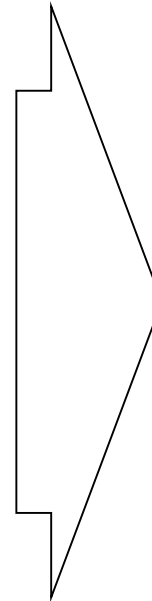
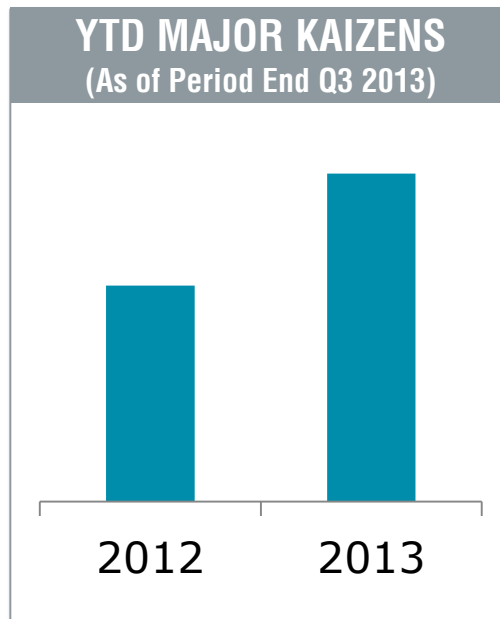
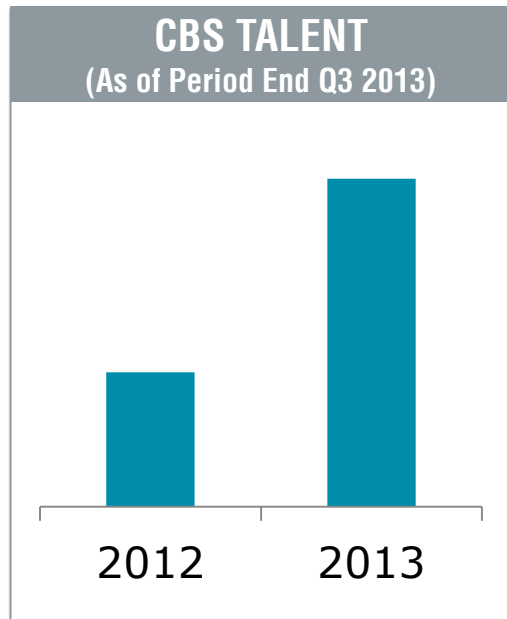
GROWING TOMORROW'S LEADERS

# REINFORCING THE CULTURE



BUILDING THE FOUNDATION FOR SUSTAINED PERFORMANCE

# REINFORCING THE CULTURE



Focus on the Vital Few:

- Quality
- Delivery
- Working Capital
- Cost

**CBS CULTURE GAINING TRACTION**

# KEY THEMES: WHAT YOU'LL HEAR FROM THE BUSINESSES

## 2013 PERFORMANCE

- Significant operating improvements
- Good progress building CBS culture
- Selling/product development processes upgraded
- Leadership teams strengthened

## STRATEGIC THEMES

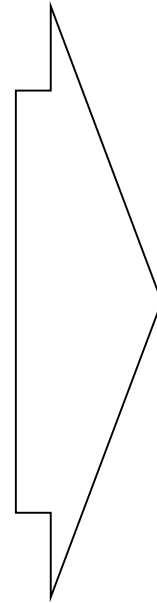
- Focus on growing aftermarket and service business
- Accelerating new product development
- Emphasis on solutions vs. products
- Continued CBS implementation

BALANCED EMPHASIS ON COST AND GROWTH

# VISION

We are dedicated to creating an enduring premier global enterprise built on a unique business culture that...

- Does all things with integrity, respect and candor
- Has a deep commitment to excellence to associates and customers as its foundation
- Is known for consistent delivery of world-class performance



*2014:*  
Building Foundation  
For Long-Term  
Growth

JOURNEY TOWARD EXCELLENCE



The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A central horizontal band is a solid, medium-blue color, providing a clear area for the text.

# **ESAB**

## **CLAY KIEFABER | EVP and CEO of ESAB**

**Journey Toward Excellence**

# PORTFOLIO OVERVIEW



## Filler metals

Mild steel, alloy and aluminum filler metals



## Equipment and accessories

Welding machines, manual plasma cutting machines, welding and plasma torches, gas apparatus and PPE



## Welding automation and robotics

Automated welding systems and components



## Cutting machines

Automated cutting tables and systems

## VIDEO SHOWN ON LOCATION DURING EVENT

# MARKET OVERVIEW

**Served Market Size: ~\$21B**

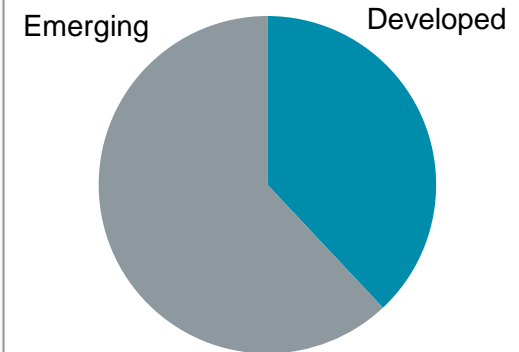
**Long-Term Market Growth: ~3-5%**

## Market Drivers

- Shortage of skilled welders driving need for easier-to-use equipment and automation
- Increasing application complexity: thinner metals, tougher environments, etc.
- More sophisticated production in emerging markets shifting product mix
- Growth of welding-intensive end-markets: energy, pipelines, infrastructure

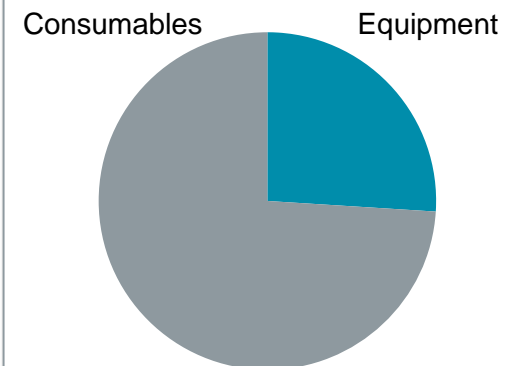
### GEOGRAPHIC MIX

(% of Q3 2013 YTD Revenues)



### PRODUCT MIX

(% of Q3 2013 YTD Revenues)



**WELDING IS AT THE CORE OF EVERYTHING**

# PERFORMANCE UPDATE

## 2013 KEY STRATEGIES/FOCUS

- Build customer responsiveness
- Improve operational efficiency
- Strengthen organizational structure and talent
- Drive differentiated product and application development

## 2013 HIGHLIGHTS

- Significant improvements, particularly in Europe
- Continued facility and distribution rationalization
- All key positions filled
- Launched several new VOC-based products

**SIGNIFICANT PROGRESS AGAINST GOALS, BUT OPPORTUNITY REMAINS**

# PERFORMANCE UPDATE: CUSTOMER RESPONSIVENESS

## EUROPEAN EQUIPMENT IMPROVEMENTS

- % on-time-in-full (OTIF)  
**29% → 90%**
- Replaced build-to-forecast with build-to-order scheduling
- Ship time from factory  
**41 days → 2 days**
- Finished goods inventory reduction of **63%**



IMPROVED CUSTOMER SERVICE; LOWER INVENTORIES

# PERFORMANCE UPDATE: OPERATIONAL EFFICIENCY AND ORGANIZATION

- Global functional organization maturing
- **\$45M** restructuring savings through Q3
- **12** new Senior Executives hired/on boarded
- **112** kaizens led by CBS organization

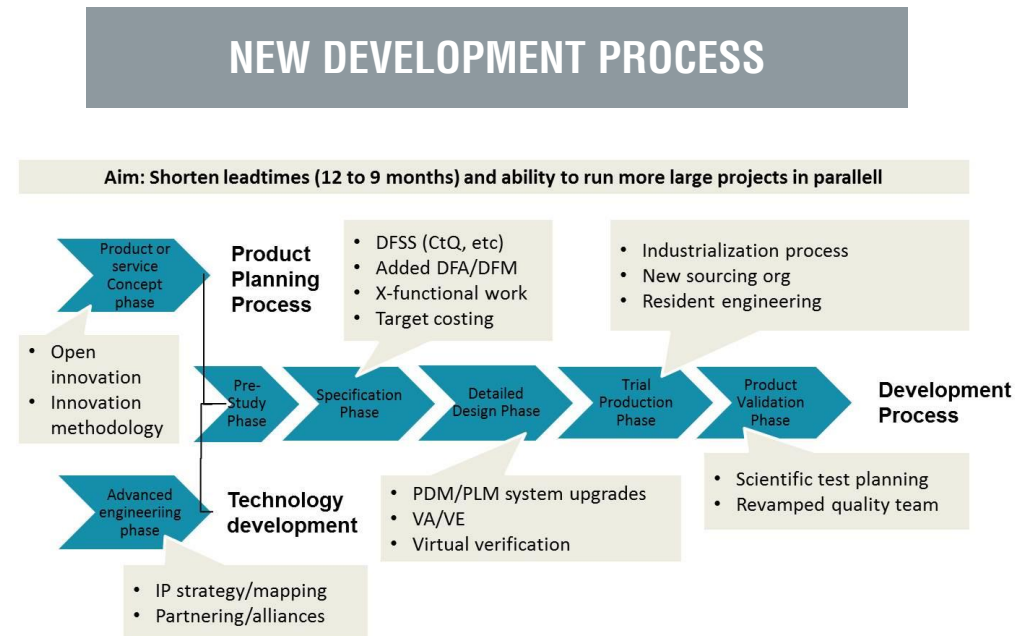


STRENGTHENING THE TEAM; DELIVERING IMPROVEMENT



# PERFORMANCE UPDATE: NEW PRODUCT DEVELOPMENT

- VOC-driven product development process implemented
- New product launches accelerated
- Equipment vitality index improved from **9%** to **14%**



