

May 29,  
2019

# Q4 Fiscal Year 2019 Financial Results Conference Call

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# Safe Harbor Statement



These slides, and the accompanying oral discussion, contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future sales and earnings, involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including the effectiveness of the Company’s 80/20 Process to simplify operations, the ability of the Company’s operational excellence initiatives to drive profitability, the success of the Company’s efforts to ramp its growth engine, global economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company’s customers and suppliers, competitor responses to the Company’s products and services, the overall market acceptance of such products and services, the ability to expand into new markets and geographic regions, and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission. The Company assumes no obligation to update the forward-looking information contained in this presentation.

## **Non-GAAP Financial Measures**

This presentation will discuss some non-GAAP financial measures which we believe are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The non-GAAP measures are notated and we have provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

## **Adoption of ASU No. 2017-07 and impact to historical information**

In accordance with the ASU, historical cost of good sold and RSG&A have been adjusted for the adoption and implementation on a retrospective basis of ASU No. 2017-07 “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. All relevant financial data impacted by the changes has been adjusted.

# Strong Financial Results



## Blueprint for Growth strategy driving earnings power

Diluted earnings per share: \$0.83 in quarter and \$1.80 for FY19

- Non-GAAP EPS +35% in quarter and +36% for FY19

Adjusted EBITDA margin expanded 140 bps to 15.1% and ROIC up 250 bps to 11.2%

Sales grew 7% for the quarter and 6% for the year, adjusted for divestitures and FX

Generated nearly \$80 million in cash from operating activities in FY19

Paid down \$65.1 million in debt in FY19

Net leverage ratio\* of 1.7x, which is better than target of 2.0x

## Impressive two years of progress

Adjusted operating margin expanded 400 bps

Adjusted net income more than doubled

ROIC improved 480 bps

## ***Blueprint for Growth Strategy driving EBITDA margins and ROIC***

\* Net debt divided by TTM adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure. Please see supplemental slides for a reconciliation.

# Tracking Blueprint Phase II Progress

## Simplify the Business

80/20 Process driving results

- Contributed \$8.5 million to operating income in FY19, well ahead of plan
- Sharpened customer focus delivered significant growth

Divested three non-core businesses

## Operational Excellence

Operational effectiveness reducing labor and material costs

- Record productivity contributed additional \$8.5 million in savings for year
- Expect \$2 million in savings in FY20 from Ohio consolidation

## Ramp the Growth Engine

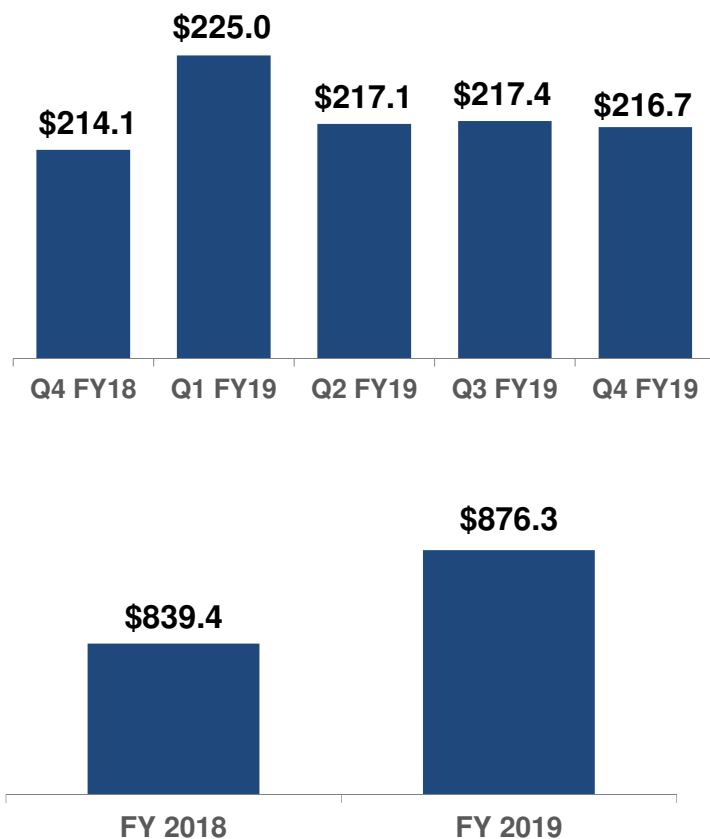
Responsiveness (on time delivery and availability) and Engineered-to-Order products

