EnPro Industries

Engineered for Performance

# Second Quarter 2018 Earnings Review

August 2, 2018

# 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; fluctuations in relevant foreign currency exchange rates; 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 press release 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, as well as related risks and uncertainties.

# Agenda

- Summary Highlights
- Operating Results
- Capital Allocation
- Net Debt & Liquidity
- 2018 Guidance

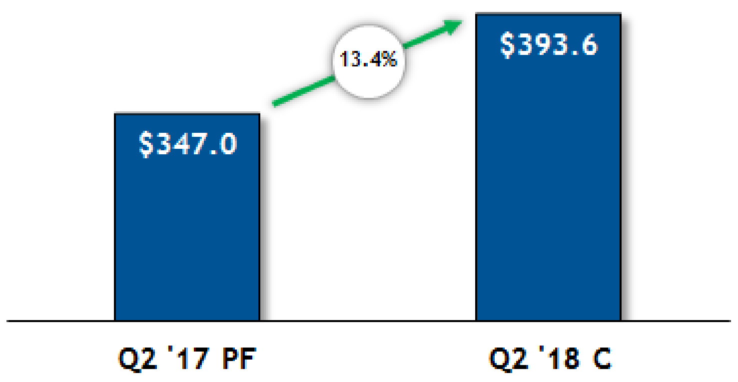
Summary Highlights

# Key Developments

- All businesses generated year-over-year sales growth
- Primary issues impacting results include
  1. Continued softness in industrial gas turbine market
  2. Challenges in heavy-duty trucking brake products group
  3. Currency-related impact and significant first-half vs. second-half performance profile in Power Systems
- Sealing Products
  - Food and pharma business continues to exceed expectations
  - Successful new products launches
  - Strong semiconductor, aerospace, and nuclear growth
  - IGT facility exit
  - New leadership at Stemco and restructuring
- Engineered Products
  - Strong sales and profitability growth
  - CPI's highest adjusted EBITDA margin since 2011

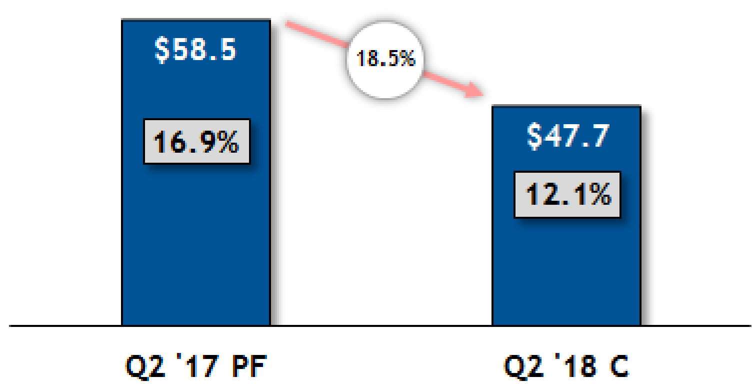
## Sales

*$ in millions*




## Adjusted EBITDA & Margin

*$ in millions*




*Note: The second quarter of 2018 was the third full quarter in which consolidated results reflect all of EnPro's entities. As such, consolidated results for the second quarter of 2018 are being compared herein to the pro forma results for the second quarter of 2017. Please refer to reconciliation tables included in our second quarter press release dated August 1, 2018 for further detail.*

Summary Highlights

# Key Developments

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## Power Systems

- Strong sales performance relative to last year, with engine, aftermarket parts and service revenue increasing year-over-year
- Marine segment had a particularly strong quarter, with continued progress on several large marine programs
- Experienced a decline in segment adjusted EBITDA for the quarter as a result of the impact of currency on the EDF project
- Excluding the impact of a small restructuring charge and foreign exchange on the EDF contract, Power Systems' EBITDA was up 25% year-over-year
- Parts backlog is currently at a record level and military marine parts order intake continues to be strong
- Power Systems is poised to generate strong performance during the balance of the year

