

# Q1 2020 Earnings Presentation

April 30, 2020



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- ❑ Particular risks facing SPX include risks relating to economic, business and other risks stemming from changes in the economy, including changes resulting from the impact of the COVID-19 pandemic; market specific cycles and weather related fluctuations; legal and regulatory risks; cost of raw materials; pricing pressures; our reliance on U.S. revenues and international operations; our ability to successfully resolve various claims and disputes associated with our large power projects in South Africa; legacy liability (including asbestos, environmental and pension); liabilities retained in connection with dispositions; integration of acquisitions and achievement of anticipated synergies; our 2015 spin-off transaction; the effectiveness, success, and timing of restructuring plans; and other risks and uncertainties arising from impact of the COVID-19 pandemic or related government responses on SPX’s businesses and the businesses of its customers and vendors, including whether SPX’s businesses and those of its customers and vendors will continue to be treated as “essential” operations under government orders restricting business activities or, even if so treated, whether health and safety concerns might otherwise require certain operations to be halted for some period of time. More information regarding such risks can be found in SPX’s Annual Report on Form 10-K and other SEC filings.
- ❑ Statements in this presentation are only as of the time made, and SPX disclaims any responsibility to update or revise such statements except as required by regulatory authorities.
- ❑ This presentation includes non-GAAP financial measures. Reconciliations of the non-GAAP financial measures with the most comparable measures calculated and presented in accordance with GAAP are 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.

# Introductory Comments

## Gene Lowe

# Q1 Performance Highlights



- ❑ Strong first quarter despite modest COVID-19 impact
  - ✓ Solid growth in adjusted revenue and adjusted operating profit
  - ✓ Expansion of 160 basis points in adjusted operating margin
  
- ❑ Withdrawing 2020 guidance due to economic uncertainty
  - ✓ COVID-19 impact accelerated during March
  
- ❑ Solid financial condition with substantial liquidity
  - ✓ Net leverage towards low end of long-term target range
  - ✓ New credit facility provides enhanced flexibility

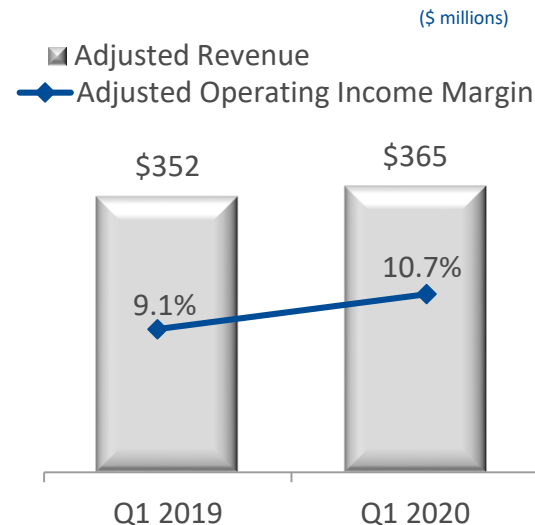
Well-Positioned to Manage Through Current Environment

\*Adjusted results are non-GAAP financial measures that exclude, among other items, the results of the South African and Heat Transfer operations categorized as “All Other” in the company’s reporting structure. Reconciliations of non-GAAP financial measures to US GAAP financial measures are available in the Appendix of the presentation.

# Adjusted Q1 2020 Year-Over-Year Summary



- Revenue increase in Detection & Measurement and Engineered Solutions segments, partially offset by a decline in HVAC
  - ✓ 3.9% adjusted revenue growth
- Engineered Solutions was primary driver of adjusted operating income growth
  - ✓ 22.9% adjusted operating income growth

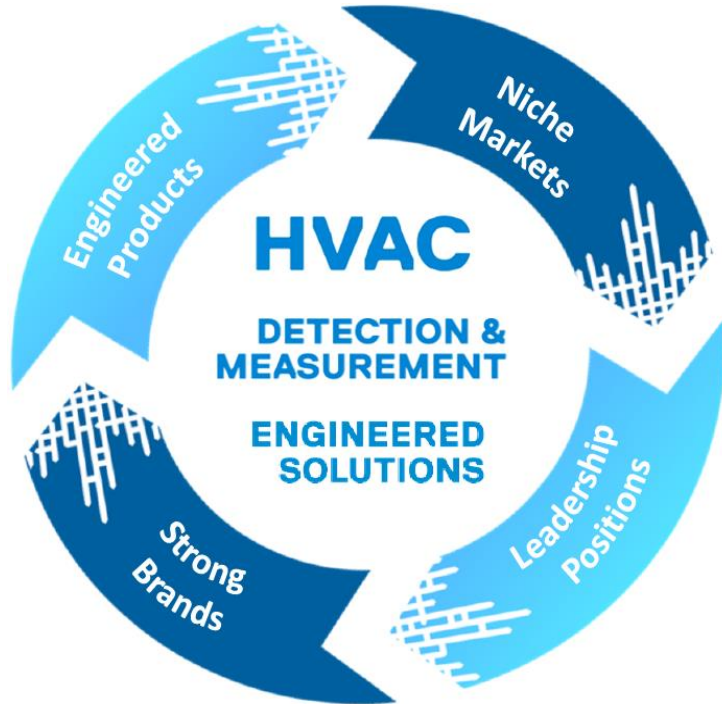


Q1 Adjusted EPS of \$0.62

Note: Adjusted results are non-GAAP financial measures that exclude, among other items, the results of the South African and Heat Transfer operations categorized as “All Other” in the company’s reporting structure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