**DELIVERING DIFFERENTIATED SOLUTIONS TO CUSTOMERS**



# STRATEGIC FOCUS

## **Drive differentiated product and application development**

- Continue compressing new product time to market
- Refresh/expand portfolio with differentiated, VOC-driven new products

## **Implement CBS tools to achieve operational and financial excellence**

- Expand build-to-order model; continue reducing lead-times and working capital
- Continue footprint/process improvement and organizational realignment

## **Strengthen core skills and organizational capability**

- Deploy value selling focused on total solutions
- Expand talent development, top-grading and targeted recruiting

# CLOSER LOOK: DIFFERENTIATED PRODUCT DEVELOPMENT

## *VOC centered development...*

- Over 400 customer interviews
- Over 200 days of development sessions with end-users

## *... Delivering quantifiable benefits*

- Energy efficiency
- Ease of use
- Flexibility/productivity
- Reliability



**BUILDING THE PROCESSES TO DRIVE GROWTH**

## VIDEO SHOWN ON LOCATION DURING EVENT

# CBS IMPACT: FLORENCE, SC

## BEFORE

- “Push” scheduling (controlled by MRP)
- No visual materials flow; poor parts route
- \$7.7 million inventory
- 595 ft<sup>2</sup> materials storage



## AFTER

- “Pull” scheduling (driven by kanban)
- Standardized tugger routes established with visuals
- \$6.6 million inventory (↓14%)
- 221 ft<sup>2</sup> materials storage (↓37%)



### Key actions/tools:

- One-piece flow
- PFEP

**REDUCED INVENTORY, IMPROVED PRODUCTIVITY AND BETTER DELIVERY PERFORMANCE**

# SUMMARY

**Company well positioned in attractive market**

**Significant progress strengthening business – financial and operational performance, organizational capabilities**

**Increasing focus on growth, while continuing to drive cost**

The background of the slide features a blue wavy pattern. A central horizontal band is a solid grey color, while the top and bottom sections are blue with white, flowing, wave-like lines.

**Q&A**

**Journey Toward Excellence**

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of motion and depth. A central horizontal band is a solid, medium-blue color, providing a clear area for the text.

# **COLFAX FLUID HANDLING**

## **CARL PICKARD | SVP Global Sales and Marketing**

**Journey Toward Excellence**



# PORTFOLIO OVERVIEW



## Positive Displacement Pumps

Use two or three intermeshing screws to convey viscous fluids such as crude oil, lubricants, hydraulic fluid, coolant, asphalt and polymers



## Specialty Centrifugal Pumps

Centrifugal pumps capable of handling high volumes of corrosive and/or hot fluids



## Engineered Specialty Pumping Solutions

Pumping systems for handling mixed-phase fluids (e.g., water combined with gas) and delivery of lubricants to high-value rotating equipment (e.g., compressors, turbines)



## Maintenance and Lubrication Services

Flushing, purification and analysis services for lubrication systems aimed at improving customer uptime

**COLFAX**  
Fluid Handling

**ALLWEILER® IMO®**

**COLFAX**



# APPLICATIONS OVERVIEW



## **Upstream Oil & Gas**

Mixed phase oil transportation



## **Midstream Oil & Gas**

Heavy oil pipeline boosting; terminal and tank farm loading/unloading



## **Commercial/Military Marine**

Cooling water, ballast/anti-heeling, lubrication, fire fighting, hydraulic and other pumps



## **Industrial Process**

Lubrication systems and services; hot oil transfer

# MARKET OVERVIEW

**Served Market Size: ~\$6.4B**

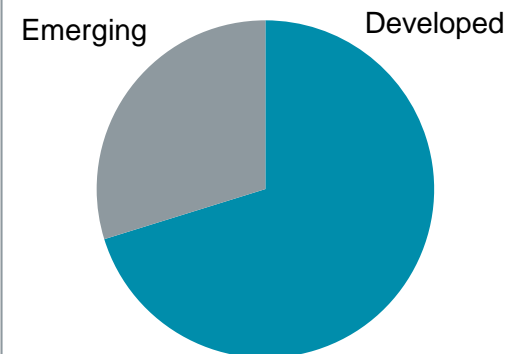
**Long-Term Market Growth: ~5-7%**

## Market Drivers

- Shift in demand from products to total solutions
- Aging oil fields
- Increased customer focus on energy efficiency and emissions reductions
- Increasing use of rail for oil transport
- Continued growth of gas-fired power production

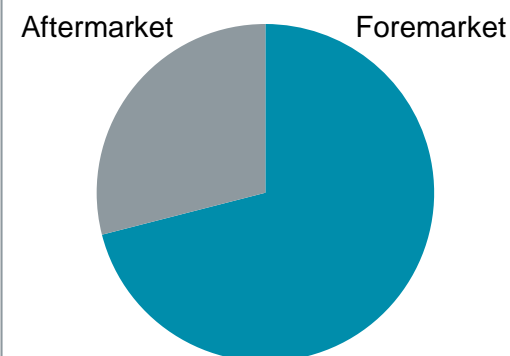
### GEOGRAPHIC MIX

(% of Q3 2013 YTD Revenues)



### PRODUCT MIX

(% of Q3 2013 YTD Revenues)



**CORE PRODUCTS IN ATTRACTIVE MARKETS WITH STRONG LONG-TERM FUNDAMENTALS**

# PERFORMANCE UPDATE

## 2013 KEY STRATEGIES/FOCUS

- Increase share of served oil and gas applications
- Exploit aftermarket and service opportunities
- Accelerate product development
- Leverage CBS tools

## 2013 HIGHLIGHTS

- Value selling success in O&G and Power & Industry
- Continued organic growth; 3 successful bolt-ons
- New product development momentum: CM-1000, MR400
- Footprint rationalization and productivity gains

CONTINUING TO STRENGTHEN LONG-TERM POSITION

# STRATEGIC FOCUS

## **Accelerate profitable foremarket growth by focusing on product/system innovation**

- Commercial marine
- Oil & Gas
- Power & Industry

## **Expand aftermarket sales and service business**

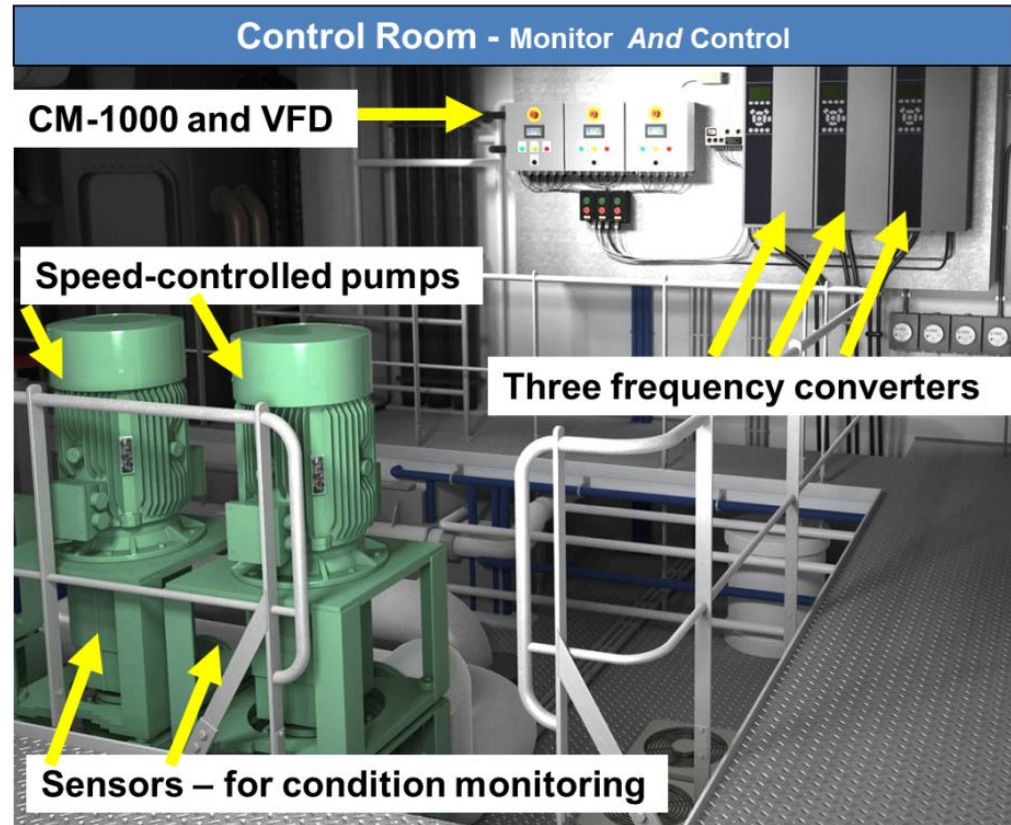
- Deepen North America footprint
- Grow internationally leveraging Sicelub acquisition and partnership with major oil company

## **Leverage CBS to further optimize manufacturing footprint and working capital**

# CLOSER LOOK: PRODUCT/SYSTEM INNOVATION

## *CM-1000 Breakthrough*

- Marine operators looking to increase efficiency and reduce cost
- CM-1000 developed incorporating substantial VOC
- Benefits to customer:
  - Up to 70% energy savings
  - 20 kW (750rpm) instead of 64 kW (1100rpm)
  - Significantly reduced carbon footprint