# Overview of Financial Results

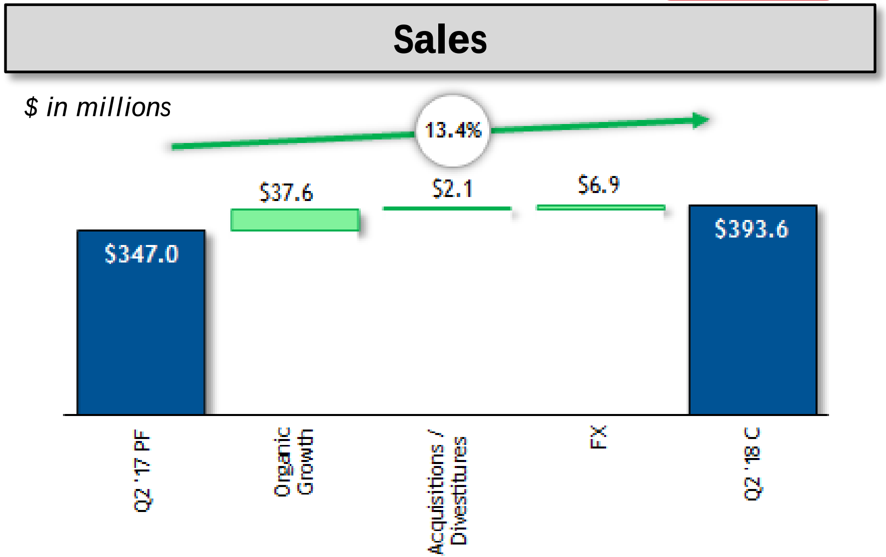
**Milt Childress**

*Executive Vice President & CFO*

# Sales & Gross Margin

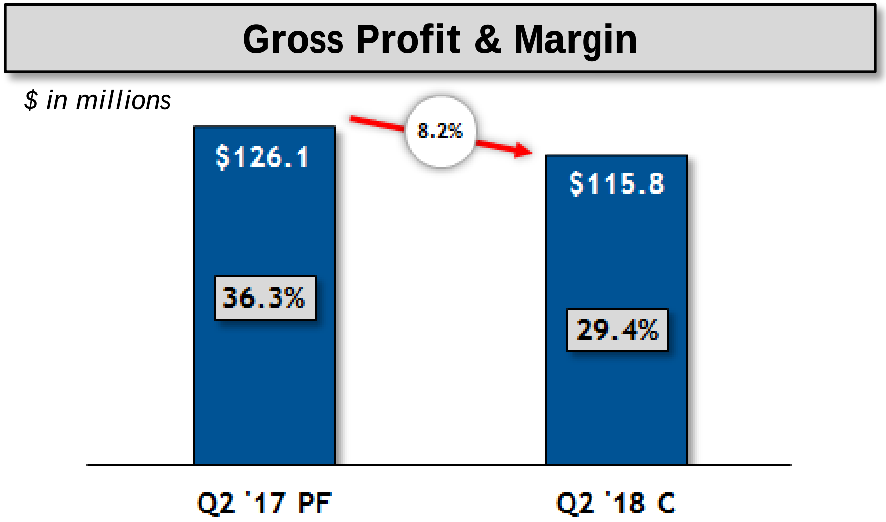
## Sales

- Second quarter sales of $393.6M were up 13.4% over the same period of 2017
- Volume increases in all three segments




## Gross Profit & Margin

- Second quarter gross profit was down 8.2% compared to the same period of 2017
- Gross profit margin decrease of 6.9 percentage points compared to the second quarter of 2017
  - ~4 of the 7 point gross profit margin decrease is attributable to unusual warranty expense in the heavy-duty-trucking brake products group, an inventory write-down, improvement in the allocation of IT costs, and a year-over-year swing in EDF related to fluctuations in the Euro

