

# Q4 2015 Earnings Presentation



**SPX**

February 25, 2016

- 
- Certain statements contained in this presentation that are not historical facts, including any statements as to future market conditions, results of operations and financial projections, are forward-looking statements and are thus prospective. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future express or implied results.
  - Although SPX believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition, estimates of future operating results are based on the company's existing operations, which are subject to change.
  - Particular risks facing SPX include risks relating to our recent spin-off transaction, economic, business and other risks stemming from changes in the economy, our international operations, legal and regulatory risks, cost of raw materials, pricing pressures, and our ability to manage changes and measure and estimate the expected revenue and cost associated with our power projects in South Africa and integration of acquisitions. More information regarding such risks can be found in SPX's SEC filings.
  - Statements in this presentation are only as of the time made, and SPX does not intend to update any statements made in this presentation except as required by regulatory authorities.
  - This presentation includes non-GAAP financial measures. A reconciliation of the non-GAAP financial measures with the most comparable measures calculated and presented in accordance with GAAP, is available in the Appendix to this presentation. We believe that these non-GAAP measures are useful to investors in evaluating our operating performance and our management of business from period to period.
  - Unless otherwise indicated, amounts in this presentation reflect adjusted results from continuing operations and exclude the results of the South African projects, which we refer to as "Core."

# Introductory Comments

Gene Lowe

February 25, 2016



# Quarter Highlights



## Performance and Accomplishments

- Solid performance in HVAC, Detection & Measurement segments and Transformers business
- Strong pro forma Core free cash flow\* generation of more than \$85 million
- Power Generation headwinds continue; continued focus on cost reductions and evaluating strategic options
- Announced sale of Dry Cooling business (expected to close 1H 2016)
- Reduced and further defined risk levels related to the South African projects; inclusive of the settlement and de-scoping agreement with GE/Alstom

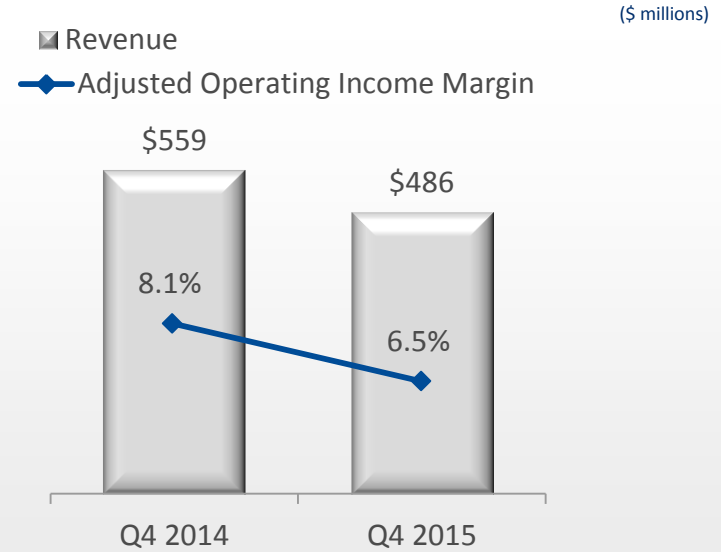
\* Excludes the effect of spin-related items and cash invested in the South African projects in 2015. Reconciliation to closest US GAAP measures are available in the Appendix of the presentation.

# Core Results - Q4 2015



## Year-over-Year Analysis

- Core revenue declined due primarily to power generation market headwinds (-\$49m) and a stronger US Dollar (-\$16m)
- Solid HVAC operating performance despite seasonally warm heating season
- Growth in Detection & Measurement operating income and margins due to higher sales of communications technology products
- Transformer business ahead of schedule on margin improvement targets



Note: Unless otherwise indicated, amounts in this presentation reflect Core results from continuing operations and exclude the results of the South African projects. Our Adjusted Operating Income and Adjusted EPS are based on Core results and exclude goodwill impairments, non-service pension costs and spin-related items. Reconciliations from US GAAP measures are available in the Appendix of the presentation.

**Adjusted EPS of \$0.52**

# Value Creation in Core Businesses



HVAC

## Grow HVAC platform:

- ❑ New product development
- ❑ Channel development
- ❑ Geographic expansion
- ❑ Leverage synergies

## Grow Detection & Measurement platform:

- ❑ Continue to upgrade installed base
- ❑ New product launches in 2015-2016
- ❑ Expand vertically and geographically
- ❑ Extend product offering into adjacent markets

Detection & Measurement

Substantial Growth in Earnings and Cash Flow

POWER Transformers

## Improve efficiency of power transformer business:

- ❑ Increase sales of new, value-engineered power transformer design
- ❑ Productivity initiatives

## Reduce complexity, risk and cost in power generation business:

- ❑ Project execution and selectivity
- ❑ Focus on working capital
- ❑ Reposition business

POWER Generation

Expanding in Attractive Markets While Reducing Exposure to Lower Return Markets

# 2015 Value Creation Key Accomplishments



## HVAC

- ✓ Launch of new evaporative condenser product (industrial refrigeration)
- ✓ Launch of new high-efficiency boiler (residential heating)

## DETECTION & MEASUREMENT

- ✓ New Genfare Link fare collection system installed in key reference market
- ✓ Launch of RD8100 GPS-enabled cable and pipe locator