ACCELERATING PROFITABLE FOREMARKET GROWTH

# CLOSER LOOK: PRODUCT/SYSTEM INNOVATION





# CBS IMPACT: RADOLFZELL, GERMANY

## BEFORE

- “Push” scheduling (controlled by SAP)
- Material and information flow inconsistent
- € 88k inventory



## AFTER

- “Pull” scheduling (driven by kanban)
- Clear, visual material and information flow
- € 26k inventory





### *Key actions/tools:*

- Value stream map
- One-piece flow
- Setup reduction
- PFEP

**SIGNIFICANT IMPROVEMENT OPPORTUNITY EVEN IN LEGACY FACILITIES**

# ACQUISITION UPDATE

COMPANY		 Reliability in Tribological Processes®
CLOSED	Q3 2013	Q4 2013
REGIONS	Pacific Northwest of United States	Mexico, Central and South America
STRATEGIC RATIONALE	Grow service business; expand served customer base	Grow service business; expand into South America; broaden service capabilities/offering
LTM REVENUE	~\$10 million	~\$45 million

ACQUISITIONS ACCELERATING AFTERMARKET/SERVICE STRATEGY



# SUMMARY

**Successfully driving growth in foremarket and highly profitable service business**

**Leveraging the tools of CBS to improve productivity and cash flow**

**New team gaining traction**

The background of the slide features a blue wavy pattern. A central horizontal band is a solid grey color, while the top and bottom sections are blue with white, flowing, wave-like lines.

**Q&A**

**Journey Toward Excellence**

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A central horizontal band is a solid, medium-blue color, providing a clear space for the text.

**HOWDEN**  
**IAN BRANDER | CEO of Howden**

**Journey Toward Excellence**

# PORTFOLIO OVERVIEW



## Heavy duty fans

Large custom engineered fans to maximize performance and efficiency



## Rotary heat exchangers

Unique heat transfer arrangement provides maximum thermal performance



## Industrial fans

Engineered and configured medium range fans



## Compressors

Screw, piston and centrifugal compressors for gas companies

# APPLICATION OVERVIEW



## **Power**

Main boiler fans, boiler heat recovery, booster fans (environmental)

## **Mining**

Surface and underground ventilation, heating and cooling systems



## **Oil & Gas**

Upstream and downstream oil & gas processing



## **Steel**

Hot and dusty process exhaust gas handling

## **Cement**

Process air supply and exhaust gas handling

## **Transportation**

Locomotive motor and brake cooling



# MARKET OVERVIEW

**Served Market Size: ~\$7.5B**

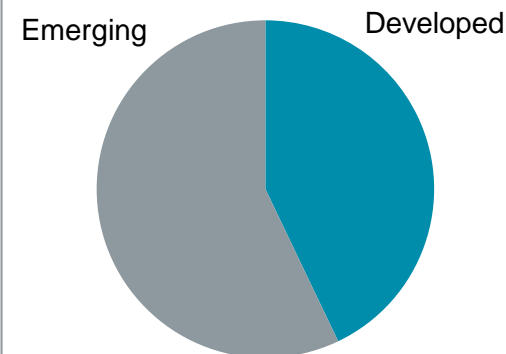
**Long-Term Market Growth: ~4-6%**

## Market Drivers

- Increasing end-user focus on energy efficiency
- Environmental legislation driving retrofits
- Emerging markets investing in coal-fired power
- Expansion of aftermarket opportunity

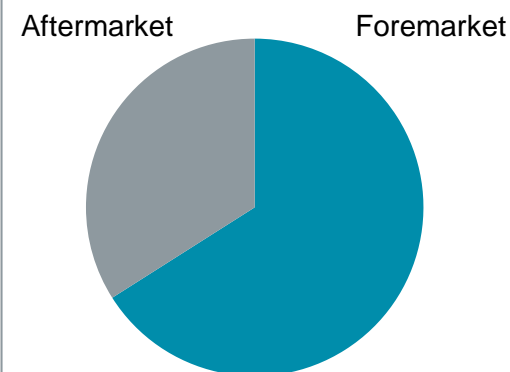
### GEOGRAPHIC MIX

(% of Q3 2013 YTD Revenues)



### PRODUCT MIX<sup>(1)</sup>

(% of Q3 2013 YTD Revenues)



**HIGH INTEGRITY PRODUCTS FOR VITAL INDUSTRIES**

1) Retrofit included in Foremarket

# PERFORMANCE UPDATE

## 2013 KEY STRATEGIES/FOCUS

- Exploit environmental opportunities
- Increase aftermarket capture
- Grow in mining market
- Improve operational efficiency

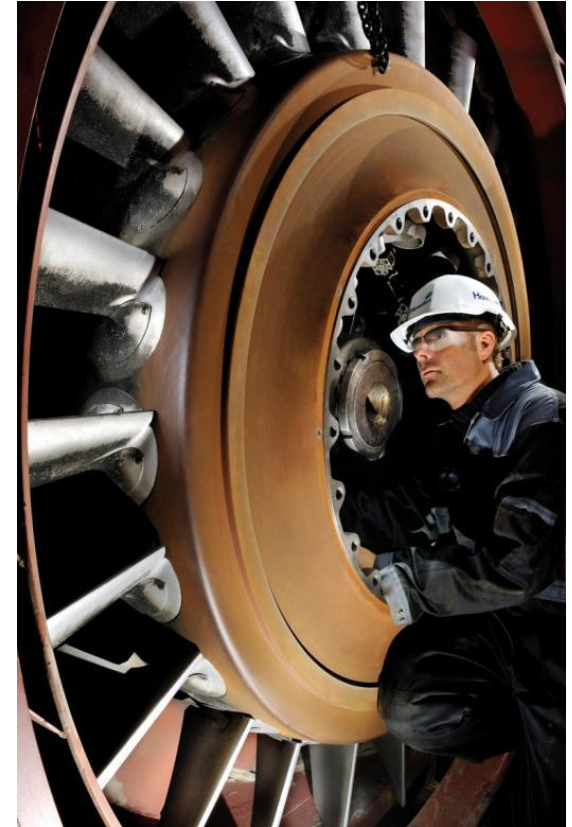
## 2013 HIGHLIGHTS

- Continued success in China and U.S.
- Strategic focus continues to deliver high growth rate
- Gained share in soft market
- Improvements in overhead, production and sourcing

**FOCUSED EXECUTION DRIVING RESULTS**

# PERFORMANCE UPDATE: ENVIRONMENTAL

- Chinese power plant upgrades winding down
- Environmental opportunities emerging in other sectors/regions
  - Focus shifting to large industrial polluters
  - New coal fired plants adding full pollution control measures
  - Clean Air Act driving gas cleaning opportunity in South Africa
  - Participation in early stage carbon capture development
- Global scale enables Howden to redeploy resources as demand shifts



**>10% CAGR FROM REGULATION SINCE EARLY 2000s; SIGNIFICANT OPPORTUNITY REMAINS**



# PERFORMANCE UPDATE: MINING

## *Mongolian Win*

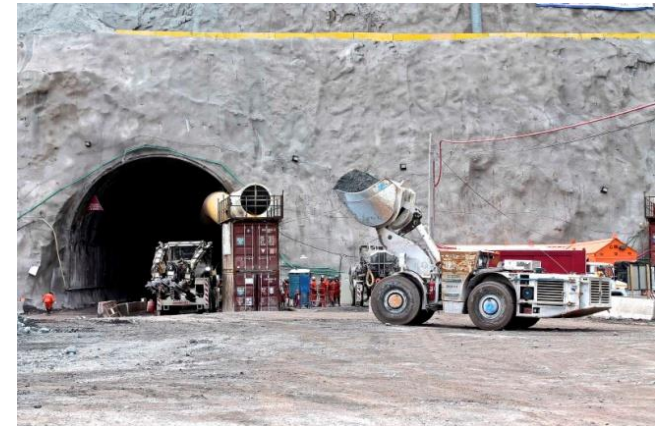
- Mine ventilation and heating solution
- Howden success factors: unique technical solution, global coverage, excellent support



*Copper and gold mine in Mongolia*

## *South American Win*

- Main mine ventilation fans for 1st in new phase of copper mines
- Howden success factors: energy efficiency, local support



*South American mining operation*

**GAINED SHARE IN SOFT MARKET**

# STRATEGIC FOCUS

## **Expand addressable markets**

- Build capabilities in emerging markets: Southeast Asia, India, Russia
- Expand product offering: mechanical vapor compression, mining

## **Increase aftermarket capture**

- Use acquisitions to expand addressable installed base
- Develop retrofit solutions to capture incremental aftermarket

## **Drive growth in Industrial Fans**

- Use acquisitions to expand served product and application set
- Leverage global channels to grow industrial fan revenues

## **Improve operational efficiency**

- Simplify business structure
- Reduce lead-times and reduce cost through sourcing initiatives