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# Sealing Products

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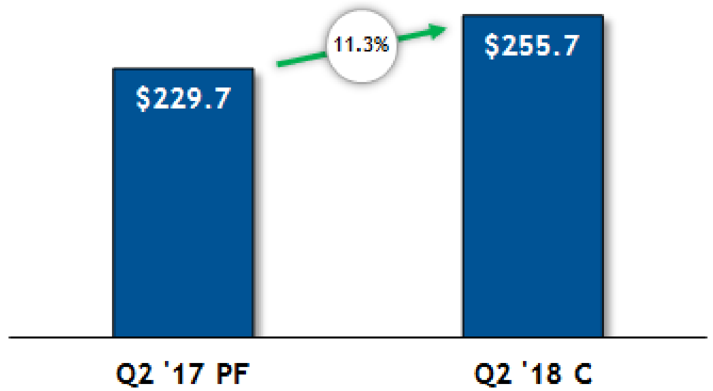
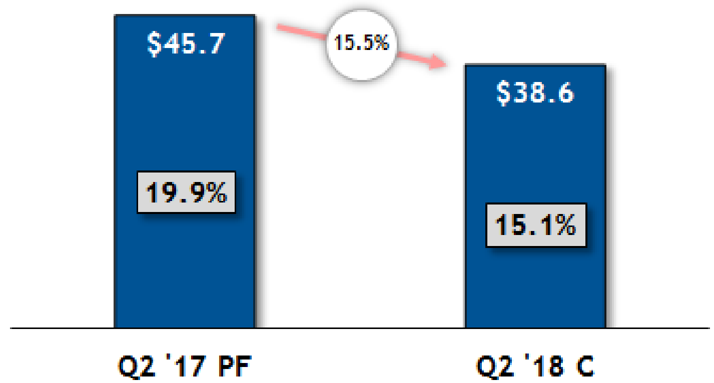
## Sales

*$ in millions*




## Segment Adjusted EBITDA & Margin

*$ in millions*




- Market conditions
  - Strength in semiconductor, aerospace, food & pharma, heavy-duty tractor & trailer builds, metals & mining, and nuclear
  - Sales to the industrial gas turbine market continued to decline
  - Excl. impact of acquisitions, divestitures, and FX translation, sales were up 9.3%

- Key developments
  - Continued softness in industrial gas turbine market
  - Commodity cost increases that were primarily tariff-related in metals
  - Unusual warranty charges
  - Low productivity in friction factory

Garlock

Technetics GROUP

STEMCO A Higher Standard of Performance.™

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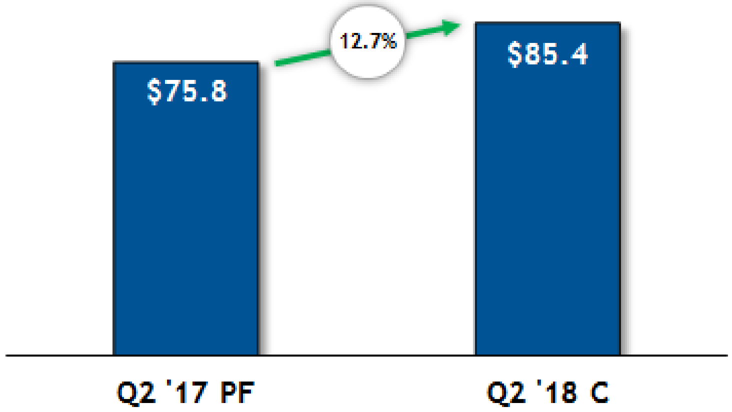
Operating Results
# Engineered Products