## POWER

- ✓ South African Projects: GE agreement amendment completed in Q4 2015
- ✓ Announced sale of Global Dry Cooling business
- ✓ New, value-engineered transformer design accepted by >50% of customers
- ✓ Transformers' margin improvements ahead of schedule

**Making Progress On Value Creation Strategies**

## GE (Alstom) Agreement Amendment

- De-scoped our construction activities on the Air Cooled Condensers (ACCs)
  - De-scoped for the final three units (six total) of the Kusile site
  - Medupi site not part of our project scope for ACCs
- Structurally reduces risk profile
- Settled most material outstanding claims with GE and our subcontractors
- Financial impact included in charge taken in Q3 2015
  - \$95 million charge (~\$71m, net of minority interest)

**Structurally Reduces Risk Profile of the South African Projects**



## Sale of Global Dry Cooling Business

- Agreement to sell Dry Cooling business to Paharpur Cooling Towers Limited (a leading cooling solution provider with global operations, headquartered in India)
- Expected to be finalized in 1H 2016
- Purchase price is ~\$48m – subject to adjustments for working capital
- ~10% of the Power Segment's 2015 revenues
- Sale proceeds will be deployed in accordance with our stated capital allocation policy

**Represents Our Commitment to Shareholders to Optimize Capital Utilization**

# Q4 Financial Review

Scott Sproule

February 25, 2016



# Earnings Per Share

## Q4 2015 Adjusted EPS

<b>GAAP EPS</b>	<b>(\$0.11)</b>
Goodwill Impairment	0.32
Non-Service Pension Items	0.17
South African Projects	0.10
Spin-Related Costs	0.04
<b>Adjusted EPS</b>	<b>\$0.52</b>

- First full quarter following spin-off of SPX FLOW
- Adjusted results exclude certain non-cash charges related to:
  - Goodwill impairment in power generation
  - Non-service pension adjustment (legacy plans)
- Certain spin-related costs were recorded in Q4 and are also excluded from Adjusted EPS

Note: Unless otherwise indicated, amounts in this presentation reflect Core results from continuing operations and exclude the results of the South African projects. Our Adjusted Operating Income and Adjusted EPS are based on Core results and exclude goodwill impairments, non-service pension costs and spin-related items. Reconciliations from US GAAP measures are available in the Appendix of the presentation.

**Q4 Adjusted EPS of \$0.52**

# Core Results Q4 2015 and Full-Year 2015

## Year-over-Year Analysis

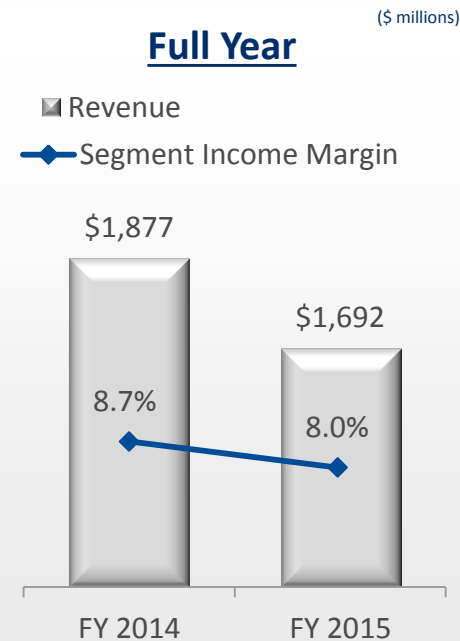
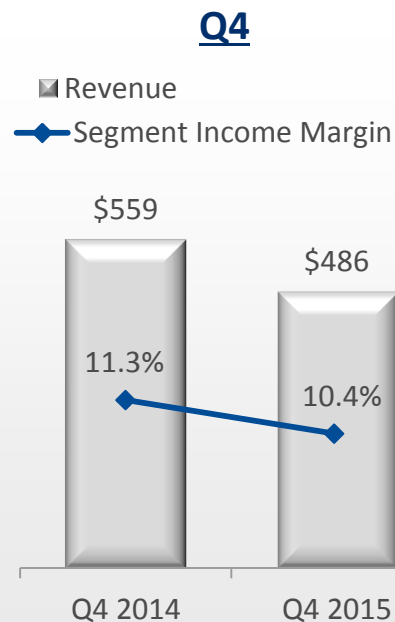
### Q4 Revenue:

- (13.0%) year-over-year decline:
  - (2.9%) currency impact
  - (10.1%) organic decline due primarily to lower power generation sales in Europe

### Q4 Segment Income and Margin:

- (\$12.4m) decline in segment income and (90) basis points of margin decline
- Year-over-year improvements in HVAC, Detection & Measurement and transformers more than offset by the declines in power generation

Note: Core results exclude the results of the South African projects. Reconciliations from US GAAP measures are available in the Appendix of the presentation.