# CLOSER LOOK: AFTERMARKET STRATEGY

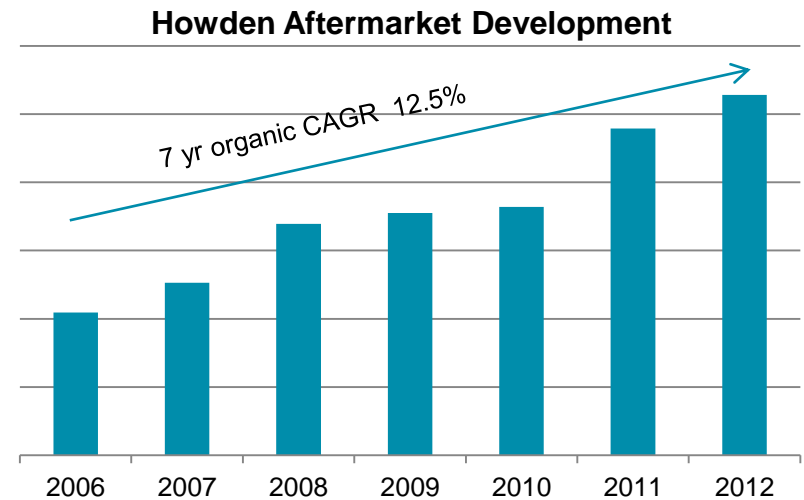
## *Two elements:*

- Spares and site services – serve our extensive installed base
- Retrofit - value driven enhancement to an existing system



## *Differentiators:*

- Technology – industry leader with history of success
- Service density – quicker response, better tech utilization
- Breadth/Scale – 59 facilities in 26 countries



**GROWING A STABLE HIGH MARGIN REVENUE STREAM**

# CLOSER LOOK: SPARES & SERVICE

## *Competitive advantage*

- Experienced/broad service network enhances customer support and creates upgrade opportunities
- Original certified OEM parts ensure equipment integrity and performance

## *Geographic success*

- North America – Acquisitions provide access to large installed base (own replacement parts IP for 25+ legacy fan companies)
- China – Significant power plant construction over the past 15 years creates sizeable/growing opportunity



MAXIMIZE PENETRATION OF EXTENSIVE INSTALLED BASE



# CLOSER LOOK: RETROFIT



*Replacement booster fan on existing foundation*



*Compressor piston ring wear problem solved*



*New high pressure blade profile retrofit*



*Heater seal replacement increases power output*

**USE VALUE SELLING TO CREATE RETROFIT OPPORTUNITIES**

# CBS IMPACT: WEIHAI, CHINA

## BEFORE

- 80 day lead-time for wastewater blower packages
- High WIP for large cooling fans
- Low productivity in transportation fans area



## AFTER

- Lead-time compressed to 35 days, reducing inventory \$2.6 million
- WIP reduced by 52%
- Productivity improved by 15%





### Key actions/tools:

- Cellularization
- Single Piece Flow
- Standard Work

IMPROVING CUSTOMER SERVICE WHILE REDUCING WORKING CAPITAL

# ACQUISITION UPDATE

COMPANY		
CLOSED	Q4 2013	Q4 2013
REGIONS	Global	Russia & Eastern Europe
STRATEGIC RATIONALE	Strengthen industrial fan position; add complementary product line; expand in India; increase addressable aftermarket	Broaden product portfolio and increase technology; strengthen position in Russia; increase addressable aftermarket
LTM REVENUE	~\$225 million	~\$40 million

**BOLT-ON ACQUISITIONS EXPANDING OFFERING, REGIONAL PRESENCE AND INSTALLED BASE**

# SUMMARY

**Strong performance; room for additional improvement exists**

**Expanded addressable market provides growth runway**

**Focus on aftermarket to build stable high margin revenue base**



The background of the slide features a blue wavy pattern. A central horizontal band is a solid grey color, while the top and bottom sections are blue with white, flowing, wave-like lines.

**Q&A**

**Journey Toward Excellence**

The background of the slide features a blue wavy pattern. A central horizontal band is a solid grey color, while the top and bottom sections are blue with white, flowing, wave-like lines.

**BREAK**

**Journey Toward Excellence**

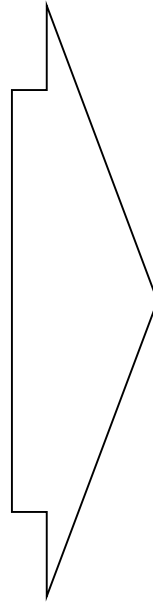
The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A central horizontal band is a solid, medium-blue color, providing a clear area for the text.

# **BUSINESS DEVELOPMENT**

## **DAN PRYOR | EVP Strategy and Business Development**

**Journey Toward Excellence**

# GOALS / MODEL

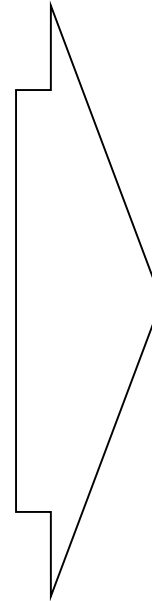


- Strengthen business
  - Geographic footprint
  - Share/channel
  - Products/technologies
  - Talent/capabilities
- Accelerate improvement
  - Purchasing scale
  - Overhead leverage
  - Manufacturing consolidation
  - Product rationalization

KEY ELEMENT OF COLFAX VALUE CREATION

# APPROACH / STRATEGY

- Tight linkage with business strategy
  - Proactive target identification
  - Clear understanding of value creation
- Ensure process rhythm/discipline
  - Regular funnel review/prioritization
  - Clear view of limits/walk-away points
- Nurture Colfax “acquisition brand”
  - Reasonable/trustworthy counterparty
  - Nimble/efficient process



- 10 closed transactions since Charter
- ~\$640mm total consideration
- ~\$590mm run-rate revenues added
- Financial hurdles achieved

ACQUISITION STRATEGY DRIVING RESULTS

# CASE STUDY: FANS

## *Strategic Goals:*

- Grow addressable aftermarket
- Enhance industrial fan presence
- Strengthen mining offering
- Expand in India
- Create rationalization opportunities



FAN REVENUES UP APPROXIMATELY 40%

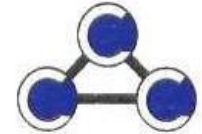
# CASE STUDY: LUBRICATION SERVICES

## *Strategic Goals:*

- Fill regional gaps
- Extend geographic footprint
- Enter adjacent applications
- Strengthen service capabilities
- Create rationalization opportunities

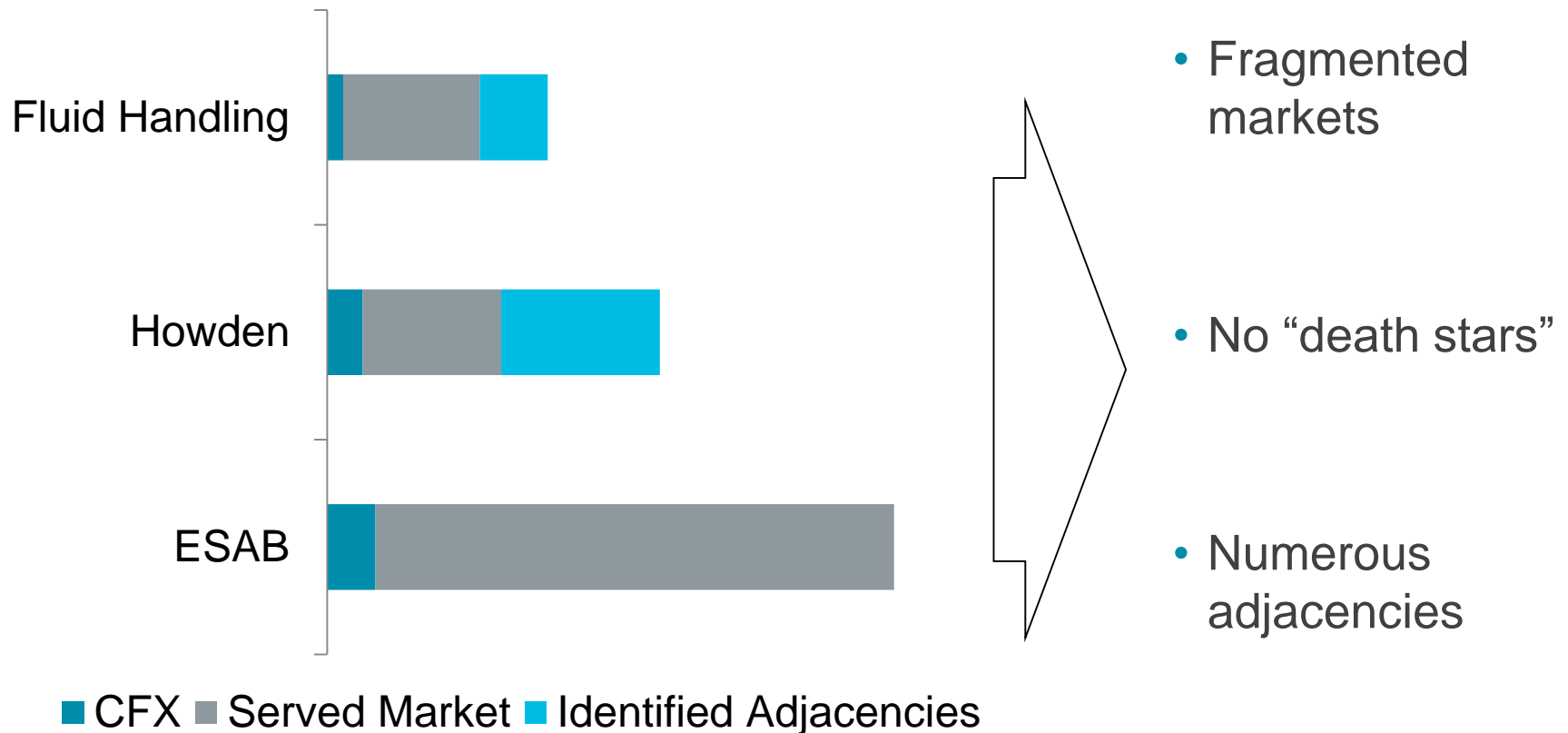


Reliability in  
Tribological  
Processes®



LUBRICATION SERVICES REVENUES UP MORE THAN 100%

# ACQUISITION RUNWAY

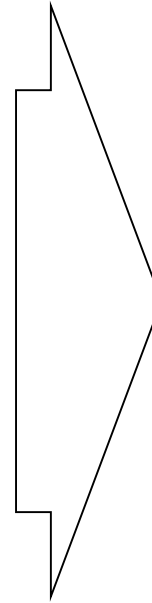


AMPLE RUNWAY TO DOUBLE BUSINESS; VALUE CREATION THROUGH CONSOLIDATION



# OUTLOOK

- Broad aperture
  - Global reach
  - Diverse businesses
- Repeatable process
  - Sourcing
  - Execution
- Experienced team
  - Acquisition
  - Integration