## Sales

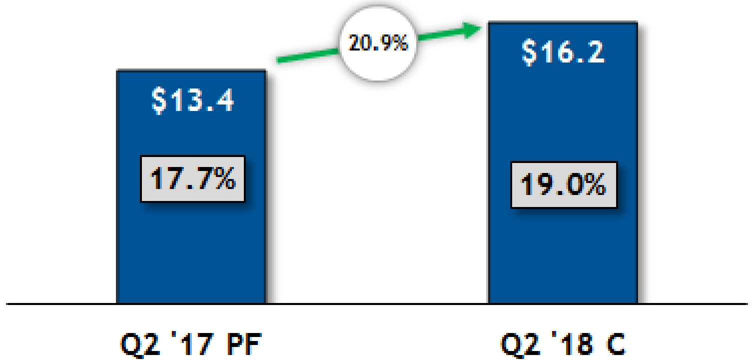
$ in millions




- Market conditions
  - Broad-based demand strength across the segment
  - Excluding impact of FX translation, consolidated sales were up 7.2%

## Adjusted EBITDA & Margin

$ in millions




- Key developments
  - Increase driven by higher volumes and favorable impacts from FX translation
  - Excluding impact of FX translation, segment adjusted EBITDA up 13.4%

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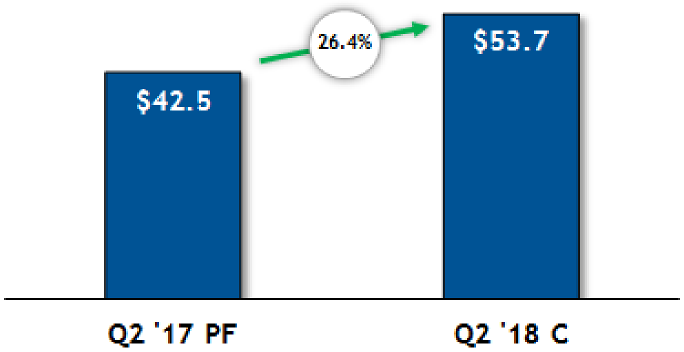
Operating Results

# Power Systems

## Sales

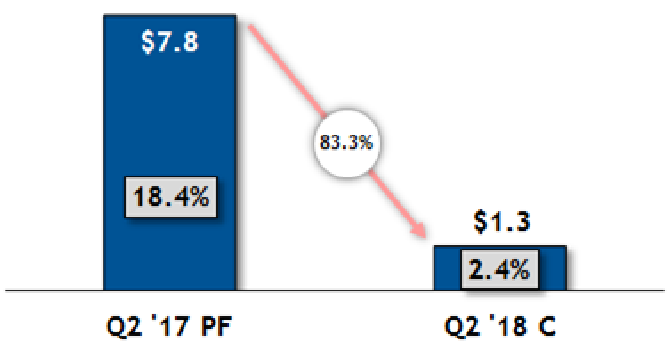
*$ in millions*




- Market conditions
  - Strength in marine segment, with engine, aftermarket parts and service revenue increasing year-over-year
  - Making progress on EDF contract; 8 production units shipped program-to-date and started work on all 14 remaining engines
  - Continue to anticipate delivering final engine in 2019

## Segment Adjusted EBITDA & Margin

*$ in millions*




- Key developments
  - Excluding the impact of a small restructuring charge and foreign exchange on the EDF contract in both 2017 and 2018, adjusted EBITDA increased 25% in the second quarter versus the prior-year period

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# Restructuring

## Restructuring

- Total restructuring costs of $6.5M during Q2:
    - $6.2M in Sealing Products, relating primarily to exiting the industrial gas turbine facility in Oxford, MA and restructuring in heavy-duty trucking completed in May
    - $0.3M of miscellaneous restructuring costs in Engineered Products and Power Systems
- The sale of our building in Oxford, MA generated approximately $26M, resulting in a before-tax net cash impact of restructuring for the quarter of positive $24M

# Adjusted Earnings Per Share

## Adjusted Earnings Per Share

- Adjusted EPS in Q2 2018 was $0.75/share, down -25.7% compared to the second quarter of the prior year

| *($ and shares in millions, except per share data)* | Pro Forma Q2 2017 | Consolidated Q2 2018 |
|---|---|---|
| **Adjusted EBITDA** | **$58.5** | **$47.7** |
| Less: Interest | (7.4) | (7.1) |
| Less: Adjusted Taxes | (10.8) | (6.4) |
| Less: Depreciation & Amortization | (18.3) | (18.4) |
| **Adjusted Net Income** | **$22.0** | **$15.8** |
| Average Diluted Shares Outstanding | 21.8 | 21.1 |
| **Adjusted Earnings Per Share** | **$1.01** | **$0.75** |

