



**Engineered for Performance**



**Fourth Quarter and Full Year 2018 Earnings Review**

**February 14, 2019**

# Forward-Looking Statements



Statements in this press release that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to: general economic conditions in the markets served by our businesses, some of which are cyclical and experience periodic downturns; prices and availability of raw materials; the impact of fluctuations in relevant foreign currency exchange rates; unanticipated delays or problems in introducing new products; the incurrence of contractual penalties for the late delivery of long lead-time products; announcements by competitors of new products, services or technological innovations; changes in our pricing policies or the pricing policies of our competitors; and the amount of any payments required to satisfy contingent liabilities related to discontinued operations of our predecessors, including liabilities for certain products, environmental matters, employee benefit obligations and other matters. Our filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2017, describe these and other risks and uncertainties in more detail. We do not undertake to update any forward-looking statement made in this presentation or during the course of the conference call to reflect any change in management's expectations or any change in the assumptions or circumstances on which such statements are based.

We own a number of direct and indirect subsidiaries and, from time to time, we may refer collectively to EnPro and one or more of our subsidiaries as “we” or to the businesses, assets, debts or affairs of EnPro or a subsidiary as “ours.” These and similar references are for convenience only and should not be construed to change the fact that EnPro and each subsidiary is an independent entity with separate management, operations, obligations and affairs.

This presentation also contains certain non-GAAP financial measures as defined by the Securities and Exchange Commission. A reconciliation of these measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation. We will also be referencing certain pro forma unaudited condensed consolidated financials. Please refer to our earnings release for important information regarding how pro forma and other financial information is derived.

**Save the Date: EnPro Investor Day**



**EnPro**  
*Industries*

**2019 Investor Day**

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**Wednesday, March 13th**

**9:00am - 12:00pm**

**Parker New York**

**Webcast will be available at: [www.enproindustries.com](http://www.enproindustries.com)**

# Agenda



- 2018 Summary Highlights
- Operations: Key Focus Areas
- Operating Results
- Capital Allocation
- Net Debt & Liquidity
- 2019 Guidance

# 2018 Summary Highlights

**Steve Macadam**  
*President & CEO*

# 2018 Summary Highlights

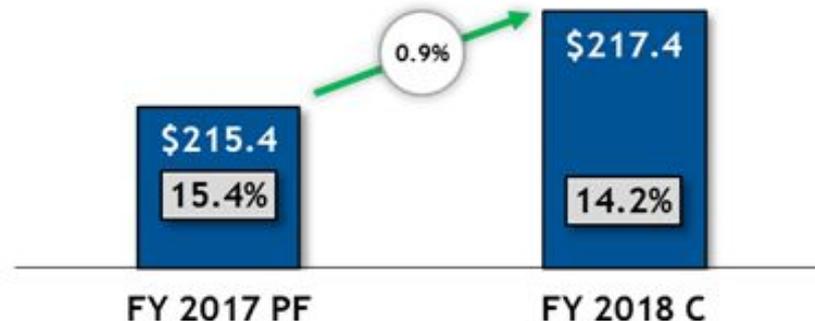


- NPO posted strong sales and earnings growth, excluding two specific problems in Sealing Products:
  - Exit of industrial gas turbine business
  - Challenges in Stemco's Brake Products Group
- Excluding those two business units, total sales and adjusted EBITDA grew 11% and 10%, respectively, over 2017 as a result of:
  - Favorable market conditions
  - Success launching new products
  - Winning new customer programs
  - Diligent cost control
- Semiconductor, food and pharma, aerospace, heavy-duty tractor and trailer builds, metals and mining, refining and processing, oil and gas, and marine engines and aftermarket parts and services were strong during the year

## Sales



## Adjusted EBITDA



*Note: The fourth quarter of 2018 was the fifth full quarter in which consolidated results reflect all of EnPro's entities. As such, consolidated results for the fourth quarter of 2018 are being compared herein to the consolidated results for the fourth quarter of 2017. Consolidated results for the full year 2018 are being compared herein to the pro forma results for the full year 2017. Please refer to reconciliation tables included in our fourth quarter press release dated February 13, 2019 for further detail.*