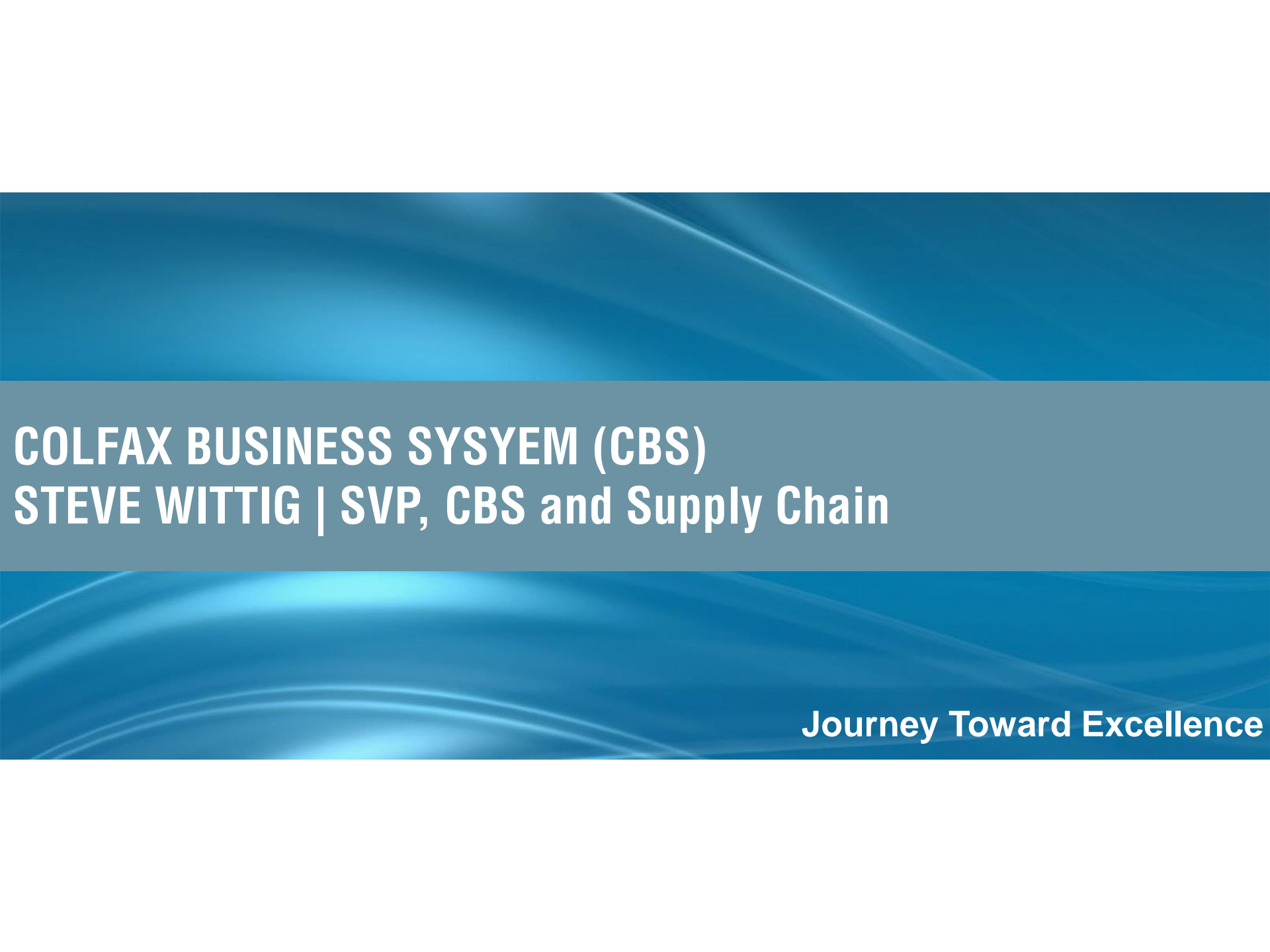
- >\$4b of actionable bolt-on opportunities
- Proactive investment in execution capability

PIPELINE REMAINS ROBUST; MAINTAINING VALUE DISCIPLINE

The background of the slide features a blue wavy pattern. A central horizontal band is a solid grey color, while the top and bottom sections are blue with white, flowing, wave-like lines.

**Q&A**

**Journey Toward Excellence**

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of motion and depth. A central horizontal band is a solid, medium-blue color, providing a clear area for the text.

# **COLFAX BUSINESS SYSYEM (CBS)**

## **STEVE WITTIG | SVP, CBS and Supply Chain**

**Journey Toward Excellence**

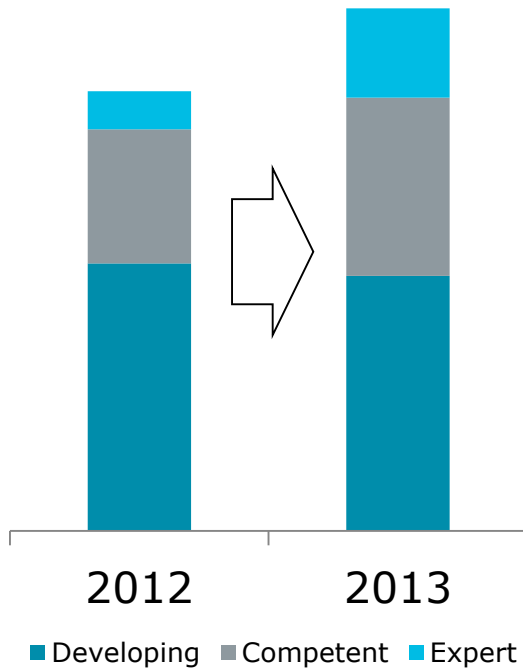
# COLFAX BUSINESS SYSTEM (CBS)

- Unique business management system
- Repeatable, teachable process
- Focused on creating superior value for customers
- Creating sustainable competitive advantage

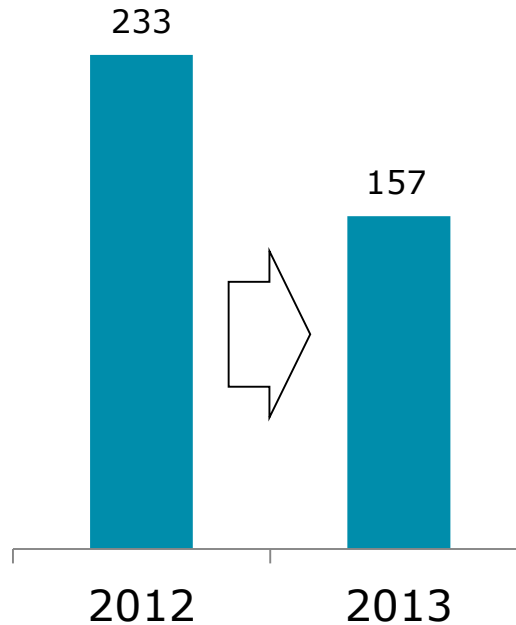
**MORE THAN A COLLECTION OF TOOLS; A CULTURE/TRADITION OF CONTINUOUS IMPROVEMENT**

# CBS BUILD OUT – YEAR 2

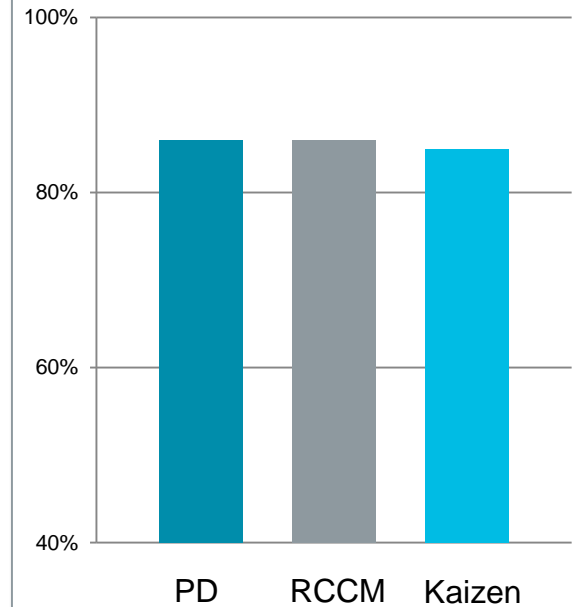
**EXPERIENCE/SKILL**  
(# of resources)