**Solid Margin Improvement in HVAC, Detection & Measurement and Transformers;  
Power Generation Headwinds Offsetting**

# HVAC 2015 Results



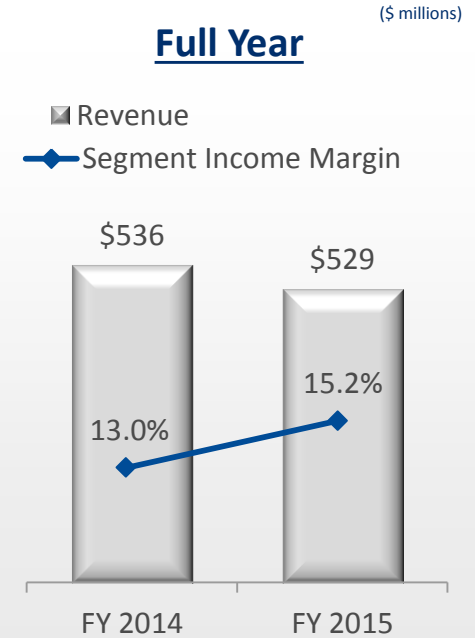
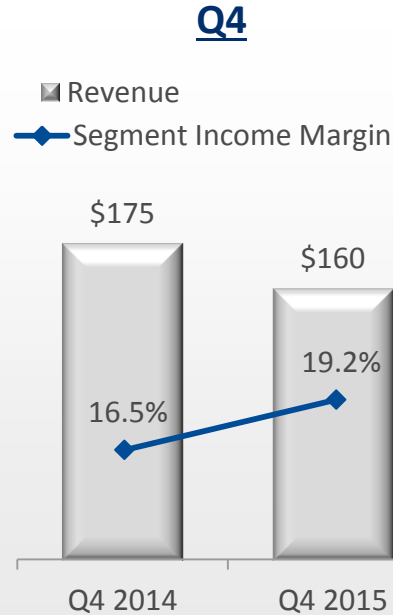
## Year-over-Year Analysis

### Q4 Revenue:

- (8.1%) year-over-year decline:
  - (0.5%) currency impact
  - (7.6%) organic decline driven by the negative impact of warm weather on the Heating business

### Q4 Segment Income and Margin:

- \$2.0m increase in segment income
- 270 basis points of margin improvement due to strong execution in both Cooling and Heating



**Strong Margin Improvement Driven by Strong Execution in Both Heating and Cooling**

# Detection & Measurement 2015 Results



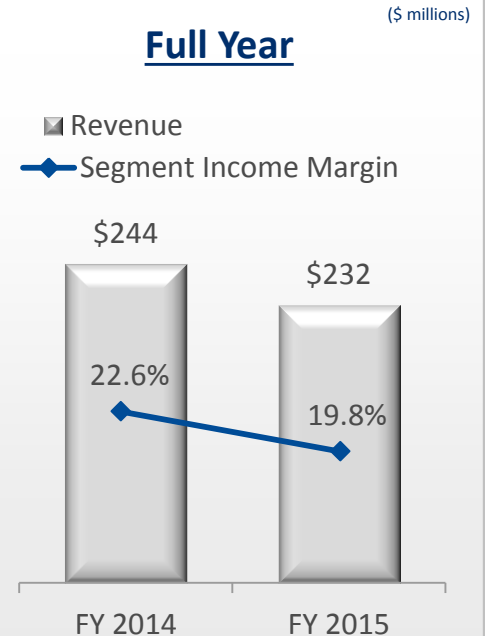
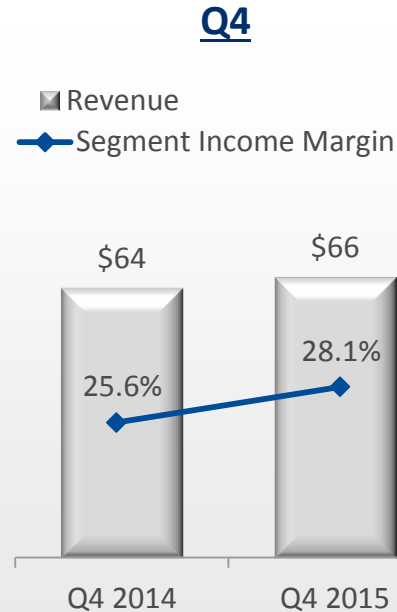
## Year-over-Year Analysis

### Q4 Revenue:

- +4.1% year-over-year growth:
  - (1.9%) currency impact
  - +6.0% organic growth driven by timing of Communications Technology product sales

### Q4 Segment Income and Margin:

- \$2.3m increase in segment income
- 250 basis points of margin improvement due to higher Communications Technology sales



**Strong Year-over-Year Improvement in Q4 Due to Timing of Communications Technology Product Sales**

# Base Power\* 2015 Results

## Year-over-Year Analysis

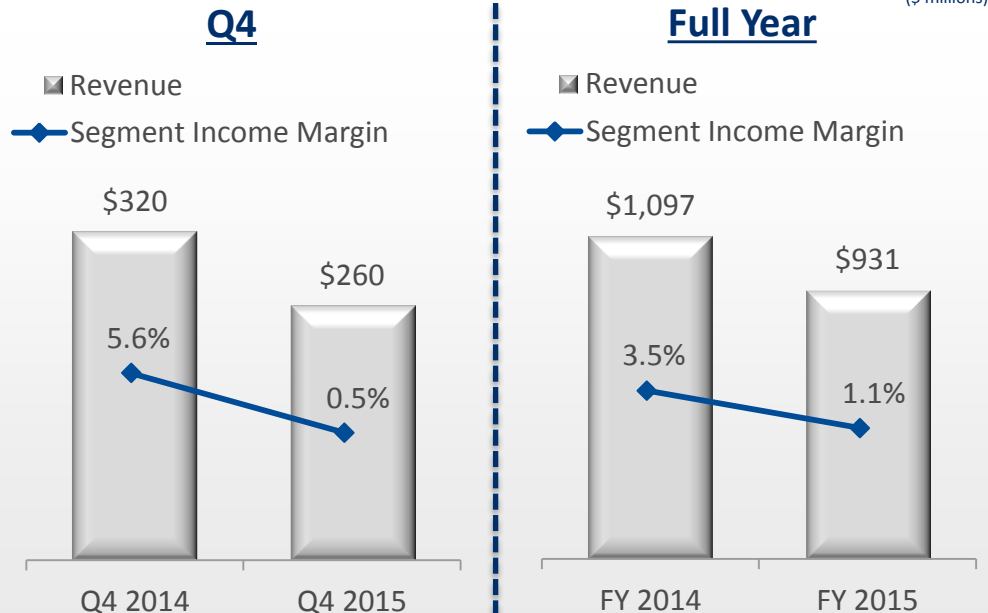
### Q4 Revenue:

- (19.0%) year-over-year decline:
  - (4.3%) currency impact
  - (14.7%) organic decline due primarily to lower sales of power generation equipment

### Q4 Segment Income and Margin:

- (\$16.7m) decline in segment income
- (510) basis points of margin decline
  - 170 basis point increase in transformer margin offset by challenges in power generation

(\*) Excludes the results of the South African projects. Reconciliations from US GAAP measures are available in the Appendix of the presentation.



**Approximately 170 Points of Margin Improvement in Transformers  
Offset by Challenges in Power Generation Business**

# South African Projects Q4 Update



(\$ millions)

- ❑ \$23 million in revenues and \$6 million loss at project level (recorded in Consolidated Segment Income)

- ❑ Settlement with GE/Alstom achieved during Q4; financial impact in-line with Q3 charge

- ❑ No major updates on projects in Q4

Q4 2014\*

Revenue

Segment  
Loss

\$(3)

(\$28)

Q4 2015

\$23

(\$6)

Note: Q4 2014 results include a charge of \$25 million to revenues and income for related to additional costs and accruals on the projects.

## Settlement With GE/Alstom Achieved During Q4



# Financial Position and Capital Allocation

Scott Sproule

February 25, 2016

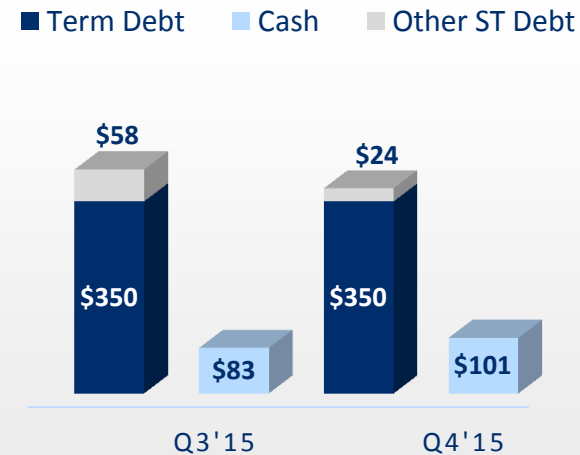


# Financial Position



## Capital Structure Update

(\$ millions)		<b>Q4'15</b>
Short-term debt	\$	24
Current maturities of long-term debt		9
Long-term debt		341
<b>Gross Debt</b>	<b>\$</b>	<b>374</b>
Less: Cash on hand		(101)
<b>Net Debt</b>	<b>\$</b>	<b>273</b>

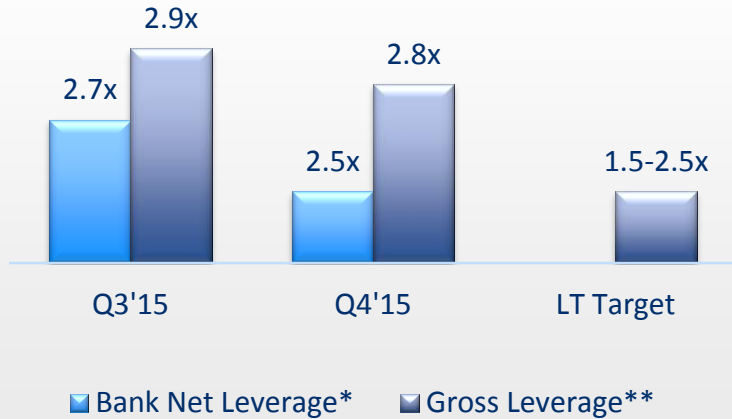


**Q4 is Typically Our Strongest Cash Flow Quarter**

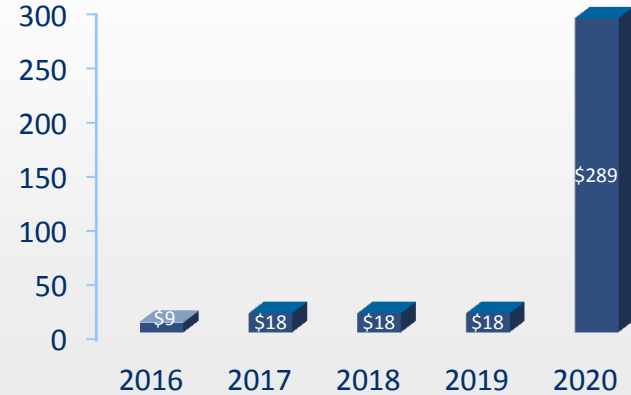
## Capital Structure Update

(\$ in millions)

### Leverage Ratios



### Term Debt Repayment Schedule



\*Calculated as defined by SPX's credit facility agreement. Net debt subtracts cash in excess of \$50 million.