- Gaining market share

***Strong performance with self-help strategy***

# Net Sales

(\$ in millions)



**Q4 sales up 7.3%** (adjusted for divestitures and FX)

U.S. sales up 10.4%, adjusted for divestitures

## Quarter Sales Bridge

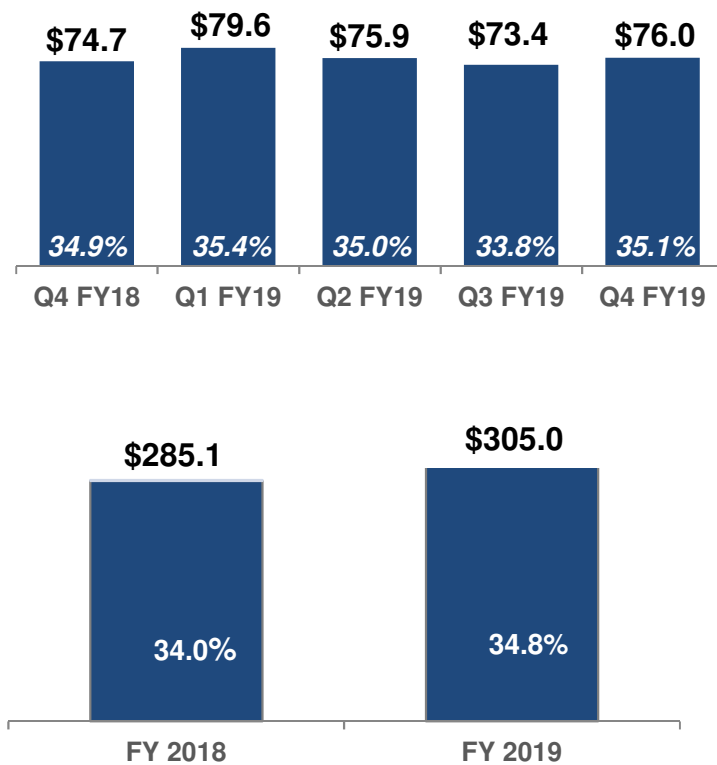
	Quarter	
<b>Q4 FY18 Sales</b>	<b>\$ 214.1</b>	
Divestitures	(5.9)	
<b>Q4 FY18 Sales adjusted for divestitures</b>	<b>\$ 208.2</b>	
Volume	11.5	5.5%
Pricing	3.7	1.8%
Foreign currency translation	(6.7)	(3.2)%
<b>Total change adjusted for divestitures</b>	<b>\$ 8.5</b>	<b>4.1%</b>
<b>Q4 FY19 Sales</b>	<b>\$ 216.7</b>	

***FY19 sales up 6.0% (adjusted for divestitures and FX)***

# Gross Profit & Margin



(\$ in millions)



