

# Acquisitions Update Call



SPX

June 8, 2018

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- "Core" and "Engineered Solutions (Core)" results in this presentation are non-GAAP financial measures that exclude the results of the South African projects.

# Acquisitions Overview

Gene Lowe

June 8, 2018



## Updating Guidance

- Completed two proprietary acquisitions YTD 2018
  - Finalized acquisition of CUES on June 7<sup>th</sup>
- Increasing 2018 Adjusted EPS\* guidance for acquisitions
- Expect net leverage\*\* near low end of target range (1.5x-2.5x) by year-end

\*Non-GAAP financial measure.

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

**Updating Adjusted EPS\* Guidance Range to \$2.15-\$2.25**

# SPX Acquisition Approach



## Build on Existing Platforms

Existing markets, close adjacencies



## Attractive Growth Opportunities

Market leadership, strong technology and brands



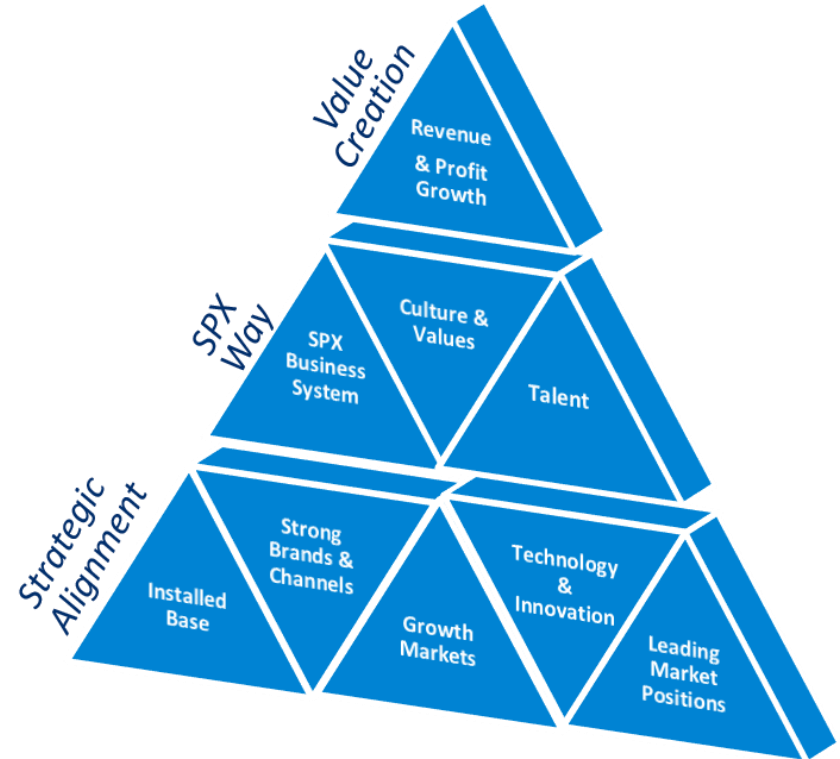
## EPS Accretive

Increasing Adjusted EPS\* guidance for acquisitions



## Cash ROIC >10% (3-5 yrs)

Growth and synergies to drive strong returns



\*Non-GAAP financial measure.

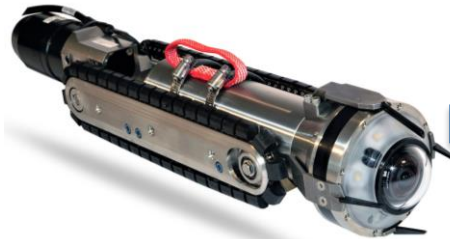
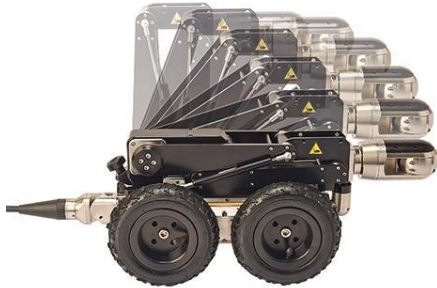
# Strategic Impact of Acquisitions



**Strengthens Global Leadership in Location Equipment**

**Radiodetection Global Leader in Locators**

**Schonstedt Market Leading Magnetometer Products**



**Global Leader in Inspection Equipment**

**Radiodetection Inspection Equipment**

**CUES Market Leading Inspection Equipment**

# Schonstedt Overview



## Company Profile

2017 Sales: \$9M

Purchase multiple\*: <7x post-synergies

**Description:** Manufacturer of magnetic locator products used for locating underground utilities and other buried objects.

### Acquisition Rationale:

- Strengthens Detection & Measurement
- Highly complementary locator technology
- Market leader
- Attractive growth profile



XTpc Pipe and Cable Locator



Rex Multi-Frequency Pipe & Cable Locator



GA-92XTd Magnetic Locator

\*Purchase price, net cash acquired, divided by 2017 EBITDA plus expected synergies over a 3-year period.