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# Capital Allocation Overview

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## Capital Expenditures

- $16.1M invested in equipment, facilities, and software in Q2

## Dividends & Share Repurchases

- $0.24/share dividend totaling $5.0M paid in Q2
  - Up from $0.22/share in Q2 2017

- Repurchased 441K shares for $32.9M in Q2 under current $50M share repurchase program authorized in October 2017
  - Through second quarter, purchased 665K shares for $49.9M
  - The program was completed in July 2018
  - Substantially exhausted ability to repurchase additional shares until refinance existing bonds
  - Since the beginning of 2015, we have repurchased 2.8M shares for approximately $177M

# Commentary on Liquidity & Net Debt

## Liquidity in 2018

- Tax refund of approximately $128M in connection with the filing of EnPro’s 10-year loss carryback return
  - $96M tax refund received during Q2
  - Estimated $32M tax refund will be received by year end 2018 (subject to IRS audit)

- Carryback frees up approximately $31M in foreign tax credits
  - $19.1M offsetting the tax reform related toll charge and reducing 2018 taxes
  - The balance reducing taxes in future periods

- Expect to receive approximately $17M total in 2018 from ACRP-related insurance recoveries
  - $12M received in the first half of 2018
  - Expect to collect an additional $5M in the second half of the year
  - Anticipate another $29M of insurance recoveries in future periods

- Cash balance as of 6/30/18 of approximately $93M

- Total borrowings as of 6/30/18 of approximately $488M

- Repatriated $114M of previously taxed earnings from foreign subsidiaries during the first half of 2018

# Net Debt & Liquidity Summary

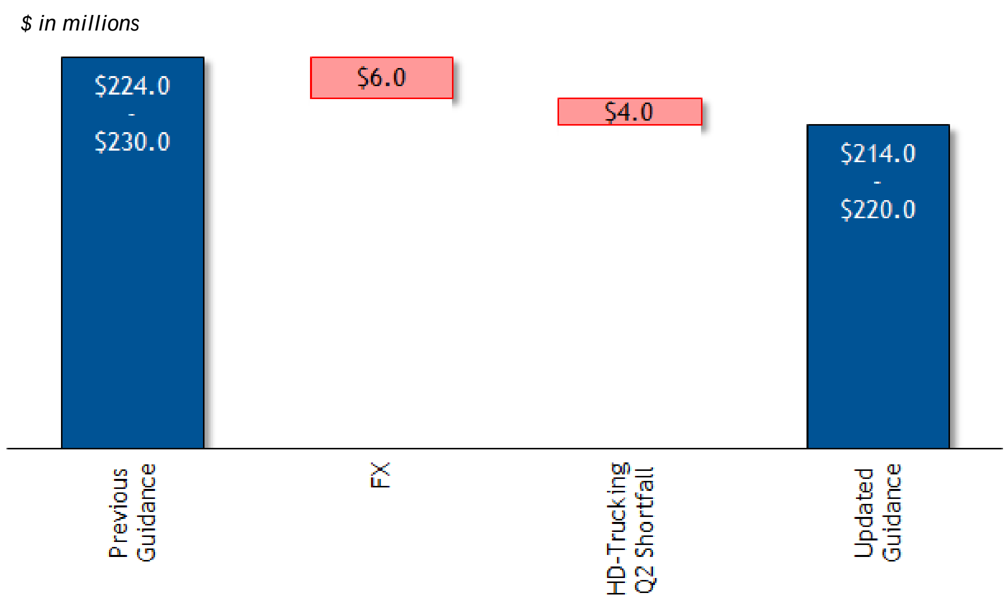
| *$ millions* | | June 30, 2018 |
|---|---|---|
| | Credit Facility | $43 |
| | Senior Notes | $445 |
| **A** | **Debt Components** | **$488** |
| | | |
| **B** | **Cash and Equivalents** | **$93** |
| | | |
| **C = (A - B)** | **Net Debt** | **$395** |
| **D** | **LTM June 30, 2018 Pro Forma EBITDA** | **$202** |
| **E = (C / D)** | **Leverage Ratio** | **2.0x** |