- ❑ Facilities remain operational
  - Meet definition of “essential” to critical infrastructure
  
- ❑ Safety of our employees is our top priority
  - Visitor restrictions; travel bans; remote work where feasible
  - Social distancing by modifying tasks, staggering shift/breaks, etc.
  - Enhanced, frequent cleaning; adding cleaning staff/sanitization processes
  - Enhanced use of Personal Protection Equipment (PPE) across operations
  
- ❑ Task force meets daily to review situation and consider additional actions

Continuing to Provide Equipment for Critical Infrastructure,  
While Ensuring Wellbeing of our People



## Organic Growth

- New products
- Channel expansion
- Adjacent markets

## Inorganic Growth

- Focus in HVAC and D&M
- Significant capital to deploy
- Large target pipeline

## SPX Business System

- Policy deployment
- Operational excellence
- Due diligence/integration

## Culture & Values

- Employee development
- Results/accountability
- Integrity

# Q1 Financial Review

## Scott Sproule



# Adjusted Earnings Per Share



	Q1 2020	Q1 2019
<b>GAAP EPS from continuing operations</b>	\$0.50	\$0.01
South Africa and Heat Transfer*	\$0.08	\$0.47
Acquisition-related	\$0.01	\$0.06
Non-service pension & other**	(\$0.01)	(\$0.06)
Amortization	\$0.04	\$0.03
<b>Adjusted EPS from continuing operations</b>	<b>\$0.62</b>	<b>\$0.51</b>

**Adjusted EPS Growth of 21.6%**

Note: Adjusted results are non-GAAP financial measures that exclude, among other items, the results of the South African and Heat Transfer operations categorized as “All Other” in the company’s reporting structure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

\*Includes a \$0.39 per share charge related to the South African projects in Q1 2019.

\*\* “Other” includes favorable discrete tax items, change in fair value of equity security in Q1 2019, gain on sale of Dry Cooling in Q1 2020, and tax effects associated with these adjustments.

# Adjusted Q1 2020 Year-Over-Year Results

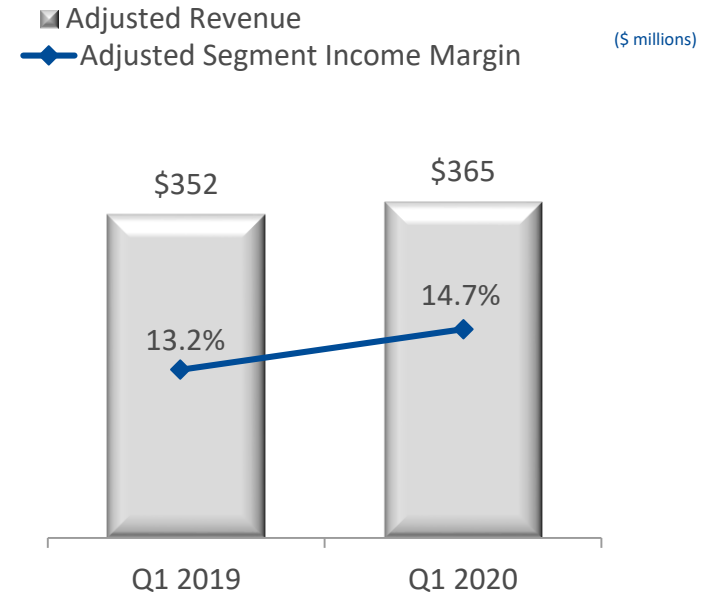


## Q1 Adjusted Revenue:

- ❑ 3.9% year-over-year increase:
  - ✓ 3.7% acquisition impact
  - ✓ 0.6% organic increase\*, primarily due to higher Engineered Solutions volumes
  - ✓ (0.4%) unfavorable currency impact

## Q1 Adjusted Segment Income and Margin:

- ❑ \$7.5m increase in Adjusted segment income driven by Engineered Solutions
- ❑ 150 basis points of Adjusted segment margin expansion



**Solid Growth in Adjusted Revenue and Segment Income**

**Note:** Adjusted results are non-GAAP financial measures that exclude, among other items, the results of the South African and Heat Transfer operations categorized as “All Other” in the company’s reporting structure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

\*Non-GAAP financial measure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