**CBS RESOURCING**  
(associates/resource)



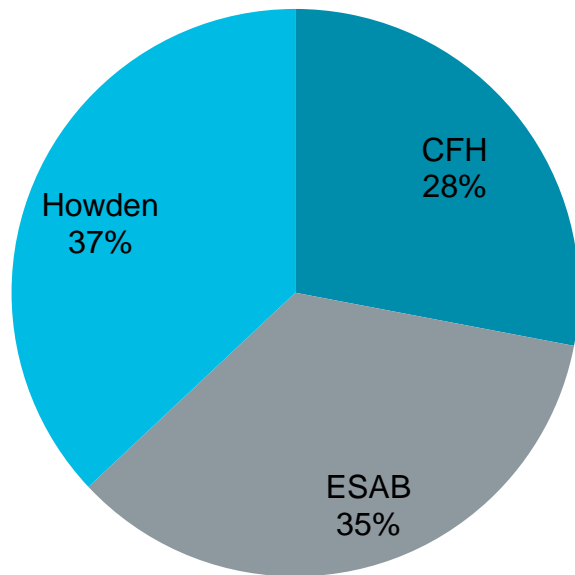
**EXECUTIVE PARTICIPATION**



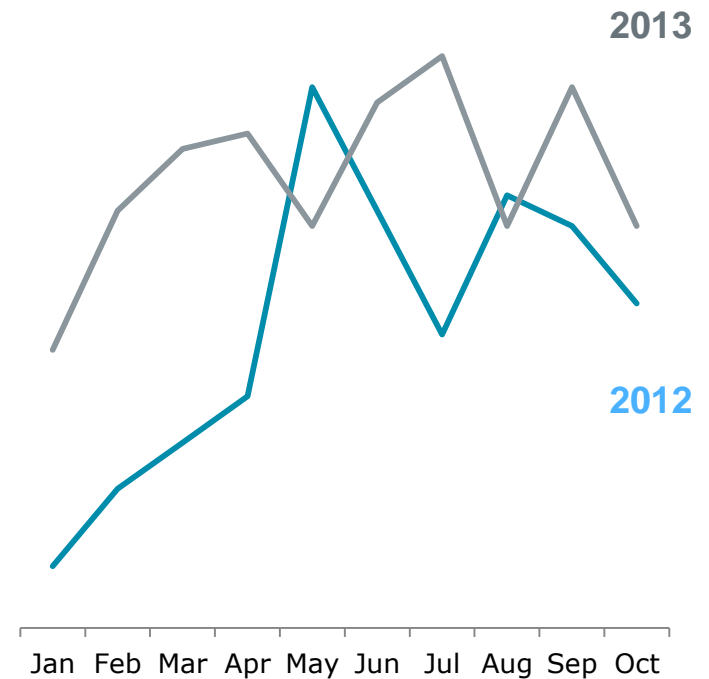
**STRENGTHENING TEAM; STRONG ENGAGEMENT**

# CBS DEPLOYMENT

## DISTRIBUTION OF KAIZENS



## PACE OF ACTIVITY



**ESAB AND HOWDEN AT RUN RATE AND SUSTAINING**

# CBS IMPACT: NEW ACQUISITION (CLARUS) - BELLINGHAM, WA

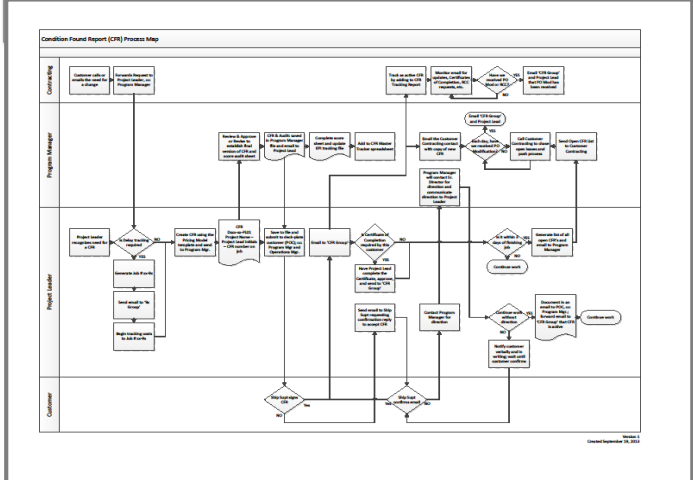
# BEFORE

- >\$200K in delayed customer payments
- Insufficient/inaccurate change order documentation
- 139 days to receive customer approval



## AFTER

- Reduced time for customer approval to 30 days
- 100% accuracy in customer documentation
- Delayed payments reduced by 56%



*Key actions/tools:*

- Value stream mapping
- CEDAC

## EARLY KAIZENS CRITICAL IN REINFORCING CULTURE AND EXPECTATIONS

# CBS IMPACT: ESAB – OPOLE, POLAND

## BEFORE

- 22 day lead time
- <30% on-time delivery
- High inventories



## AFTER

- Lead-time reduced to 72 hours
- On-time delivery increased to 85%
- Products built to customer order; inventory substantially reduced



### *Key actions/tools:*

- Cellularization
- Demand Pull
- Level Scheduling
- Standard Work

**GREATER CUSTOMER SATISFACTION; LOWER INVENTORIES**



# CBS IMPACT: CFH – MONROE, NC

## BEFORE

- >4 hours setup time
- 11 day lead-time
- 85% OTD
- Product scheduled at multiple machines, moved numerous times throughout plant



## AFTER

- Set up time reduced to 2 hours
- 3 day lead-time
- 95% OTD
- Machines relocated to U-shaped cell with pacemaker and one-piece flow



### *Key actions/tools:*

- One-piece flow
- Setup reduction
- Standard work

CONTINUOUS IMPROVEMENT OVER TIME

# CBS TOOLBOX DEVELOPMENT

Core Tools	Lean Tools	Growth Tools	Talent Tools	Variation Reduction Tools	Supply Chain Tools
Policy Deployment	5S / Visual Management	Value Selling	Introduction to CBS	VRK Kaizen Workshop	Materials & Information (Demand Pull)
Root Cause Countermeasure	Standard Operations	Voice of Customer	Executive Immersion	Design of Experiments	Strategic Sourcing Workshop
Conducting Kaizen Workshop	Setup Reduction (SMED)	Product and Process Planning (3P)	CBS Facilitation Skills	Failure Modes & Effects Analysis	Commodity Management
Value Stream Mapping	Total Productive Maintenance	Integration of CBS to Acquisitions	Executive Leadership	Process Capability	Should Cost
Daily Management – Repetitive	Transactional Process Improvement	Project Management	Recruiting and Hiring for CBS	Measurement Systems Analysis	E-auction
Daily Management – Project Based	Process Planning (2P)	Accelerated Product Development			Negotiating
	Energy Reduction				

Existing Tool

New (2013)

Plan (2014)

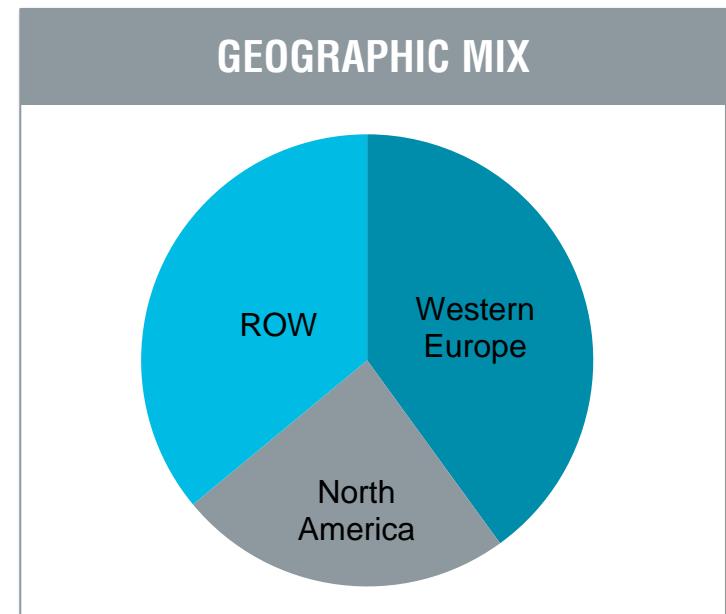
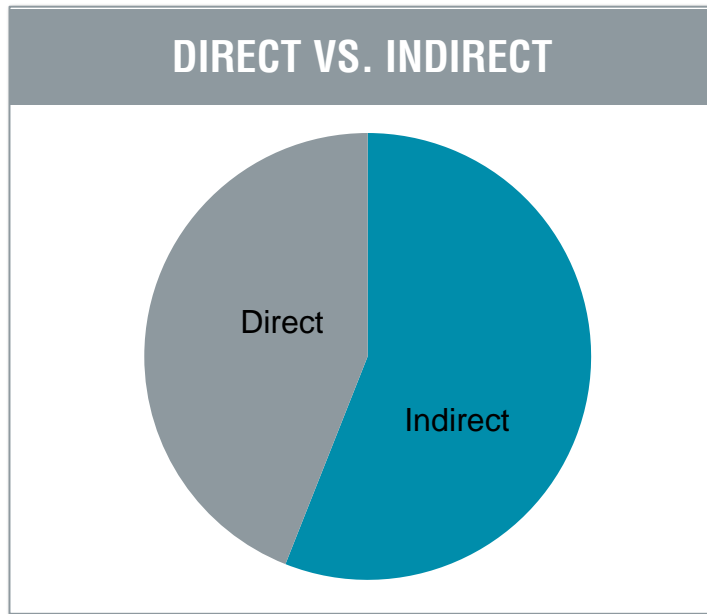
EXPANDING TOOLKIT IN KEY AREAS OF BUSINESS

The background of the slide features a blue wavy pattern. A horizontal grey band is positioned in the middle, serving as a backdrop for the main title.