\*\* Uses gross debt and LTM EBITDA as defined by SPX's credit facility agreement.

**Reduced Leverage Due to Strong Q4 Cash Flow**

## Capital Allocation Strategy

Incremental Liquidity of \$200m by YE 2018

- Growth Investments in Core Businesses
- Return of Capital to Shareholders
- Reduction in Debt and Equivalents

Evaluating Highest, Risk-Adjusted Return Opportunities

# Market Commentary & Outlook

Gene Lowe

February 25, 2016

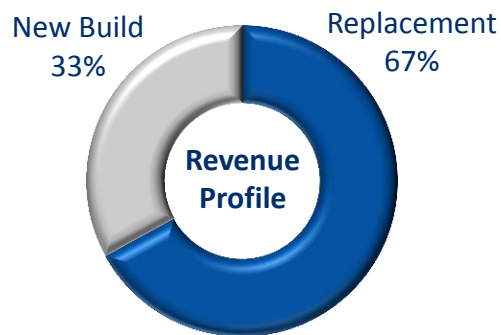
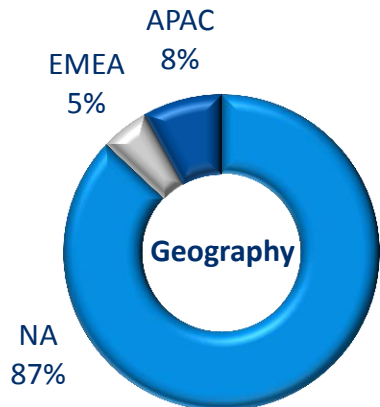
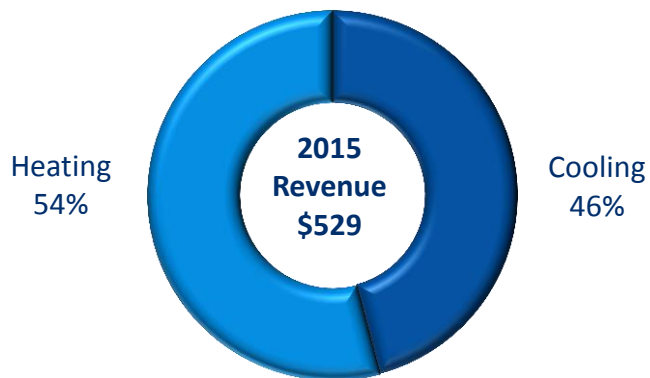


# Impact of Current Macro Trends

Trend	Impact	Commentary
Low Demand Growth in U.S.	Modest	<ul style="list-style-type: none"> <li>➤ ~2/3 replacement revenue across segments</li> <li>➤ HVAC and transformers lag changes in economic indices (e.g., Dodge Index)</li> </ul>
Declining Oil Prices	Low	<ul style="list-style-type: none"> <li>➤ Little impact on HVAC and D&amp;M; modest exposure on power generation</li> <li>➤ Potential secondary effect of reduced capex spending and government budgets</li> </ul>
Strengthening U.S. Dollar	Low	<ul style="list-style-type: none"> <li>➤ 72% of sales in U.S. – FX exposure is mostly translation related</li> <li>➤ Potential effect on U.S. export competitiveness</li> </ul>
Slowing Chinese Economy	Low	<ul style="list-style-type: none"> <li>➤ ~5% of revenue from sales to/in China, excluding Dry Cooling</li> <li>➤ Steady in HVAC and Detection &amp; Measurement with declines in power generation (due to sale of Dry Cooling)</li> </ul>

**Diverse End Markets and Products and North American-Focused Footprint**

# HVAC Segment Overview



(\$ millions)

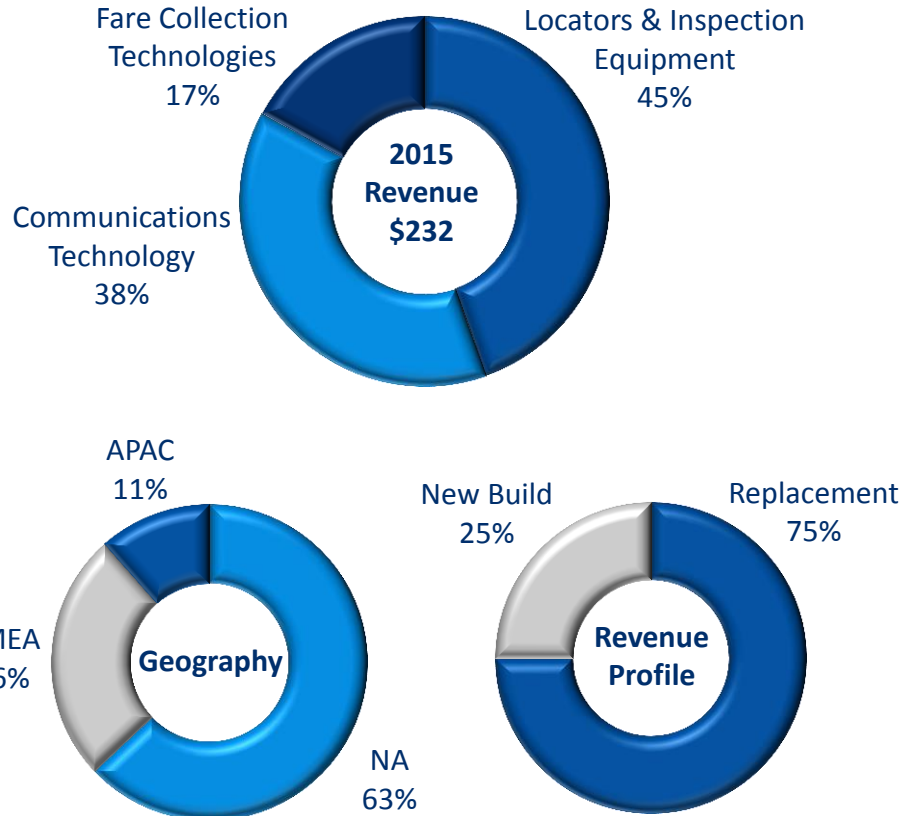
	2014	2015	3-Yr Target
Revenue	\$536	\$529	2-4% CAGR
Segment Income %	13.0%	15.2%	15-16%