# HVAC Q1 2020 Year-Over-Year Results



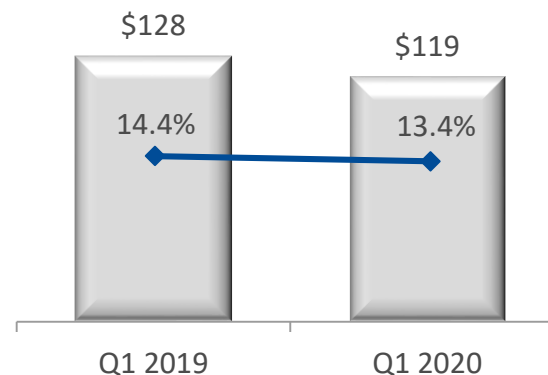
## Q1 Revenue:

- (7.7%) year-over-year decrease:
  - ✓ 8.5% impact from acquisitions
  - ✓ (15.7%) organic decrease\* driven by lower seasonal demand for heating products, and a decline in cooling volumes in China associated with COVID-19
  - ✓ (0.5%) unfavorable currency impact

## Q1 Adjusted Segment Income and Margin:

- \$2.6m decrease in Adjusted segment income\* and 100 basis points of margin decline due to lower volumes of heating products

■ Revenue (\$ millions)  
◆ Adjusted Segment Income Margin\*



Lower Seasonal Heating Volumes vs Strong Prior Year Comps

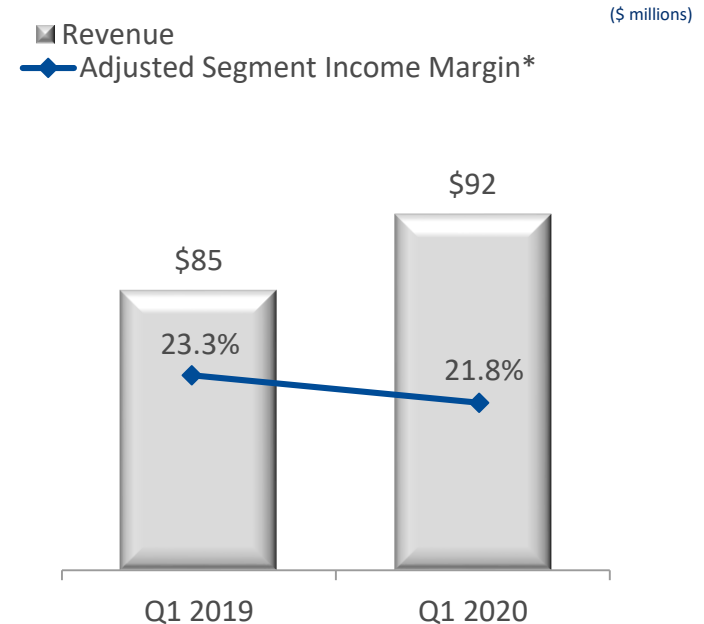
\*Non-GAAP financial measure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

## Q1 Revenue:

- ❑ 8.0% year-over-year increase:
  - ✓ 2.5% increase from acquisition
  - ✓ 6.4% organic increase\* primarily due to timing of project revenues
  - ✓ (0.9%) unfavorable currency impact

## Q1 Adjusted Segment Income and Margin:

- ❑ \$0.2m increase in Adjusted segment income\*
- ❑ 150 basis points of margin decline primarily due to sales mix



Strong Organic Revenue Growth

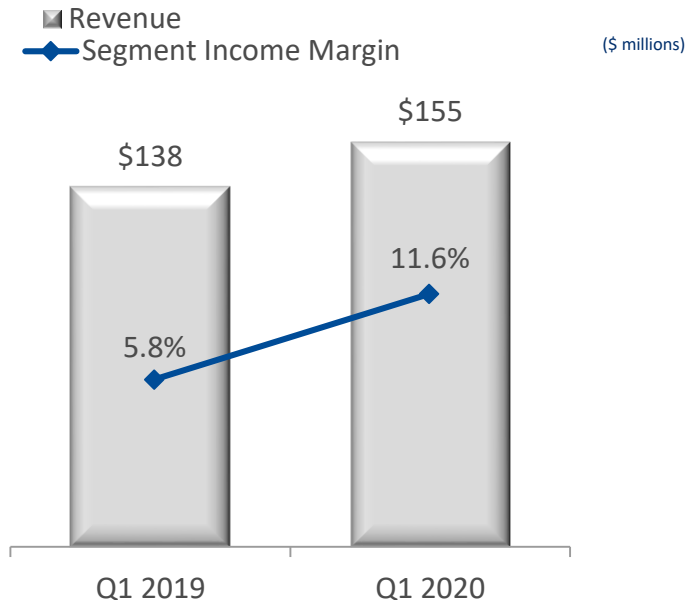
\*Non-GAAP financial measure. Reconciliations from US GAAP financial measures are available in the Appendix of the presentation.