# **SUPPLY CHAIN**

**Journey Toward Excellence**

# SUPPLY CHAIN STRATEGIC SOURCING



- Significant opportunity (\$2.5B total spend) but difficult to reach
  - 153 sites
  - 26k suppliers
  - 56 countries
  - 36 ERP tools
  - 39 distinct currencies
- Plan now in place to produce substantial improvements

# STRATEGIC FOCUS

## **Improve efficiency of direct/indirect spend**

- Leverage size and scale of Colfax
- Supplier consolidation
- LCR opportunity/infrastructure

## **Leverage CBS to create strategic sourcing capability for existing and “new” companies**

- Utilize Kaizen methodology (CPAS)
- CBS toolbox (e-auction, negotiating)

## **Top grade/restructure organization**

- Leverage centralized team of specialists
- Top grade skills/talent locally
- Develop centers of excellence globally

**SIGNIFICANT OPPORTUNITY IN MATERIAL PRODUCTIVITY AND HEADCOUNT**

# LEVERAGING OUR SPEND...

## COLFAX

August 8, 2013

Dear Supplier Partner Executive,

Colfax Corporation values your ongoing support as a preferred supplier and partner, which has been instrumental in positioning us as a leader in the markets we serve. Our continued success is driven by the extensive markets in which we operate, by leveraging the strength of our relationships with our preferred suppliers, by delivering measurable value to our customers, and by remaining highly competitive in a pricing environment that continues to be volatile.

Another key factor contributing to our success has been an aggressive growth strategy. It was recently reported that Colfax is the #3 fastest growing company in the Fortune 1000: <http://money.cnn.com/gallery/news/companies/2013/05/06/500-fastest-growing-revenue.fortune/3.html>

An unintended consequence of this rapid growth, however, is supplier proliferation. We are now faced with making tough decisions regarding first who will become part of our right-sized strategic supply base, and then consolidating our business with the select partners who are ready to grow with us globally. Over the next year, we intend to reduce our supply base in targeted sectors by more than 50%.

**In order to continue to be considered as a strategic and preferred partner, we are expecting:**

1. An immediate 5% cost reduction from our current suppliers. New pricing will be effective 1 September 2013, and
2. Compliance with our standard corporate payment terms of Net 60 (1, 15 prox).

We appreciate your support in advance and look forward to growing our businesses together in 2013 and beyond.

Best regards,

Shawn M Pecor  
Vice President, Strategic Sourcing & Supply Chain  
Colfax Corporation

Colfax Corporation  
8170 Maple Lawn Blvd., Suite 180  
Fulton, MD 20759 USA  
t: 301.323.9000 f: 301.323.9001  
colfaxcorp.com

## EUROPEAN FREIGHT

- \$24M in annualized spend
- 15 letters sent (as of 8/31/2013)
- \$15M of the total spend

# ...WITH RESULTS

August 23, 2013

Dear Mr. Manuel Alejandro Gonzalez,

██████████ appreciates the invitation you have extended to participate in the Colfax strategic and preferred partner initiative.

We understand the expectations for continued consideration as a strategic partner to be compliance with the standard corporate payment terms of Net 60, as well as an immediate 5% cost reduction of transportation related costs.

██████████ is willing to accept these conditions with the understanding that we will be awarded "preferred supplier" status and the opportunity to gain additional business on a global basis through subsequent Requests For Proposals that are forthcoming.

Thank you again for the opportunity to participate, we look forward to receiving your tender information in short order.

Kind regards,


## EUROPEAN FREIGHT

- 15 suppliers accepted price (100%)
- 10 suppliers accepted 60 day terms
- 5 suppliers accepted 45 day terms
- \$0.75M in annualized savings
- RFQ to be submitted in Q4



# CREATING PROCESS CAPABILITY

## Category Profile and Strategy (CPAS) Summary

<b>Europe Freight Spend:</b> European control spend for Rail, Ocean (MOL, LCL, Project), Air, Road (FTL, LTL) services required to transport goods from Suppliers - Factories - DC - Customers.		
<b>2) Category Profile</b> <b>Spend Analysis:</b> <ul style="list-style-type: none"> <li>Annual Spend: \$33M - Sales (77%) Houden (13%) CFM (10%)</li> <li># of Suppliers: 149, 16th Carrier</li> <li># of Suppliers w/ 75% of Spend: 1</li> </ul> <b>Baseline:</b> <ul style="list-style-type: none"> <li>80/20 Lane: FTL (100) LTL (300+) Ocean (48)</li> <li>Volume: 220,000 MT</li> <li>Price Range: \$24 - \$3,500/shipment</li> </ul>	<b>3) Category Positioning</b>  <ul style="list-style-type: none"> <li>Current among 8/MT Sales initiation</li> <li>Carrier spend is attractive to incumbent supplier (83-90% of revenue)</li> <li>Unfired Consolidation: 80% of Carrier spend is distributed through 17 suppliers</li> <li>High value segment of \$2.8M would have high impact if delivery fail (medium to high available market capacity)</li> </ul>	<b>2A) Needs Assessment</b> <ul style="list-style-type: none"> <li>Documentation Requirements: 8 way initial, 60R (complete rate structure)</li> <li>Search: Visibility (Lanes, # Shipment, QTY)</li> <li>Supplier: Reporting and support on Trade Compliance Regulations</li> <li>80% On Time Delivery</li> <li>Track &amp; Trace Capability</li> <li>Ability to support Business growth (Base/End) Business model expansion</li> <li>Commit to US/UK new air route support (VOT) and reduction</li> <li>Ability to handle project cargo including surplus</li> <li>Comprehensive IT Capability: Transport Mgt Sys (80% / interface infrastructure)</li> <li>Target Transit Time: 3 days lead time origin to destination</li> <li>Compliance with ISO / ISO 9001 / GMP</li> </ul>
<b>4) Sourcing Strategy and Risk Assessment</b> <b>Sourcing Strategy: Leverage</b> <ul style="list-style-type: none"> <li>Immediate construction request w/ top 10 global suppliers</li> <li>Develop RFQ for total Colfax needs</li> <li>Analyze &amp; select potential supply base</li> <li>Supplier rationalization</li> <li>Leverage Cross Platform (E, Global) Economies of Scale</li> <li>Payment terms standardization</li> <li>Conduct bidding event (RFQ) with multiple qualified 4PL suppliers and aggressively negotiate with volume commitments and lead time</li> <li>Implement robust 3 way match process</li> <li>Implement compliance management</li> <li>Supplier to implement control tower intelligence</li> </ul> <b>Risk Assessment:</b> <ul style="list-style-type: none"> <li>Overall Risk Assessment: Low category, supplier and market risk</li> </ul>	<b>Estimated savings:</b> <ul style="list-style-type: none"> <li>Price reduction: Short Term - \$1.5M, Q4 2012 Long Term - \$-10% 2014</li> <li>Lead time improvement: TT60</li> <li>Inventory impact: TT60</li> </ul> <b>*Baseline needs to be completed before estimates can be made</b>	<b>2B) Market Assessment</b> <b>Cost and Capacity Drivers:</b> <ul style="list-style-type: none"> <li>Buyers Market, need to reduce based on capacity utilization</li> <li>33% - 83% of truckload driven by fuel pricing</li> <li>Steady state market, some industry (highly) and some industry (low) (rail) (road) of new entrants due to infrastructure and price limitations</li> </ul> <b>Summary:</b> <ul style="list-style-type: none"> <li>Market of 3.3% was less than half of the average for 2012</li> <li>Central Europe, 4PL is segment within the industry with double digit growth</li> <li>4PL, 4PL segment offerings relatively globally (750) and 4PL offers good as well as visibility and transparency, and dynamic network</li> </ul> <b>Distribution Channels:</b> <ul style="list-style-type: none"> <li>80% Distributors</li> <li>10% Direct sales</li> </ul>

## STANDARD PROCESS UTILIZING CBS KAIZEN METHODOLOGY

- **Category Profile**
  - Spend
  - Suppliers
  - Price range
- **Assess our Needs**
  - QDC requirements
  - Engineering requirements
  - Customer preferences
  - Risk
- **Assess the Market**
  - Cost and capacity drivers
  - Market growth, consolidation
  - Supply base differentiators
- **Position the Category**
  - Leverage
  - Strategic
  - Non-Critical
  - Bottleneck
- **Sourcing Strategy**
  - Leverage our spend
  - Consolidate suppliers
  - Source HCR in LCR
  - Source LCR in LCR
  - VA/VE

## 2013 KAIZEN RESULTS: ANNUALIZED SAVINGS

- Mechanical Seals: 7.1% of spend
- Motors: 5.5% of spend
- Bar Stock: 2.0% of spend



# SUMMARY

**Creating culture of continuous improvement**

**Laying foundation for future value creation**

**Early stages of building world-class bench**

The background of the slide features a blue wavy pattern that flows from the top left towards the bottom right. A solid grey horizontal band is positioned in the middle of the slide, serving as a backdrop for the text.

**Q&A**

**Journey Toward Excellence**

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A central horizontal band is a solid, medium-blue color, providing a clear space for the text.