## Quarter Gross Profit Bridge

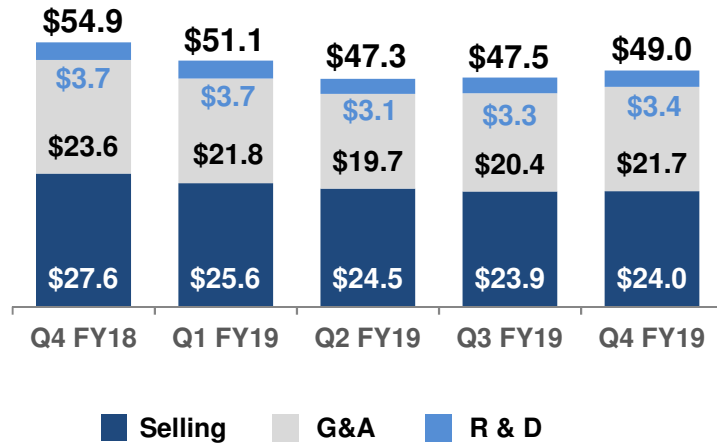
	<u>Quarter</u>
<b>Q4 FY18 Gross Profit</b>	<b>\$ 74.7</b>
Sales volume and mix	4.1
Pricing, net of material cost inflation	2.1
Productivity, net of other cost changes	1.2
Product liability	0.3
Prior year insurance settlement	(0.6)
Tariffs	(0.9)
Divestitures	(1.2)
Ohio plant closure	(1.3)
Foreign currency translation	(2.4)
<b>Total Change</b>	<b>\$ 1.3</b>
<b>Q4 FY19 Gross Profit</b>	<b>\$ 76.0</b>

**Record gross margin of 34.8% in FY19**

# RSG&A



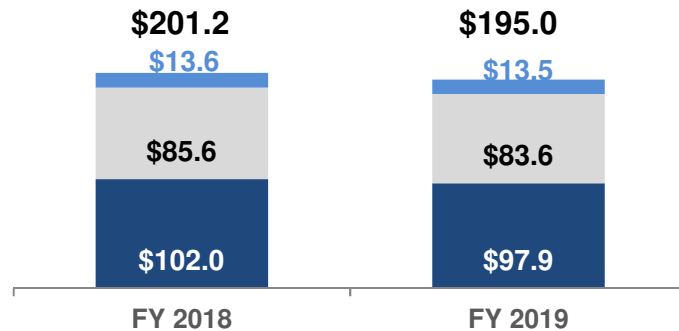
(\$ in millions)



**Q4 RSG&A at 22.6% of sales,  
300 bps improvement**

**FY19 RSG&A at 22.3% of sales,  
170 bps improvement**

Prior year pro-forma adjustments and cost leverage drove improvement



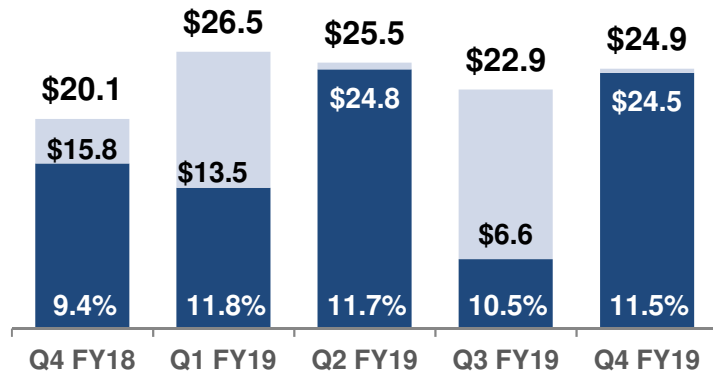
**FY20 Q1 RSG&A estimate of  
\$47 million to \$48 million**

***Steady operating expenses allow for strong operating leverage***

# Operating Income & Non-GAAP Margin



(\$ in millions)