## Q1 Revenue:

- ❑ 12.2% year-over-year increase:
  - ✓ Improved volumes in Transformers and Process Cooling

## Q1 Segment Income and Margin:

- ❑ \$9.9m increase in segment income
- ❑ 580 basis points of margin expansion
  - ✓ Strong operational performance in Transformer business



Strong Margin Improvement on Operational Performance

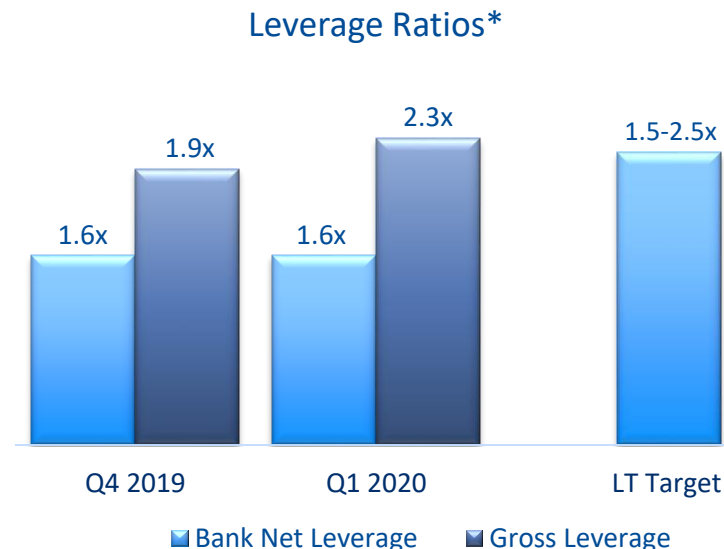
# Financial Position and Liquidity Review

## Scott Sproule

# Financial Position - Capital Structure Update



(\$millions)	Q4 2019	Q1 2020
Short-term debt	\$142.6	\$260.3
Current maturities of long-term debt	1.0	2.6
Long-term debt	249.9	248.6
<b>Total Debt</b>	<b>\$393.5</b>	<b>\$511.5</b>
Less: Cash on hand	(54.7)	(163.1)
<b>Net Debt</b>	<b>\$338.8</b>	<b>\$348.4</b>

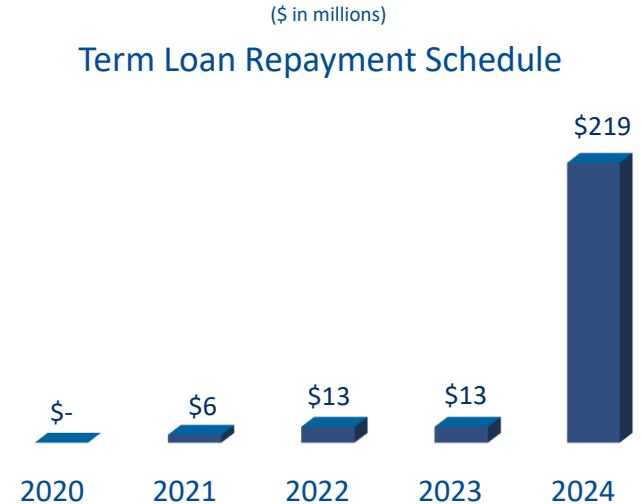


Maintaining Strong Balance Sheet and Leverage Profile

\* Calculated as defined by SPX's credit facility agreement.

## Refinanced Credit Facility in Q4'19:

- ❑ \$450 million revolver, with ~\$200 million remaining capacity at Q1'20
  - Drew down \$100 million pre-emptively during Q1
- ❑ \$250 million term loan - 2024 final maturity and modest amortization payments (zero in 2020)
- ❑ 3.75x net leverage covenant (vs 1.6x currently); 3.0x interest coverage covenant (vs >10x currently)



Approximately \$350 Million of Readily Available Liquidity



- ❑ Withdrawing 2020 guidance on uncertain market dynamics
- ❑ Diverse end markets and businesses
- ❑ Controlling discretionary costs while maintaining capacity to return quickly to growth and value creation initiatives
- ❑ Prepared for alternative scenarios