## 2016 Outlook Considerations

- EMEA and APAC market environments
- Timing of start of Q4'15 winter heating season
- Growth from 2015/2016 new product launches
- Commercial construction sensitivity
- Favorable mix effect on 2015 margins
- **High degree of replacement sales and North American-focused footprint**

Note: Revenue Profile breakdown is based on Management's best estimates of end-market uses

# Detection & Measurement Segment Overview



(\$ millions)

	2014	2015	3-Yr Target
Revenue	\$244	\$232	2-6% CAGR
Segment Income %	22.6%	19.8%	22-24%

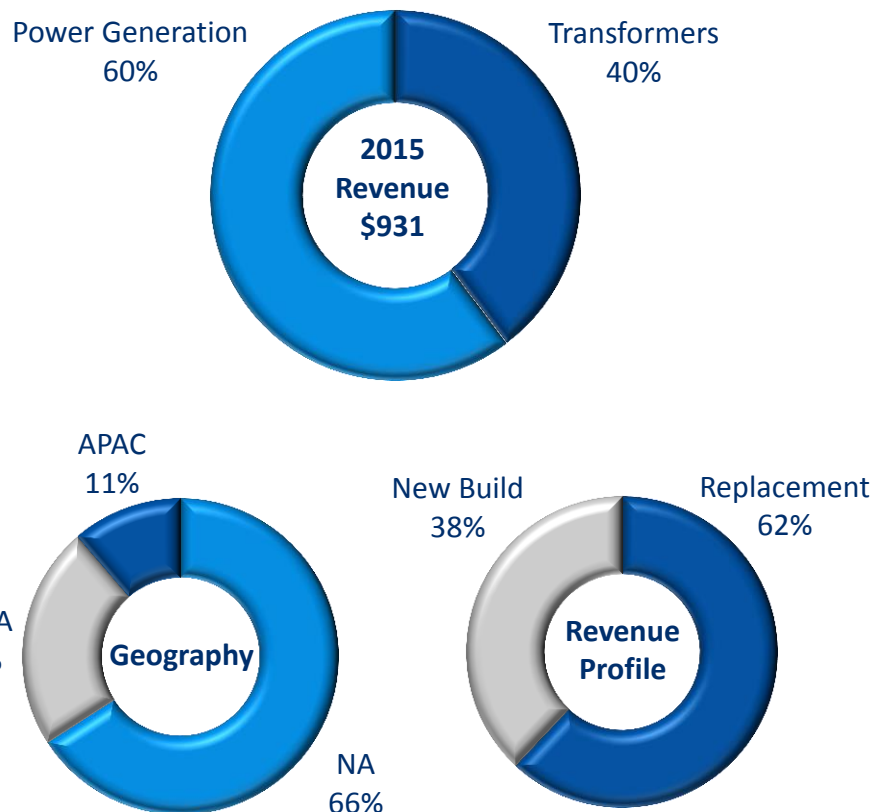
## 2016 Outlook Considerations

- U.S. federal transportation funding
- Industrial and commercial construction
- Global government spending
- Growth from 2015/2016 new product launches
- USD strength
- **High degree of replacement sales; strong operating leverage and growth in infrastructure-based project businesses**

Note: Revenue Profile breakdown is based on Management's best estimates of end-market uses



# Base Power\* Segment Overview



(\$ millions)

	2014	2015	3-Yr Target
Revenue	\$1,097	\$931	(3%)-0% CAGR
Segment Income %	3.5%	1.1%	4-5%

## 2016 Outlook Considerations

- Transformer pricing and lead times
- Impact of transformers' operational initiatives
- Restructuring savings in power generation
- Additional cost reduction opportunities
- Global power demand
- **Margin growth in transformers; cost reduction and process improvements in power generation**

(\* ) Excludes the results of the South African projects. Reconciliations from US GAAP measures are available in the Appendix of the presentation.