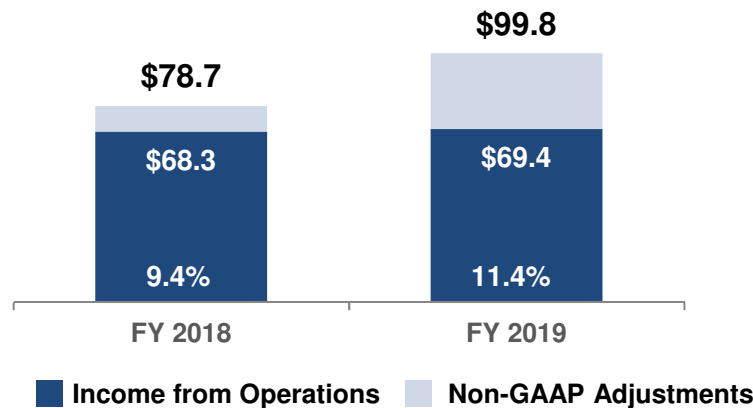


**Q4 FY19 operating income increased \$8.7 million, or 54.8%**

Adjusted operating income\* grew 24.0%

**Adjusted operating margin\* of 11.5% expanded 210 bps**

Margins increasing with 80/20 Process



**FY19 adjusted operating income increased \$21.1 million, or 26.8%**

Adjusted operating margin 200 bps higher

***Profitability continues to improve with execution of strategy***

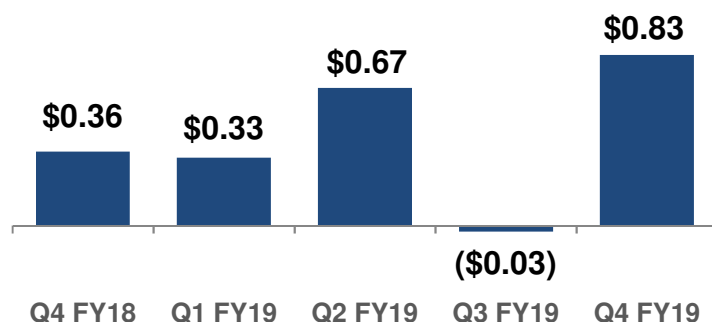
\* Adjusted operating income and adjusted operating margin are non-GAAP financial measures. Please see supplemental slides for a reconciliation.



# Quarterly Earnings Per Share

(\$ in millions)

## GAAP Diluted EPS

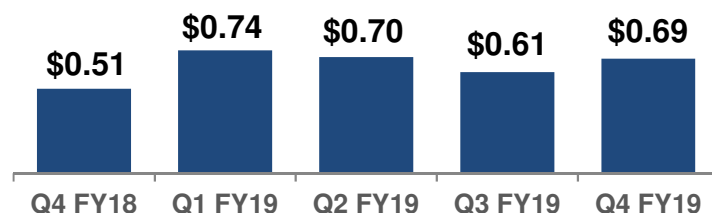


## Net income:

\$19.7 million, 133% increase Y/Y

\$0.83 per diluted share, up 131% Y/Y

## Adjusted EPS\*



## Adjusted net income\*:

\$16.4 million, 37% increase Y/Y

\$0.69 per diluted share, up 35% Y/Y

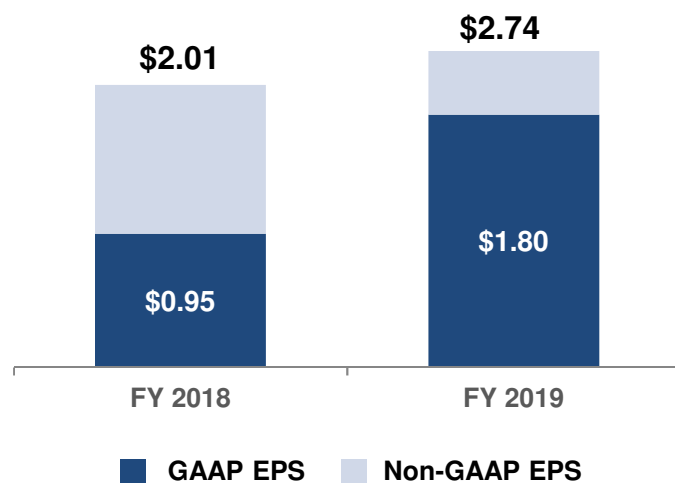
***Drove double-digit adjusted EPS growth***

\* Adjusted net income and adjusted diluted earnings per share (EPS) are non-GAAP financial measures. Please see supplemental slides for a reconciliation.