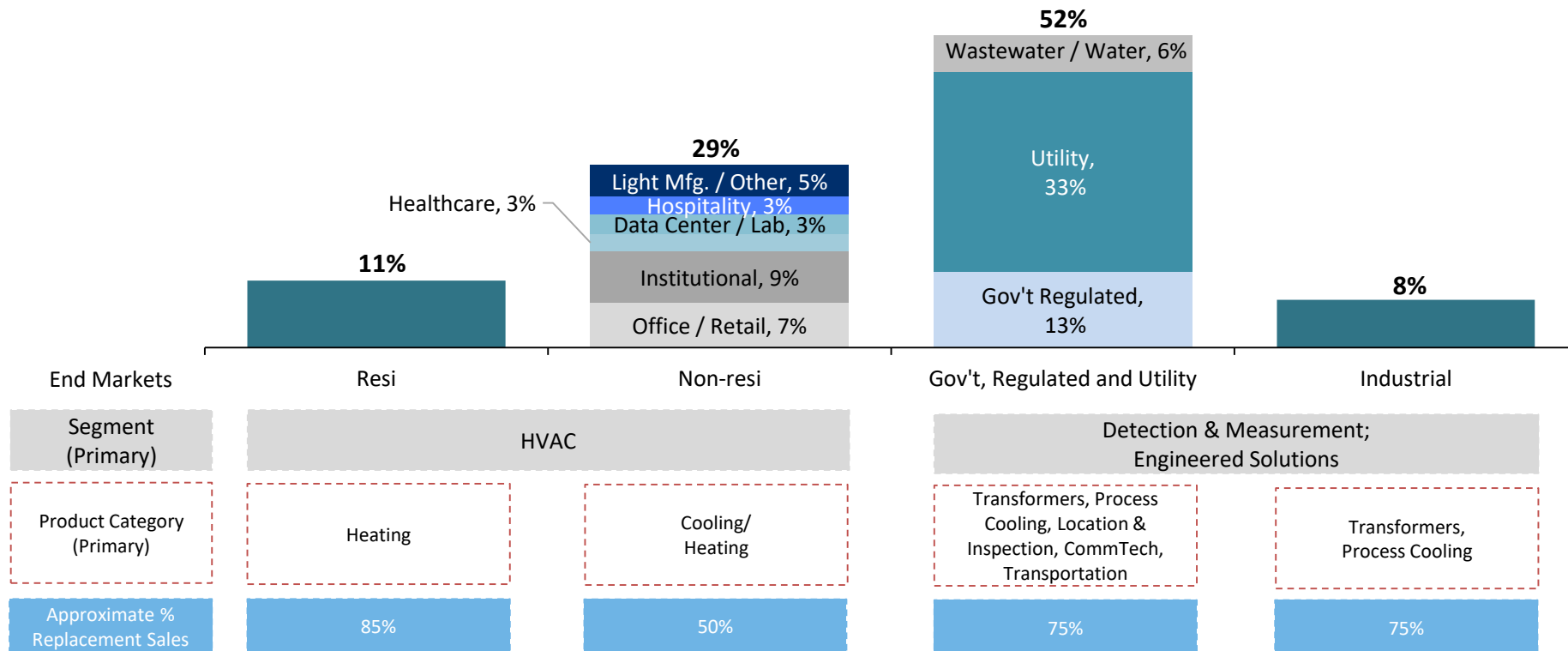
# End Market Overview and Closing Remarks

Gene Lowe

# End Market Exposures\* (2019)

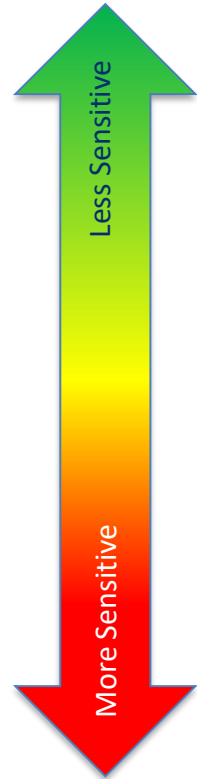


## Total 2019 Revenue of \$1.5 Billion



\*Based on Management estimates

# Near-Term Demand Sensitivity



	<u>% of 2019 Segment EBITDA</u>	<u>Considerations</u>
Inspection; Transformers; Transportation; SMS/CommInt	~33%	CARES Act; Gov't Spending; Backlog
Aids-to-Navigation; Process Cooling; Residential Heating* Commercial Cooling**	~42%	Regulatory drivers; Project timing (access); SME Liquidity; Capex budgets; Dodge data
Location; Commercial Heating	~25%	Dodge data; ABI Index; Global GDP

Note: Based on Management estimates

\*HVAC Heating experiencing impact of weak heating season demand

\*\*Commercial HVAC Cooling demand split of 50% new and 50% replacement over a full cycle per management estimates.

- ❑ Strong Q1 performance; limited near-term visibility
- ❑ Well positioned to manage through COVID-19 impact
- ❑ Near-term actions helping to moderate virus impact while maintaining capacity to return quickly to growth

Navigating a Challenging 2020;  
Anticipate Resuming Growth Journey as Health Crisis Abates

# Questions

# Appendix

# Appendix: Modeling Considerations



Metric	Considerations
Corporate Expense	Reduced incentive comp
Long-term incentive comp	~\$14-15m
Restructuring costs	Cost reduction actions
Interest cost	Drew \$100m on revolver in Q1'20
Equity earnings, other	~\$3-5m
Tax rate	Jurisdictional mix (US highest)
Capex	Maintenance ~\$10-12m
Cash cost of pension + OPEB	~\$18m
D&A	~\$36-38m
Share count	45.5-46m
Currency effect	Topline sensitivity to USD-GBP rate

Incremental/ Decremental Margins	
HVAC	Low-30s%
Detection & Measurement	~50%
Engineered Solutions	Low-20s%*