*Note: Including the approximate $32M tax refund that we expect to receive in the remainder of 2018 and the $5M asbestos-related insurance recovery expected in the second half of the year, the adjusted net debt-to-LTM pro forma adjusted EBITDA multiple would be approximately 1.8x.*

# 2018 Guidance

## Guidance Commentary (1)

- Expect full-year consolidated sales to be up between 8% and 9% over pro forma 2017 sales and full-year adjusted EBITDA to be between $214 and $220 million for the year
- The $10 million reduction is attributable to the stronger dollar and second-quarter profitability challenges in heavy-duty trucking
- New range reflects a slightly improved outlook for the balance of the year




(1) Ranges include the impact from the previously announced Qualiseal and CVC acquisitions and excludes any impact of further M&A activity and acquisition-related costs, changes in foreign exchange rates from the end of the second quarter (June 30, 2018), accounting adjustments associated with the reconsolidation of GST and OldCo, and any litigation or environmental charges.

*Note: 2018 pre-tax income will include a $12.8 million non-operating, non-cash charge resulting from the third quarter completion of an annuitization of a portion of the Company's pension obligations.*

# QUESTIONS

# APPENDIX

# Market Indicators

| EnPro Segment | Divisions | End-Market Exposure | Q2’18 vs. Q2’17 | Q3’18 vs. Q3’17 |
|---|---|---|---|---|
| **Sealing Products** | Garlock<br>Technetics Group<br>STEMCO – A Higher Standard of Performance. | Aerospace | ↗ | ↗ |
| | | Food & Pharma | ↗ | ↗ |
| | | General Industrial | ↗ | ↗ |
| | | Heavy-Duty Trucking | ↗ | ↗ |
| | | Industrial Gas Turbines | ↘ | ↘ |
| | | Metals & Mining | ↗ | ↗ |
| | | Nuclear | ↗ | ↘ |
| | | Oil & Gas | ↗ | ↗ |
| | | Refining & Processing | ↗ | ↗ |
| | | Semiconductor | ↗ | ↗ |
| **Engineered Products** | GGB Bearing Technology<br>CPI | Automotive | → | → |
| | | ConAg | ↗ | ↗ |
| | | General Industrial | ↗ | ↗ |
| | | Oil & Gas | ↗ | ↗ |
| | | Refining & Processing | ↗ | ↗ |
| **Power Systems** | Fairbanks Morse Engine | Aftermarket Sales | ↗ | ↗ |

# LTM EBITDA Calculation

(Stated in Millions of Dollars)

| | Consolidated Adjusted EBITDA | | Pro Forma Adjusted EBITDA | |
|---|---|---|---|---|
| Six Months Ended June 30, 2018 (A) | $ | 99.7 | $ | 99.7 |
| Year Ended December 31, 2017 | | 187.7 | | 214.5 |
| Less: Six Months Ended June 30, 2017 (A) | | 87.9 | | 112.3 |
| Trailing Twelve Months Ended June 30, 2018 | $ | 199.5 | $ | 201.9 |

(A) For reconciliations of consolidated net income to consolidated adjusted EBITDA and to pro forma net income, and of pro forma net income to pro forma adjusted EBITDA for the six months ended June 30, 2017, please refer to our second quarter earnings release dated August 1, 2018 and available at our website. For reconciliations of consolidated net income to consolidated adjusted EBITDA and to pro forma net income, and of pro forma net income to pro forma adjusted EBITDA for the year ended December 31, 2017, please refer to our fourth quarter earnings release dated February 13, 2018, also available at our website.