# FY19 Earnings Per Share

(\$ in millions)

## GAAP and Adjusted EPS\*



**Net income was \$42.6 million**

**Adjusted net income\* was \$64.9 million**

**Full year tax rate was 19.5%**

Better than previous guidance of 27% to 29% due to federal tax credits and other Tax Cuts and Jobs Act adjustments

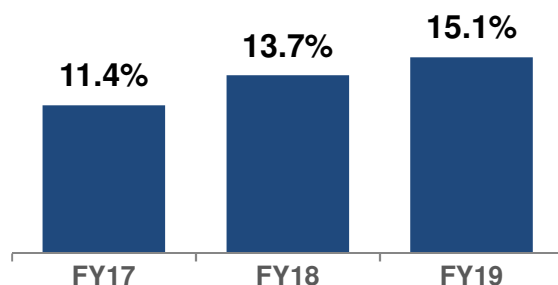
**FY20 tax rate expected to be approximately 25%**

***FY19 adjusted EPS grew 36%***

\* Adjusted net income and adjusted diluted earnings per share (EPS) are non-GAAP financial measures. Please see supplemental slides for a reconciliation.

# Adjusted EBITDA\* & ROIC

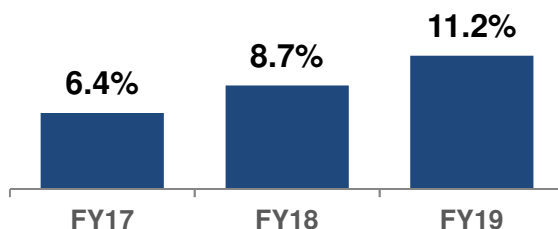
## Adjusted EBITDA Margin\*



## Adjusted EBITDA margin expanded

15.1% in FY19, expanded 140 bps

## Return on Invested Capital (ROIC)<sup>(1)</sup>



## Adjusted ROIC net of cash increased

11.2% in FY19, expanded 250 bps

**GOAL: Adjusted EBITDA Margin of 19% and Adjusted ROIC in mid-teens**

\* Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measure. Please see supplemental slides for a reconciliation.

(1) ROIC is defined as adjusted income from operations, net of taxes, for the trailing 12 months divided by the average of debt plus equity less cash (average capital) for the trailing 13 months. A 30% tax rate was used for fiscal 2017, and 22% for fiscal years 2018 & 2019.

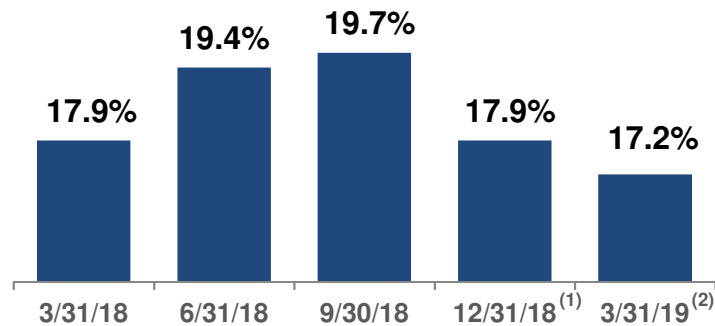
# Working Capital



## Working Capital as a Percent of Sales

**Working capital as a percent of sales improved 70 bps from trailing quarter to 17.2%**

Driven by an approximate 6 day improvement in DPO



## ***Improving working capital utilization***

(1) Excludes the Tire Shredder business sold on December 28, 2018

(2) Excludes the Tire Shredder business, and Crane Equipment & Service, Inc. (CES) and Stahlhammer Bommern GmbH (STB), each sold on February 28, 2019

# Cash Flow



<i>Note: Components may not add to totals due to rounding</i>	Fiscal Year Ended March 31,	
	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 79.5	\$ 69.7
Capital expenditures (CapEx)	(12.3)	(14.5)
Operating free cash flow	\$ 67.2	\$ 55.1