# 2018 Summary Highlights

## Sealing Products

- Majority of the business performed well, benefitting from market tailwinds that drove sales growth
- Cost challenges and restructuring expenses in STEMCO Brakes Product Group
- Continued to win new programs in semiconductor, aerospace and food and pharma

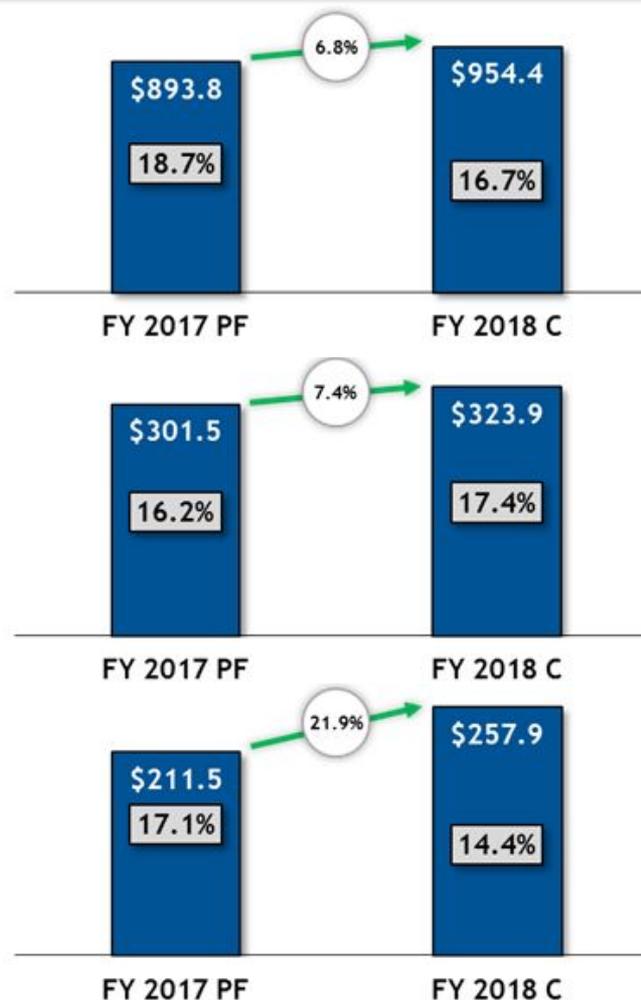
## Engineered Products

- Several new products introduced in CPI
- Advanced development of new coatings technologies through a joint venture in GGB
- Achieved operational and SG&A cost improvements

## Power Systems

- Delivered a record \$37.2 million of adjusted EBITDA, despite being capacity constrained due to the production of engines for the EDF program
- Robust backlog at the end of the year

## Sales and Segment Adj. EBITDA Margin %



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## Operations: Key Focus Areas

**Marvin Riley**

*Executive Vice President & COO*

# Operations: Key Focus Areas

## Exit of Industrial Gas Turbines Business

- Completed the exit early in the quarter
- Diligent efforts minimized P&L impact
- Net cash gain from the restructuring

## Stemco Brake Products Group Improvements

- Talent upgrades in key leadership roles, including the president and several business unit leaders
- Key actions:
  - Pricing initiative
  - “Should cost” analysis to support sourcing decisions
  - Lower cost sources of friction developed
  - Exit from drum brake friction manufacturing

## Power Systems - Maximizing Value

- Objective is to expand margins
- Priorities are to complete the EDF production engines and capitalize on strong demand for military marine engines, parts and services
- Capacity constraints are forcing adjustments to the Trident OP field test timeline

A large blue arrow pointing from the left side of the slide towards the central text box.