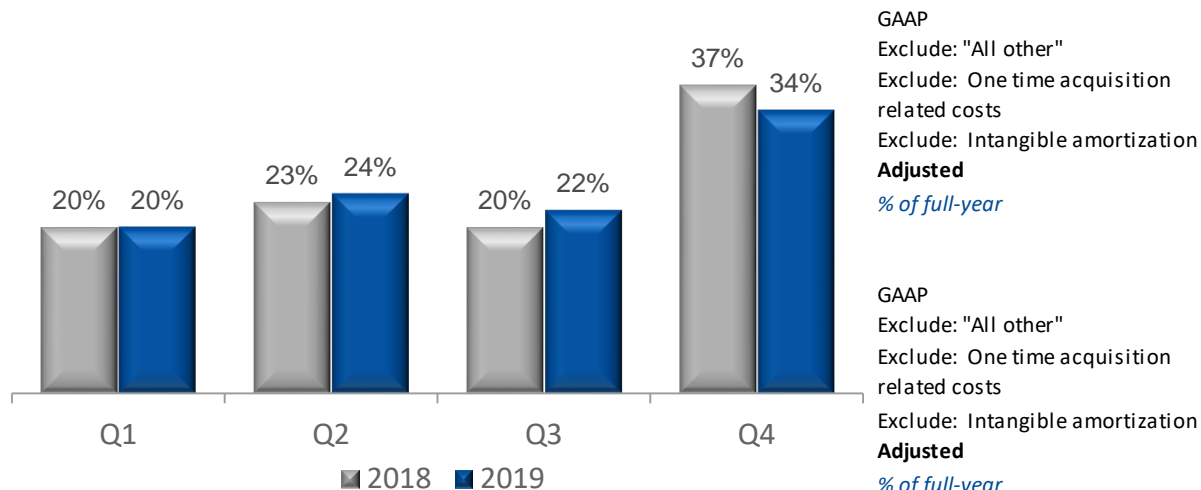
\* Note: in Q2'20, margins in Engineered Solutions are anticipated to be more similar to recent quarters as a result of improvements in operational performance implemented during 2019



# Adjusted Segment Income Phasing and Reconciliations



(\$ millions)



	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP	20.8	41.4	42.9	68.9
Exclude: "All other"	(22.6)	(10.0)	(5.7)	(7.4)
Exclude: One time acquisition related costs	(1.3)	(0.9)	-	(0.2)
Exclude: Intangible amortization	(1.6)	(2.4)	(2.0)	(2.9)
<b>Adjusted</b>	<b>\$46.3</b>	<b>\$54.7</b>	<b>\$50.6</b>	<b>\$79.4</b>
<i>% of full-year</i>	<i>20%</i>	<i>24%</i>	<i>22%</i>	<i>34%</i>

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
GAAP	37.0	41.0	29.6	70.9
Exclude: "All other"	(4.1)	(4.4)	(8.0)	(2.4)
Exclude: One time acquisition related costs	(0.3)	(1.6)	(2.5)	(0.7)
Exclude: Intangible amortization	(0.1)	(0.8)	(1.7)	(1.5)
<b>Adjusted</b>	<b>\$41.5</b>	<b>\$47.8</b>	<b>\$41.8</b>	<b>\$75.5</b>
<i>% of full-year</i>	<i>20%</i>	<i>23%</i>	<i>20%</i>	<i>37%</i>

# Q1 2020 U.S. GAAP to Adjusted Earnings Per Share Reconciliation



(\$ millions)

	<u>GAAP</u>	<u>Adjustments</u>	<u>Adjusted</u>
Segment income <sup>(1)</sup>	\$ 47.2	\$ 6.6	\$ 53.8
Corporate expense <sup>(2)</sup>	(11.1)	0.1	(11.0)
Long-term incentive compensation expense	(3.5)	-	(3.5)
Special charges, net <sup>(3)</sup>	(0.3)	0.2	(0.1)
Other operating income <sup>(4)</sup>	0.4	(0.4)	-
<b>Operating income</b>	<u>32.7</u>	<u>6.5</u>	<u>39.2</u>
Other income, net <sup>(5)</sup>	0.7	0.5	1.2
Interest expense, net	(4.7)	-	(4.7)
<b>Income from continuing operations before income taxes</b>	<u>28.7</u>	<u>7.0</u>	<u>35.7</u>
Income tax provision <sup>(6)</sup>	(6.0)	(1.3)	(7.3)
<b>Income from continuing operations</b>	<u>22.7</u>	<u>5.7</u>	<u>28.4</u>
Dilutive shares outstanding	45.527		45.527
<b>Earnings per share from continuing operations</b>	\$ 0.50		\$ 0.62

<sup>(1)</sup> Adjustment primarily represents the removal of (i) operating losses associated with the South Africa and Heat Transfer businesses (\$3.9) and (ii) amortization expense associated with acquired intangible assets (\$2.6).

<sup>(2)</sup> Adjustment represents the removal of acquisition related expenses incurred during the period.