## Generated \$67.2 million in operating free cash flow (FCF) in FY19

Strong FCF conversion rate (to adjusted net income) of 104% FY19

FY20 expected CapEx: approximately \$20 million

**22% increase in operating free cash flow over prior year**

(1) Capital expenditure guidance provided May 29, 2019

# De-levering Balance Sheet



CAPITALIZATION		
	March 31, 2019	March 31, 2018
Cash and cash equivalents	\$ 71.1	\$ 63.0
<b>Total debt</b>	<b>300.3</b>	<b>363.3</b>
<b>Total net debt</b>	<b>229.2</b>	<b>300.3</b>
Shareholders' equity	431.2	408.2
<b>Total capitalization</b>	<b>\$ 731.5</b>	<b>\$ 771.5</b>
Debt/total capitalization	41.1%	47.1%
Net debt/net total capitalization	34.7%	42.4%

## Debt reduction continues

Paid down \$15 million in debt in quarter; \$65 million in FY19

Net Debt / Adjusted TTM EBITDA\*

- Reduced to 1.7x and better than target of 2.0x

## Paid down \$125 million of debt in two years

***Exceeded \$60 million debt reduction goal in FY19***

\* Adjusted EBITDA is a non-GAAP financial measure. Please see supplemental slides for a reconciliation.

# Outlook

## Q1 FY20 Outlook:

Markets mixed, but solid

Expect Q1 FY20 sales in range of \$214 million to \$216 million, up 3% adjusted

- Headwind from FX expected to be approximately 2% to 3%
- \$11.1 million of sales in prior-year from divestitures

## FY20 Outlook:

Double down on Phase II in FY20

80/20 Process: Incremental \$10 million operating income in FY20

## **Investor & Analyst Day**

**Thursday, June 13, 2019  
8:00am to 1:30pm**

***Management team update on Blueprint for Growth strategy***

**Convene at 810 Seventh Avenue  
New York, New York**



# Supplemental Information

# Businesses Sold



<i>(\$ in thousands)</i>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>FY19</b>
Sales	11,104	9,233	8,983	4,875	34,195
Income from operations	665	1,461	1,007	532	3,665

1. The Tire Shredder business was divested December 28, 2018.
2. Crane Equipment & Service, Inc. was divested February 28, 2019.
3. Stahlhammer Bommern GmbH was divested February 28, 2019.

# Adjusted Income from Operations Reconciliation

(\$ in thousands)	Quarter					Fiscal Year	
	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	2019	2018
Income from operations	\$ 15,807	\$ 13,503	\$ 24,825	\$ 6,646	\$ 24,468	\$ 69,442	\$ 68,331
Add back (deduct):							
Net (gain) loss on sales of businesses	—	11,100	—	15,550	(978)	25,672	—
Acquisition deal, integration, and severance costs	3,917	1,906	—	—	—	1,906	8,763
Ohio plant closure	—	—	—	200	1,273	1,473	—
Insurance recovery legal costs	356	—	659	491	132	1,282	2,948
Debt repricing fees	619	—	—	—	—	—	619
Magnetek litigation	—	—	—	—	—	—	400
Insurance settlement	(621)	—	—	—	—	—	(2,362)
Non-GAAP adjusted income from operations	\$ 20,078	\$ 26,509	\$ 25,484	\$ 22,887	\$ 24,895	\$ 99,775	\$ 78,699
Sales	214,140	224,992	217,142	217,415	216,733	\$ 876,282	\$ 839,419
Adjusted operating margin	9.4%	11.8%	11.7%	10.5%	11.5%	11.4%	9.4%

Adjusted income from operations is defined as income from operations as reported, adjusted for certain items. Adjusted income from operations is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable with the measures as used by other companies. Nevertheless, Columbus McKinnon believes that providing non-GAAP information, such as adjusted income from operations, is important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's income from operations to the historical periods' income from operations, as well as facilitates a more meaningful comparison of the Company's income from operations to that of other companies..