EnPro's Operating System is adding value

# Overview of Financial Results

**Milt Childress**

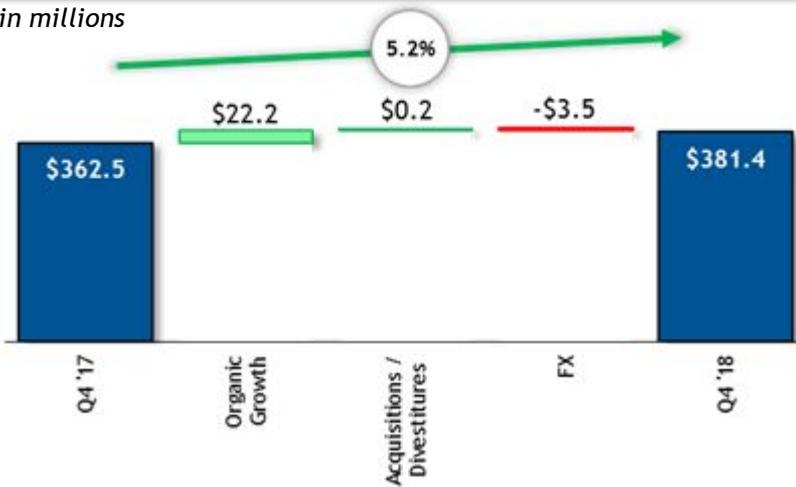
*Executive Vice President & CFO*

# Operating Results Sales & Adjusted EBITDA



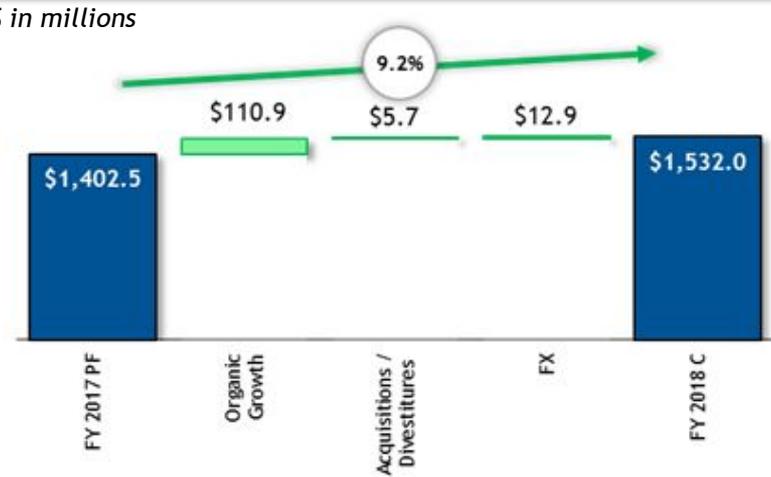
## Fourth Quarter Sales

\$ in millions



## Full Year Sales

\$ in millions



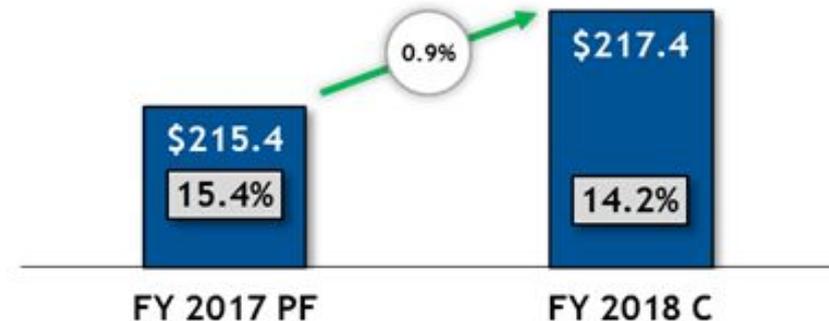
## Fourth Quarter Adjusted EBITDA

\$ in millions



## Full Year Adjusted EBITDA

\$ in millions



Note: Excluding the impact of foreign exchange on the EDF contract, adj. EBITDA was up 16.5% and 6.6%, respectively, in the fourth quarter and for the full year compared to prior year periods.  
 Note: The fourth quarter of 2018 was the fifth full quarter in which consolidated results reflect all of EnPro's entities. As such, consolidated results for the fourth quarter of 2018 are being compared herein to the consolidated results for the fourth quarter of 2017. Consolidated results for the full year 2018 are being compared herein to the pro forma results for the full year 2017. Please refer to reconciliation tables included in our fourth quarter press release dated February 13, 2019 for further detail.