<sup>(3)</sup> Adjustment represents the removal of restructuring charges associated with the South Africa business.

<sup>(4)</sup> Adjustment represents removal of income associated with revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business.

<sup>(5)</sup> Adjustment represents the removal of (i) non-service pension and postretirement charges (\$0.2) and (ii) removal of foreign currency losses associated with the South African projects (\$0.3).

<sup>(6)</sup> Adjustment represents the tax impact of items (1) through (5) above.

# Q1 2019 U.S. GAAP to Adjusted Earnings Per Share Reconciliation



(\$ millions)

	<u>GAAP</u>	<u>Adjustments</u>	<u>Adjusted</u>
Segment income <sup>(1)</sup>	\$ 20.8	\$ 25.5	\$ 46.3
Corporate expense <sup>(2)</sup>	(12.4)	1.6	(10.8)
Long-term incentive compensation expense	(3.5)	-	(3.5)
Special charges, net	(0.1)	-	(0.1)
Other operating expense <sup>(3)</sup>	<u>(1.8)</u>	<u>1.8</u>	<u>-</u>
<b>Operating income</b>	<b>3.0</b>	<b>28.9</b>	<b>31.9</b>
Other income, net <sup>(4)</sup>	7.2	(5.3)	1.9
Interest expense, net	<u>(5.0)</u>	<u>-</u>	<u>(5.0)</u>
<b>Income from continuing operations before income taxes</b>	<b>5.2</b>	<b>23.6</b>	<b>28.8</b>
Income tax provision <sup>(5)</sup>	<u>(4.6)</u>	<u>(1.2)</u>	<u>(5.8)</u>
<b>Income from continuing operations</b>	<b>0.6</b>	<b>22.4</b>	<b>23.0</b>
Dilutive shares outstanding	44.880		44.880
<b>Earnings per share from continuing operations</b>	<b>\$ 0.01</b>		<b>\$ 0.51</b>

<sup>(1)</sup> Adjustment represents the removal of (i) operating losses associated with the South Africa and Heat Transfer businesses (\$22.6), (ii) inventory step-up charges related to the Cues and Sabik acquisitions (\$1.3), and (iii) amortization expense associated with acquired intangible assets (\$1.6).

<sup>(2)</sup> Adjustment primarily represents removal of acquisition related expenses incurred during the period.

<sup>(3)</sup> Adjustment represents removal of charges associated with revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business, with such revision resulting from settlement activity during the period.

<sup>(4)</sup> Adjustment represents the removal of (i) a gain on an equity security associated with a fair value adjustment (\$6.3) and (ii) non-service pension and postretirement charges (\$1.0).

<sup>(5)</sup> Adjustment represents the tax impact of items (1) through (4) above and the removal of certain income tax charges and benefits that are considered nonrecurring.

# Q1 2020 and 2019 U.S. GAAP to Adjusted Operating Income Reconciliation



(\$ millions)

	Three months ended	
	March 28, 2020	March 30, 2019
Operating income	\$ 32.7	\$ 3.0
Exclude:		
Aggregate operating losses of the South Africa and Heat Transfer businesses <sup>(1)</sup>	(4.1)	(22.6)
One-time acquisition related costs <sup>(2)</sup>	(0.2)	(2.9)
Other operating income/expense <sup>(3)</sup>	0.4	(1.8)
Amortization expense <sup>(4)</sup>	(2.6)	(1.6)
Adjusted operating income	<u>\$ 39.2</u>	<u>\$ 31.9</u>
as a percent of adjusted revenues <sup>(5)</sup>	10.7 %	9.1 %

<sup>(1)</sup> Represents the removal of the financial results of these businesses, inclusive of "special charges" of \$0.2 and \$0.0 during the three months ended March 28, 2020 and March 30, 2019, respectively.

<sup>(2)</sup> Represents charges during the three months ended March 28, 2020 for integration and transaction costs of \$0.2, and charges during the three months ended March 30, 2019 associated with the Sabik and Cues acquisitions associated with inventory step-up \$1.3 and integration and transaction costs of \$1.6.

<sup>(3)</sup> Represents income/expense associated with revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business .

<sup>(4)</sup> Represents amortization expense associated with acquired intangible assets.

<sup>(5)</sup> See "Results of Reportable and Other Operating Segments" for applicable percentages based on GAAP results.