# **FINANCIAL UPDATE**

## **SCOTT BRANNAN | SVP and CFO**

**Journey Toward Excellence**

- Organic revenue growth of 1 - 3%
- Excludes any accretion from future acquisitions
- Includes \$30 million additional adjusted operating profit from acquisitions
- Includes \$35 million restructuring benefit

# 2014 OUTLOOK SUMMARY

Revenue Range			
2014 Total	\$4.500 billion	To	\$4.625 billion
EPS and Adjusted Net Income Range			
2014 Net income per share	\$2.14	To	\$2.34
Adjusted net income	\$279 million	To	\$307 million
2014 Adjusted net income per share <sup>(1)</sup>	\$2.40	To	\$2.65
Assumptions			
Restructuring costs	\$50 million		
Euro	\$1.35		
Tax rate - adjusted basis/GAAP	28-30%/30-32%		
Outstanding shares – if converted	116 million		
Depreciation	\$80 million		
Amortization	\$55 million		
Interest expense (based on LIBOR and EURIBOR = 25 bps)	\$55 million		
Capital expenditures	2.5% of revenue		
Pension funding in excess of expense	\$30 million		
Preferred dividend	\$20 million		

(1) Excludes impact of restructuring charges.

(See Non-GAAP Reconciliation included in this slide deck)

# 2014 ORGANIC GROWTH OUTLOOK

	2014 Forecast Organic Growth
<b>Fluid Handling</b>	<b>2-4%</b>
<b>Howden</b>	<b>4-6%</b>
<b>Fabrication Technology</b>	<b>(1)-2%</b>
<b>Total Colfax</b>	<b>1-3%</b>

# 2014 ROLLFORWARD

(in millions, except per share)	Sales		Adjusted Income		EPS Range	
					Low	High
2013 guidance - sales/ adjusted operating income	\$ 4,120	\$ 4,150	\$ 422	\$ 429		
2013 acquisitions	330	350	40	45		
2013 acquisitions - incremental amortization	—	—	(10)	(10)		
Projected before growth/ cost actions	4,450	4,500	452	464		
Organic revenue at 1%; 20% fall-through	50		10			
Organic revenue at 3%; 25% fall-through		125		31		
Cost actions	—	—	35	35		
	4,500	4,625	497	530		
Interest expense			(55)	(55)		
Tax			(132)	(137)		
Noncontrolling interest			(31)	(31)		
<b>Adjusted net income- Colfax</b>			<b>279</b>	<b>307</b>		
Preferred dividends			(20)	(20)		
			\$ 259	\$ 287	\$ 2.40	\$ 2.65

(See Non-GAAP Reconciliation included in this slide deck)

**COLFAX**

# SUMMARY

- Continued improvement in low growth environment
- CBS and restructuring keep us on target to met our margin goals
- Improving financial position and revised credit facility position us for continued growth
- Deliver 20% plus growth in adjusted EPS



# NON-GAAP DISCLAIMER

Colfax has provided financial information that has not been prepared in accordance with GAAP. These non-GAAP financial measures are projected adjusted net income, projected adjusted net income per share, adjusted operating income and organic sales growth (decline). Projected adjusted net income, projected adjusted net income per share and adjusted operating income exclude expenses related to major restructuring programs, to the extent they impact the periods presented. 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 in comparing its operating performance on a consistent basis because, among other things, they remove the impact of expense related to major restructuring programs.

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

# NON-GAAP RECONCILIATION

(unaudited)

	<u>2014 EPS Range</u>	
Projected net income per share - diluted	\$ 2.03	\$ 2.28
Restructuring costs	0.43	0.43
Tax adjustment	<u>(0.06)</u>	<u>(0.06)</u>
Projected adjusted net income per share - diluted	<u>\$ 2.40</u>	<u>\$ 2.65</u>

# NON-GAAP RECONCILIATION

(unaudited)

	Q3 2013 - QTD				Q3 2012 - QTD			
	Gas and Fluid Handling	Fabrication Technology	Corporate and Other	Total Colfax Corporation	Gas and Fluid Handling	Fabrication Technology	Corporate and Other	Total Colfax Corporation
Net sales	\$ 511,360	\$ 503,210	\$ —	\$ 1,014,570	\$ 464,873	\$ 489,567	\$ —	\$ 954,440
Operating income (loss)	64,135 12.5 %	52,124 10.4 %	(13,461)	102,798 10.1 %	32,361 7.0 %	31,357 6.4 %	(12,052)	51,666 5.4 %
Charter acquisition-related expense	—	—	—	—	—	—	—	—
Restructuring and other related charges	3,278	5,459	—	8,737	1,564	12,498	1,803	15,865
Asbestos coverage litigation expense	627	—	—	627	3,313	—	—	3,313
Fair value adjustments - ESAB/Howden backlog and inventory amortization expense	—	—	—	—	14,455	—	—	14,455
Adjusted operating income (loss)	<u>\$ 68,040 13.3 %</u>	<u>\$ 57,583 11.4 %</u>	<u>\$ (13,461)</u>	<u>\$ 112,162 11.1 %</u>	<u>\$ 51,693 11.1 %</u>	<u>\$ 43,855 9.0 %</u>	<u>\$ (10,249)</u>	<u>\$ 85,299 8.9 %</u>

	Q3 2013 - YTD				Q3 2012 - YTD			
	Gas and Fluid Handling	Fabrication Technology	Corporate and Other	Total Colfax Corporation	Gas and Fluid Handling	Fabrication Technology	Corporate and Other	Total Colfax Corporation
Net sales	\$ 1,453,228	\$ 1,582,603	\$ —	\$ 3,035,831	\$ 1,386,699	\$ 1,499,760	\$ —	\$ 2,886,459
Operating income (loss)	174,597 12.0 %	148,794 9.4 %	(36,614)	286,777 9.4 %	93,467 6.7 %	74,642 5.0 %	(80,268)	87,841 3.0 %
Charter acquisition-related expense	—	—	—	—	—	—	43,617	43,617
Restructuring and other related charges	4,744	12,684	—	17,428	5,379	31,620	6,067	43,066
Asbestos coverage litigation expense	2,801	—	—	2,801	8,840	—	—	8,840
Fair value adjustments - ESAB/Howden backlog and inventory amortization expense	—	—	—	—	45,597	16,985	—	62,582
Adjusted operating income (loss)	<u>\$182,142 12.5 %</u>	<u>\$ 161,478 10.2 %</u>	<u>\$ (36,614)</u>	<u>\$ 307,006 10.1 %</u>	<u>\$ 153,283 11.1 %</u>	<u>\$ 123,247 8.2 %</u>	<u>\$ (30,584)</u>	<u>\$ 245,946 8.5 %</u>

# SALES & ORDERS GROWTH

(unaudited)

	Net Sales		Orders	
	\$	%	\$	%
<b>For the three months ended September 28, 2012</b>	\$ 954.4		\$ 443.8	
<i>Components of Change:</i>				
Existing Businesses	29.1	3.0 %	72.6	16.4 %
Acquisitions <sup>(1)</sup>	37.6	3.9 %	6.7	1.5 %
Foreign Currency Translation	(6.5)	(0.6)%	10.2	2.3 %
Total	60.2	6.3 %	89.5	20.2 %
<b>For the three months ended September 27, 2013</b>	<b>\$ 1,014.6</b>		<b>\$ 533.3</b>	

	Net Sales		Orders		Backlog at Period	
	\$	%	\$	%	\$	%
<b>As of and for the nine months ended September 28, 2012</b>	\$ 2,886.5		\$ 1,475.7		\$ 1,382.4	
<i>Components of Change:</i>						
Existing Businesses	2.4	0.1 %	(2.5)	(0.2)%	44.7	3.2 %
Acquisitions <sup>(1)</sup>	180.2	6.2 %	46.2	3.1 %	21.4	1.6 %
Foreign Currency Translation	(33.3)	(1.1)%	(5.8)	(0.3)%	(1.6)	(0.1)%
Total	149.3	5.2 %	37.9	2.6 %	64.5	4.7 %
<b>As of and for the nine months ended September 27, 2013</b>	<b>\$ 3,035.8</b>		<b>\$ 1,513.6</b>		<b>\$ 1,446.9</b>	

- (1) Represents the incremental sales, orders and order backlog as a result of our acquisitions of Charter, Soldex, Co-Vent and Clarus. The impact related to the Charter Acquisition represents 12 days of activity for ESAB and Howden as the acquisition closed on January 13, 2012.

The background of the slide features a blue gradient with dynamic, wavy lines that create a sense of movement and depth. A horizontal grey band is positioned across the middle of the slide, serving as a backdrop for the main text.

# **SUMMARY AND OUTLOOK**

## **STEVE SIMMS | President and CEO**

**Journey Toward Excellence**

# KEY POINTS FROM THE DAY

## **Strategic logic intact**

- Business quality
- Organic growth potential
- Acquisition runway

## **Making progress toward goals**

- Financial/operational metrics
- Organizational strength
- Business expansion

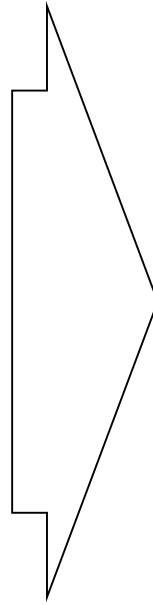
**Increasing emphasis on growth while continuing to drive performance**

**BUILDING FOUNDATION FOR LONG-TERM GROWTH**

# LONG-TERM GOALS

We are dedicated to creating an enduring premier global enterprise built on a unique business culture that...

- Does all things with integrity, respect and candor
- Has a deep commitment to excellence to associates and customers as its foundation
- Is known for consistent delivery of world-class performance



- *Growth: GDP + 1-2% organic growth, accelerated by acquisitions*
- *Margins: mid-teens operating margins*
- *Cash flow: FCF consistently in excess of net income*

DELIVERING CONSISTENT OUT-PERFORMANCE

# SUMMARY



UNIQUE PLATFORM FOR SUSTAINED VALUE CREATION



The image features a blue background with wavy, flowing lines. A horizontal grey band runs across the middle, containing the text.

# JOURNEY TOWARD EXCELLENCE