Note: Revenue Profile breakdown is based on Management's best estimates of end-market uses

## 2016 Guidance – Core\*



	Revenue	Segment Income Margin
<b>HVAC</b>	<ul style="list-style-type: none"> <li>Towards the lower-end of LT annual growth targets of 2-4%</li> </ul>	<ul style="list-style-type: none"> <li>Flat (favorable margin project in 3Q'15 affects comparisons)</li> </ul>
<b>Detection &amp; Measurement</b>	<ul style="list-style-type: none"> <li>In-line with LT annual growth targets of 2-6%</li> </ul>	<ul style="list-style-type: none"> <li>At least 100 bps increase driven by commercial efforts in fare collection systems</li> </ul>
<b>Base* Power</b>	<ul style="list-style-type: none"> <li>Transformer revenues up modestly</li> <li>Decline in base power revenues</li> <li>Sale of Dry Cooling</li> </ul>	<ul style="list-style-type: none"> <li>At least 50 bps improvement in transformers</li> <li>Reduced overhead in base power</li> </ul>
<b>Total SPX Core</b>	<ul style="list-style-type: none"> <li>\$1.5-1.7 billion (decline due to lower revenues in Power Generation, the sale of Dry Cooling and FX headwinds)</li> </ul>	<ul style="list-style-type: none"> <li>9-10% with improvements across all segments</li> </ul>

\* Excludes the results of the South African projects.

**Core Operating Income Range of \$80 million to \$100 million;  
Core EPS Range of \$0.95-1.25**

# Executive Summary

Gene Lowe

February 25, 2016



- **2015 Recap:** Solid margin improvement in HVAC and transformers
- **2016 Outlook:** Continued execution of operational initiatives to drive margin growth
- **Value Creation:** Scale growth platforms and reduce exposure to lower return markets
- **Strategic Review:** Actively reviewing strategic fit and ROIC of each business
- **Capital Allocation:** Evaluating highest, risk-adjusted return opportunities

# Questions

February 25, 2016



# Appendix

February 25, 2016



## 2016 Modeling Considerations

Metric	Commentary/Assumptions
Corporate costs	~\$40M
Non-cash stock comp	\$13-15M
Restructuring costs	~\$5M
Interest cost	\$13-14M
Tax rate	35-40%, jurisdictionally sensitive
Capex	\$18-20M
Cash cost of pension + OPEB	~\$16M ongoing cash cost
D&A	\$30-32M, mostly in COGS
Share count	42-43M
FCF Conversion	~100% of Core Net Income (i.e., ex South African projects)

# Core Revenue & Segment Income Reconciliation



\$ in millions

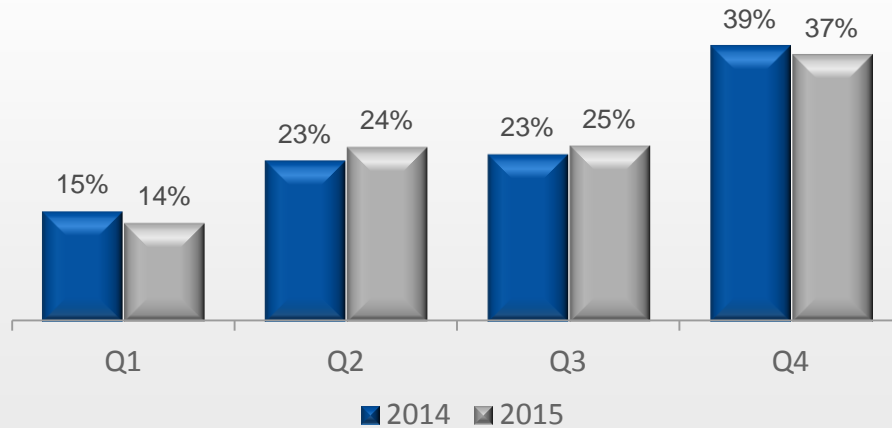
	Q4 2015			Q4 2014		
	GAAP	SA Projects	Core	GAAP	SA Projects	Core
<b>Revenue</b>						
HVAC	160.4		160.4	174.6		174.6
D&M	66.3		66.3	63.7		63.7
Power	282.8	(23.3)	259.5	317.3	3.1	320.4
<b>Total SPX</b>	<b>\$509.5</b>	<b>(\$23.3)</b>	<b>\$486.2</b>	<b>\$555.6</b>	<b>\$3.1</b>	<b>\$558.7</b>
<b>Segment Income</b>						
HVAC	30.8		30.8	28.8		28.8
D&M	18.6		18.6	16.3		16.3
Power	(4.2)	5.6	1.4	(9.6)	27.7	18.1
<b>Total SPX</b>	<b>\$45.2</b>	<b>\$5.6</b>	<b>\$50.8</b>	<b>\$35.5</b>	<b>\$27.7</b>	<b>\$63.2</b>
	Full Year 2015			Full Year 2014		
	GAAP	SA Projects	Core	GAAP	SA Projects	Core
<b>Revenue</b>						
HVAC	529.1		529.1	535.7		535.7
D&M	232.3		232.3	244.4		244.4
Power	957.9	(27.3)	930.6	1,172.6	(75.3)	1,097.3
<b>Total SPX</b>	<b>\$1,719.3</b>	<b>(\$27.3)</b>	<b>\$1,692.0</b>	<b>\$1,952.7</b>	<b>(\$75.3)</b>	<b>\$1,877.4</b>
<b>Segment Income</b>						
HVAC	80.2		80.2	69.4		69.4
D&M	46.0		46.0	55.2		55.2
Power	(110.5)	120.5	10.0	5.0	33.8	38.8
<b>Total SPX</b>	<b>\$15.7</b>	<b>\$120.5</b>	<b>\$136.2</b>	<b>\$129.6</b>	<b>\$33.8</b>	<b>\$163.4</b>