# Q1 2020 U.S. GAAP Revenue to Organic Revenue Reconciliation



(\$ millions)

	Three months ended March 28, 2020			
	HVAC	Detection & Measurement	Engineered Solutions	Adjusted SPX
Net Revenue Growth (Decline)	(7.7) %	8.0 %	12.2 %	3.9 %
Exclude: Foreign Currency	(0.5) %	(0.9) %	— %	(0.4) %
Exclude: Acquisitions	8.5 %	2.5 %	— %	3.7 %
Organic Revenue Growth (Decline)	<u>(15.7) %</u>	<u>6.4 %</u>	<u>12.2 %</u>	<u>0.6 %</u>

# Q1 2020 and 2019 U.S. GAAP to Adjusted Revenue and Adjusted Segment Income Reconciliations



(\$ millions)

	<u>Three months ended</u>	
	<u>March 28, 2020</u>	<u>March 30, 2019</u>
<b>CONSOLIDATED SPX:</b>		
Consolidated revenue	\$ 369.3	\$ 343.6
Exclude: "All Other" operating segments <sup>(1)</sup>	4.0	(7.9)
Adjusted consolidated revenue	<u>\$ 365.3</u>	<u>\$ 351.5</u>
Total segment income	\$ 47.2	\$ 20.8
Exclude: "All Other" operating segments <sup>(1)</sup>	(3.9)	(22.6)
Exclude: One time acquisition related costs <sup>(2)</sup>	(0.1)	(1.3)
Exclude: Amortization expense <sup>(3)</sup>	(2.6)	(1.6)
Adjusted segment income	<u>\$ 53.8</u>	<u>\$ 46.3</u>
as a percent of adjusted revenues <sup>(4)</sup>	14.7 %	13.2 %
<b>HVAC REPORTABLE SEGMENT:</b>		
HVAC segment income	\$ 15.0	\$ 18.4
Exclude: One time acquisition related costs <sup>(2)</sup>	(0.1)	-
Exclude: Amortization expense <sup>(3)</sup>	(0.8)	(0.1)
HVAC adjusted segment income	<u>\$ 15.9</u>	<u>\$ 18.5</u>
as a percent of HVAC segment revenues <sup>(4)</sup>	13.4 %	14.4 %
<b>DETECTION &amp; MEASUREMENT REPORTABLE SEGMENT:</b>		
Detection & Measurement segment income	\$ 18.2	\$ 17.0
Exclude: One time acquisition related costs <sup>(2)</sup>	-	(1.3)
Exclude: Amortization expense <sup>(3)</sup>	(1.8)	(1.5)
Detection & Measurement adjusted segment income	<u>\$ 20.0</u>	<u>\$ 19.8</u>
as a percent of Detection & Measurement segment revenues <sup>(4)</sup>	21.8 %	23.3 %

<sup>(1)</sup> Represents the removal of the financial results of our South Africa and Heat Transfer businesses. Note: These businesses are reported as an "All Other" group of operating segments for U.S. GAAP purposes due to certain wind-down activities that are occurring within these businesses.

<sup>(2)</sup> Represents one-time acquisition related costs during the three months ended March 28, 2020 and additional "Cost of products sold" recorded during the three months ended March 30, 2019 related to the step-up of inventory (to fair value) acquired in connection with the Sabik and Cues acquisitions.

<sup>(3)</sup> Represents amortization expense associated with acquired intangible assets.

<sup>(4)</sup> See "Results of Reportable and Other Operating Segments" for applicable percentages based on GAAP results.

# Q1 2020 Debt Reconciliation



(\$ millions)

	<u>Q1 2020</u>
Short-term debt	\$ 260.3
Current maturities of long-term debt	2.6
Long-term debt <sup>(1)</sup>	<u>250.3</u>
Gross debt	513.2
Less: Purchase card program and extended payables	<u>(2.3)</u>
Adjusted gross debt	510.9
Less: Cash and equivalents	(163.1)
Adjusted net debt	<u><u>\$ 347.8</u></u>

1) Excludes unamortized debt issuance costs associated with term loan of \$1.7m.

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

# Q1 2020 Consolidated Adjusted EBITDA Reconciliation



	<u>Last 12 Months</u>	(\$ millions)
Net income attributable to SPX Corporation common shareholders	\$ 88.8	
Income tax provision	14.9	
Interest expense	<u>20.4</u>	
Income before interest and taxes	124.1	
Depreciation and amortization	<u>35.6</u>	
EBITDA	159.6	
Adjustments:		
Non-cash compensation	21.9	
Pension adjustments	8.9	
Extraordinary non-cash charges, (gains), net	(11.3)	
Extraordinary non-recurring cash charges, net	29.0	
Material acquisition/disposition related fees, costs, or expenses, net	1.5	
Pro forma effect of acquisitions and divestitures, and other	8.4	
Adjusted EBITDA	<u>\$ 218.0</u>	

\* Adjusted EBITDA includes pro-forma impact related to SGS and Patterson-Kelley acquisitions.

Note: Adjusted consolidated EBITDA as defined by SPX's current credit facility agreement.



# Q1 2020 Adjusted Free Cash Flow from Continuing Operations to U.S. GAAP Reconciliation



(\$ millions)

	<u>Q1 2020</u>
Operating cash flow from continuing operations	\$ 2.7
Capital expenditures - continuing operations	(3.6)
Free cash flow used in continuing operations	<u>(0.9)</u>
Adjustments*	4.0
Adjusted free cash flow	<u>\$ 3.1</u>

\* Adjustments align with our reconciliation of GAAP to Adjusted EPS for Q1 2020