# Adjusted Net Income Reconciliation



(\$ in thousands, except per share data)	Quarter					Fiscal Year	
	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	2019	2018
Net income (loss)	\$ 8,466	\$ 7,706	\$ 15,912	\$ (782)	\$ 19,741	\$ 42,577	\$ 22,065
Add back (deduct):							
Net (gain) loss on sales of businesses	—	11,100	—	15,550	(978)	25,672	—
Acquisition deal, integration, and severance costs	3,917	1,906	—	—	—	1,906	8,763
Ohio plant closure	—	—	—	200	1,273	1,473	—
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Debt repricing fees	619	—	—	—	—	—	619
Magnetek litigation	—	—	—	—	—	—	400
Insurance settlement	(621)	—	—	—	—	—	(2,362)
Normalize tax rate <sup>(1)</sup>	(776)	(3,173)	(76)	(974)	(3,766)	(7,990)	14,408
Non-GAAP adjusted net income	\$ 11,961	\$ 17,539	\$ 16,495	\$ 14,485	\$ 16,402	\$ 64,920	\$ 46,841
Average diluted shares outstanding	23,628	23,610	23,721	23,681	23,714	23,660	23,335
Diluted income per share – GAAP	\$0.36	\$0.33	\$0.67	\$(0.03)	\$0.83	\$1.80	\$0.95
Diluted income per share - Non-GAAP	\$0.51	\$0.74	\$0.70	\$0.61	\$0.69	\$2.74	\$2.01

(1) Applies normalized tax rate of 22% to GAAP pre-tax income and non-GAAP adjustments above, which are each pre-tax.

Adjusted net income and diluted EPS are defined as net income and diluted EPS as reported, adjusted for certain items and at a normalized tax rate. Adjusted net income and diluted EPS are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measures as used by other companies. Nevertheless, Columbus McKinnon believes that providing non-GAAP information, such as adjusted net income and diluted EPS, is important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS, as well as facilitates a more meaningful comparison of the Company's net income and diluted EPS to that of other companies.

# Adjusted EBITDA Reconciliation



(\$ in thousands)	Quarter					Fiscal Year	
	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	2019	2018
Net income (loss)	\$ 8,466	\$ 7,706	\$ 15,912	\$ (782)	\$ 19,741	\$ 42,577	\$ 22,065
Add back (deduct):							
Income tax expense	2,598	1,774	4,576	3,111	860	10,321	27,620
Interest and debt expense	4,661	4,607	4,248	4,330	3,959	17,144	19,733
Investment (income) loss	4	(268)	(111)	82	(430)	(727)	(157)
Foreign currency exchange (gain) loss	834	(276)	507	(25)	637	843	1,539
Other (income)/expense	(756)	(40)	(307)	(70)	(299)	(716)	(2,469)
Depreciation and amortization expense	9,263	8,832	8,030	7,901	7,912	32,675	36,136
Net (gain) loss on sales of businesses	—	11,100	—	15,550	(978)	25,672	—
Acquisition deal, integration, and severance costs	3,917	1,906	—	—	—	1,906	8,763
Insurance recovery legal costs	356	—	659	491	132	1,282	2,948
Debt repricing fees	619	—	—	—	—	—	619
Ohio plant closure	—	—	—	200	1,273	1,473	—
Magnetek litigation	—	—	—	—	—	—	400
Insurance settlement	(621)	—	—	—	—	—	(2,362)
Non-GAAP adjusted EBITDA	\$ 29,341	\$ 35,341	\$ 33,514	\$ 30,788	\$ 32,807	\$ 132,450	\$ 114,835
Sales	\$ 214,140	\$ 224,992	\$ 217,142	\$ 217,415	\$ 216,733	\$ 876,282	\$ 839,419
Adjusted EBITDA margin	13.7%	15.7%	15.4%	14.2%	15.1%	15.1%	13.7%