# Core Segment Income Phasing



\$ in millions



Note: Excludes the results of the South African Projects

	Q1 2014	Q2 2014	Q3 2014	Q4 2014
GAAP	25.6	30.5	38.0	35.5
Less: South African Projects	(0.4)	6.3	0.3	27.7
<b>Core</b>	<b>\$25.2</b>	<b>\$36.8</b>	<b>\$38.3</b>	<b>\$63.2</b>
<i>% of total</i>	<i>15%</i>	<i>23%</i>	<i>23%</i>	<i>39%</i>

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
GAAP	10.3	24.9	(64.7)	45.2
Less: South African Projects	8.4	8.3	98.2	5.6
<b>Core</b>	<b>\$18.7</b>	<b>\$33.2</b>	<b>\$33.5</b>	<b>\$50.8</b>
<i>% of total</i>	<i>14%</i>	<i>24%</i>	<i>25%</i>	<i>37%</i>

# Core Operating Income Reconciliation



\$ in millions

	Q4 2015	Q4 2014	Full Year 2015	Full Year 2014
Operating Loss	\$ (3.1)	\$ (117.0)	\$ (170.0)	\$ (179.5)
Exclude:				
South African projects	5.6	27.7	120.5	33.8
Certain corporate expenses (1)	4.0	24.8	80.2	110.0
Spin-related costs (2)	1.2	-	3.5	-
Asset impairments	13.7	28.9	13.7	28.9
Non-service pension expense	10.4	80.8	15.0	93.3
Core Adjusted Operating Income	\$ 31.8	\$ 45.2	\$ 62.9	\$ 86.5
as a percent of Core revenues	6.5%	8.1%	3.7%	4.6%

(1) Represents an estimate of the corporate costs, related to the support provided to the SPX Flow businesses, that are no longer expected to be incurred by SPX after the spin-off

(2) Represents non-recurring charges incurred in connection with the spin-off

# Q4 2015 Organic Revenue Reconciliation



	<u>HVAC</u>	<u>Detection &amp; Measurement</u>	<u>Power</u>	<u>Consolidated</u>
Net Revenue Growth (Decline)	(8.1) %	4.1 %	(10.9) %	(8.3) %
Exclude: South African projects	%	- %	(8.1) %	(4.7) %
Core Revenue Growth (Decline)	<u>(8.1) %</u>	<u>4.1 %</u>	<u>(19.0) %</u>	<u>(13.0) %</u>
Foreign Currency	(0.5) %	(1.9) %	(4.3) %	(2.9) %
Organic Revenue Growth (Decline)	<u><u>(7.6) %</u></u>	<u><u>6.0 %</u></u>	<u><u>(14.7) %</u></u>	<u><u>(10.1) %</u></u>

# Debt Reconciliation



\$ in millions

	<u>September 26, 2015</u>	<u>December 31, 2015</u>
Short-term debt	\$ 56.3	\$ 22.1
Current maturities of long-term debt	4.8	9.1
Long-term debt	<u>347.0</u>	<u>342.6</u>
Gross Debt	408.1	373.8
Less: Purchase card program and extended payables	<u>(5.6)</u>	<u>(4.8)</u>
Adjusted Gross Debt	402.5	369.0
Less: Cash in excess of \$50.0	(32.5)	(51.4)
Adjusted Net Debt	<u><u>\$ 370.0</u></u>	<u><u>\$ 317.6</u></u>

Note: Adjusted net debt as defined by SPX's current credit facility agreement

# Consolidated EBITDA Reconciliation



\$ in millions	<u>1H 2015*</u>	<u>Q3 2015</u>	<u>Q4 2015</u>	<u>LTM</u>
Net loss attributable to SPX Corporation common shareholders		\$ (105.0)	\$ (9.5)	
Income tax provision (benefit)		5.5	(3.2)	
Net interest expense		<u>6.3</u>	<u>3.5</u>	
Income before interest and taxes		(93.2)	(9.2)	
Depreciation and amortization		<u>10.2</u>	<u>8.0</u>	
EBITDA		(83.0)	(1.2)	
Adjustments:				
Non-cash compensation		9.3	5.9	
Pension adjustments		7.3	10.3	
Extraordinary non-cash charges		72.6	22.2	
Extraordinary non-recurring cash charges		28.1	7.8	
Net (gains) and losses on disposition of assets outside of the ordinary course of business		0.6	3.7	
Pro forma effect of acquisitions and divestitures, and other		(0.5)	1.5	
Consolidated EBITDA	<u>\$ 44.9</u>	<u>\$ 34.4</u>	<u>\$ 50.2</u>	<u>\$ 129.5</u>

Note: Consolidated EBITDA as defined by SPX's current credit facility agreement  
 \*Q1 & Q2 2015 Consolidated EBITDA as specified in SPX's credit facility agreement

# Free Cash Flow



\$ in millions

	<b>Q4 2015</b>
Net cash from continuing operations	\$71.0
Capital expenditures	(\$5.1)
Free cash flow from continuing operations	\$65.9
Plus:	
Cash used for South African projects	\$16.1
Spin-related cashflows	\$3.4
<b>Core adjusted free cash flow</b>	<b>\$85.4</b>