# Operating Results

## Gross Margin



- Fourth quarter gross profit was down 7.2% compared to the same period of 2017
- Gross profit margin decrease of 4 percentage points compared to the fourth quarter of 2017
  - Challenges in Sealing Products primarily related to Brake Products business
  - IT reclassification to improve cost allocation

### Fourth Quarter Gross Profit & Margin

\$ in millions



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# Operating Results Sealing Products



## Sales

\$ in millions



- Market conditions

- Strength in the aerospace, food & pharma, heavy-duty tractor and trailer builds, and metals & mining
- Softness driven by wind-down of industrial gas turbine production and reduced nuclear shipments

## Segment Adjusted EBITDA & Margin

\$ in millions



- Key developments

- Decrease primarily driven by cost challenges in the brake products business within STEMCO, a large portion of which pertained to an increase in friction material warranty costs



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# Operating Results Engineered Products



## Sales

\$ in millions

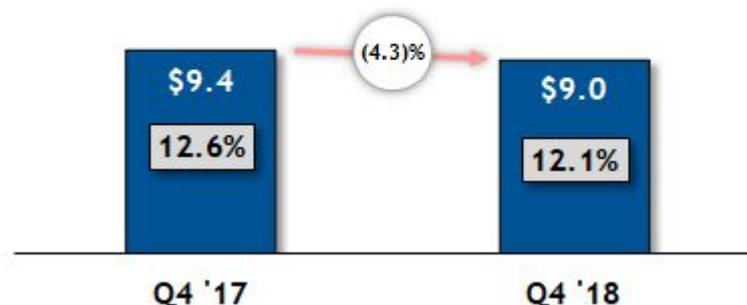


- Market conditions

- Sales decline due to FX translation; excluding impact of FX translation, sales increased 1.9%
- Strength in oil & gas and North American general industrial markets
- Weakness in automotive and European general industrial markets

## Adjusted EBITDA & Margin

\$ in millions



- Key developments

- Excluding impact of FX translation, segment adjusted EBITDA decreased 0.5%
- Decrease primarily due to increased raw material and manufacturing costs



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# Operating Results Power Systems



## Sales

\$ in millions

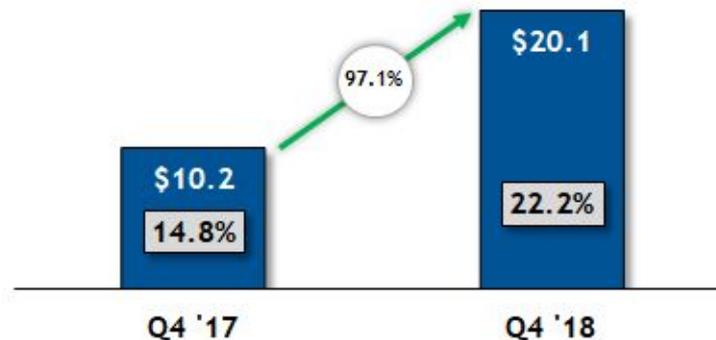


- Market conditions

- Record-levels of aftermarket parts and services sales
- Increased engine revenue

## Segment Adjusted EBITDA & Margin

\$ in millions



- Key developments

- Earnings up significantly due to increased sales volume and positive mix
- EDF Program:
  - Shipped 10 engines through end of Q4 2018
  - Expect to ship 10 engines in 2019
  - Expect to ship 2 spares in 2020



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# Operating Results

## Adjusted Diluted Earnings Per Share



### Adjusted Diluted Earnings Per Share

- Adjusted diluted EPS in Q4 2018 was \$0.98/share, up 46.3% compared to the fourth quarter of the prior year
- Adjusted diluted EPS in full year 2018 was \$3.91/share, up 12.4% compared to in 2017