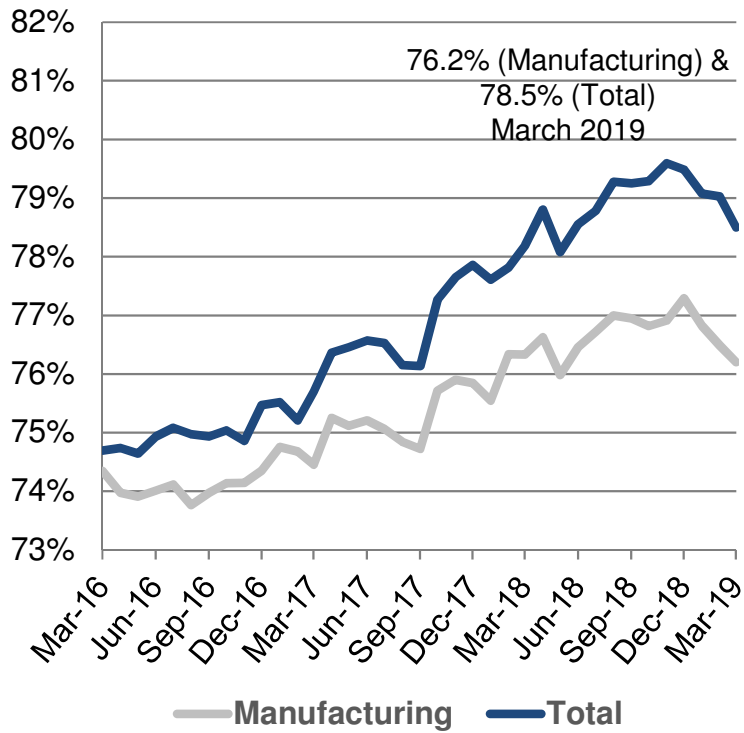
Adjusted EBITDA is defined as net income before interest expense, income taxes, depreciation, amortization, and other adjustments. Adjusted EBITDA is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable with the measures as used by other companies. Nevertheless, Columbus McKinnon believes that providing non-GAAP information, such as adjusted EBITDA, is important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS, as well as facilitates a more meaningful comparison of the Company's net income and diluted EPS to that of other companies.

# Industrial Capacity Utilization



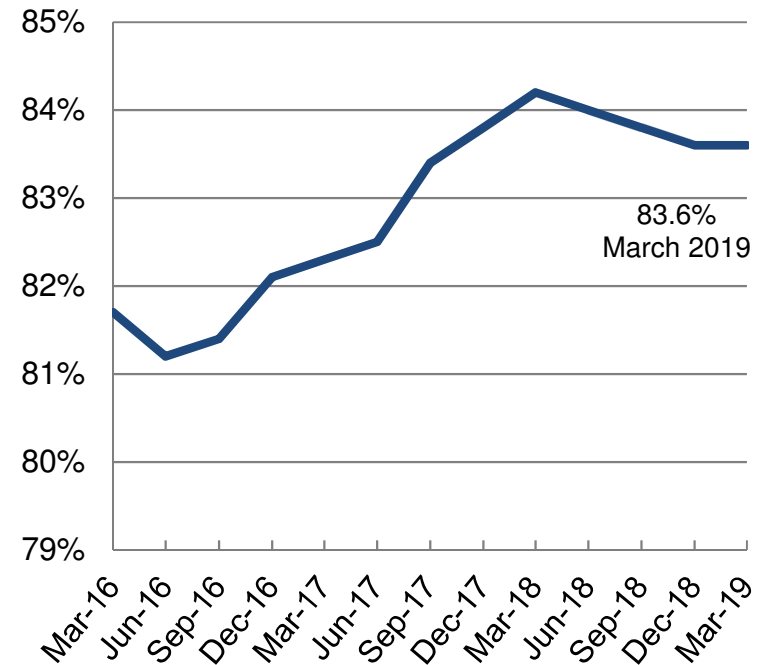
## U.S. Capacity Utilization

Source: The Federal Reserve Board



## Eurozone Capacity Utilization

Source: European Commission





## Conference Call Playback Info

**Replay Number: 412-317-6671 *passcode: 13689949***

**Telephone replay available through June 5, 2019**

**Webcast / PowerPoint / Replay available at [www.cmworks.com/investors](http://www.cmworks.com/investors)**

**Transcript, when available, at [www.cmworks.com/investors](http://www.cmworks.com/investors)**