(\$ and shares in millions, except per share data)	Consolidated		Pro Forma	Consolidated
	Q4 2017	Q4 2018	2017	2018
Adjusted EBITDA	\$48.7	\$54.5	\$215.4	\$217.4
Less: Interest	(8.2)	(6.5)	(29.9)	(27.3)
Less: Adjusted Taxes	(7.2)	(8.4)	(36.5)	(33.8)
Less: Depreciation & Amortization	(18.5)	(19.1)	(73.3)	(73.7)
Adjusted Net Income	\$14.8	\$20.5	\$75.7	\$82.6
Average Diluted Shares Outstanding	21.8	21.0	21.8	21.1
Adjusted Diluted Earnings Per Share	\$0.67	\$0.98	\$3.48	\$3.91

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# Capital Allocation Overview



## Capital Expenditures

- Invested \$25.6M in facilities, equipment and software, driven primarily by spending in Power Systems to support military marine programs

## Dividends & Share Repurchases

- Paid \$0.24/share dividend totaling \$5.0M
- Announced a 1 cent per share, or 4.2%, increase to quarterly dividend starting in March of this year

# Commentary on Liquidity & Net Debt



## Liquidity in 2018

- Received federal tax refunds of \$97M in 2018
  - Expect to receive newly revised estimated refund of \$36M sometime in 2019 but do not have an estimate on timing of the final receipt due to delayed processing by the IRS as a result of the government shutdown
- Year-end cash balance of approximately \$130M
- Year-end total borrowings of approximately \$463M
- Repatriated \$11 million and \$125 million of earnings from foreign subsidiaries during the fourth quarter and full year, respectively, without any incremental taxes

# Net Debt & Liquidity Summary



\$ millions		December 31, 2018
	Credit Facility	\$117
	Senior Notes	\$345
	Capital Lease Obligations	\$1
<b>A</b>	<b>Debt Components</b>	<b>\$463</b>
<b>B</b>	<b>Cash and Equivalents</b>	<b>\$130</b>
<b>C = (A - B)</b>	<b>Net Debt</b>	<b>\$333</b>
<b>D</b>	<b>FY December 31, 2018 Adjusted EBITDA</b>	<b>\$217</b>
<b>E = (C / D)</b>	<b>Leverage Ratio</b>	<b>1.5x</b>

Note: Including the approximate \$36M tax refund that we expect to receive in the future, the adjusted net debt-to-LTM pro forma adjusted EBITDA multiple would be approximately 1.4x.

## Guidance Commentary <sup>(1)</sup>

- Expect full-year adjusted EBITDA to be between \$225 and \$233 million and adjusted diluted EPS to be between \$4.28 to \$4.55
- Range reflects confidence that recent issues in STEMCO's Brake Products Group will be resolved in 2019 and takes into consideration the macroeconomic forecasts for core end markets

\$ in millions	2019 Guidance <sup>(1)</sup>	
	Low	High
Adjusted EBITDA	\$225M	\$233M
Adjusted EPS	\$4.28	\$4.55

*(1) Ranges include the impact from the previously announced acquisitions and excludes changes in the number of shares outstanding, impacts from future acquisitions and acquisition-related costs, restructuring costs, incremental impacts of tariffs and trade tensions on market demand and costs subsequent to year-end, the impact of foreign exchange rate changes subsequent to year-end, and environmental and any select legacy litigation charges.*

# QUESTIONS

# APPENDIX

# Market Indicators



EnPro Segment	Divisions	End-Market Exposure	Q4'18 vs. Q4'17	Q1'19 vs. Q1'18
Sealing Products		• Aerospace	↗	→
		• Food & Pharma	↗	↗
		• General Industrial	→	→
		• Heavy-Duty Trucking	↗	↗
		• Metals & Mining	↗	↗
		• Nuclear	↘	↘
		• Oil & Gas	↘	↘
		• Refining & Processing	→	→
		• Semiconductor	↘	↘
 A Higher Standard of Performance.™				
	<hr/>			
	Engineered Products		• Automotive	↘
• ConAg			↗	↗
• General Industrial			→	→
		• Oil & Gas	↗	→
		• Refining & Processing	↗	→
Power Systems		• Aftermarket Sales	↗	↗