# CUES Overview



## Company Profile

**2017 Sales:** ~\$86M

**Purchase multiple\*:** <10x post-synergies

**Description:** Leading manufacturer of inspection and rehabilitation equipment.

### Acquisition Rationale:

- Strengthens Detection & Measurement
- Significantly increases presence in inspection market
- Market leading product portfolio
- Attractive growth profile

CUES Digital Universal Camera



"The Standard of the Industry"



Mobile Inspection Units

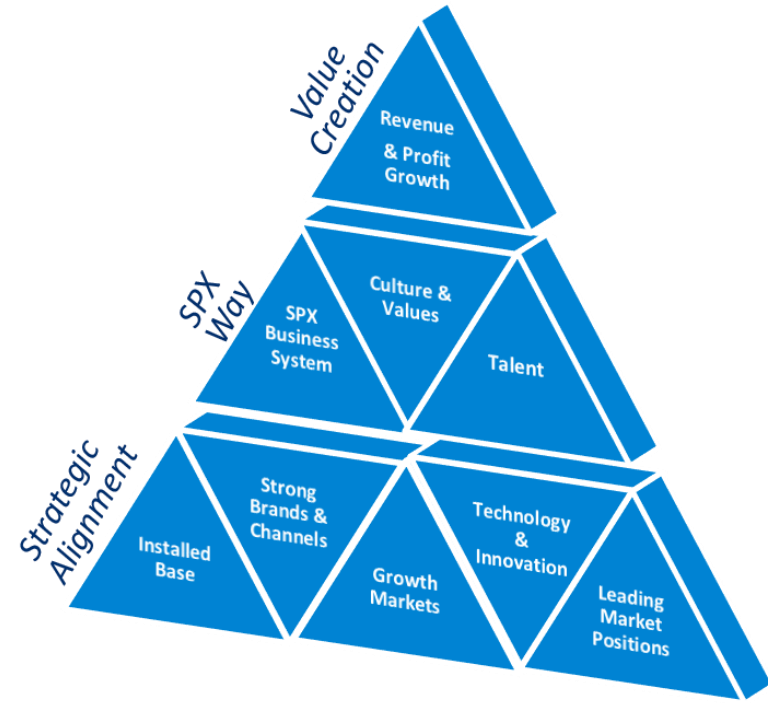


CUES SPiDER Scanner



\*Purchase price, net cash acquired, divided by 2017 EBITDA plus expected synergies over a 3-year period.





## Synergy Opportunities

- Geographic expansion
- Channel synergies/cross-selling
- Operational excellence and productivity initiatives
- Leverage SPX procurement/supply chain

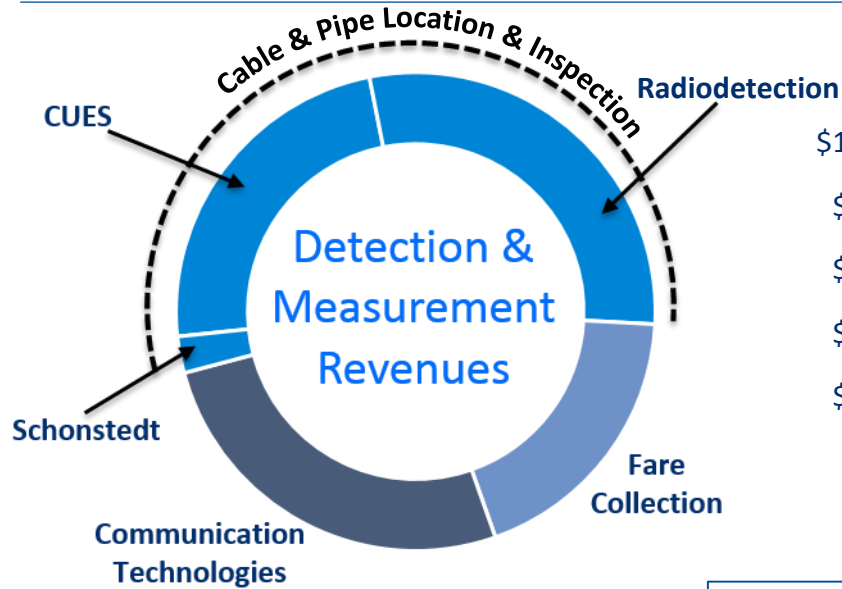
# Guidance Update

Scott Sproule

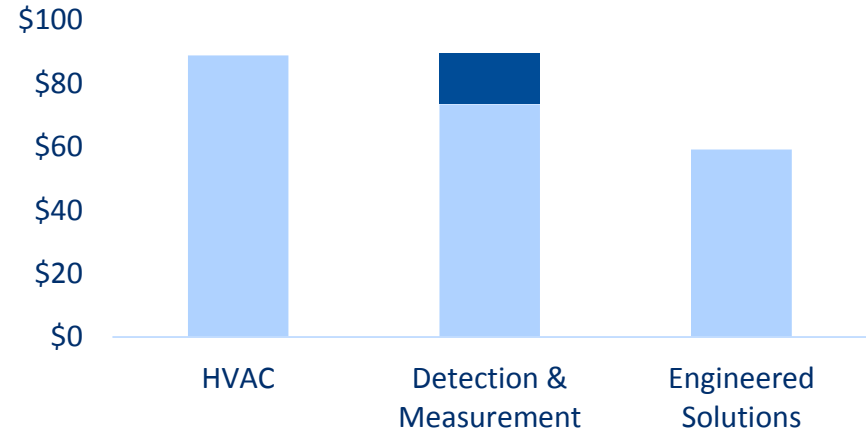
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# Impact of Acquisitions on Segments – 2018 Pro Forma\*



## Segment EBITDA (Core)\*\*



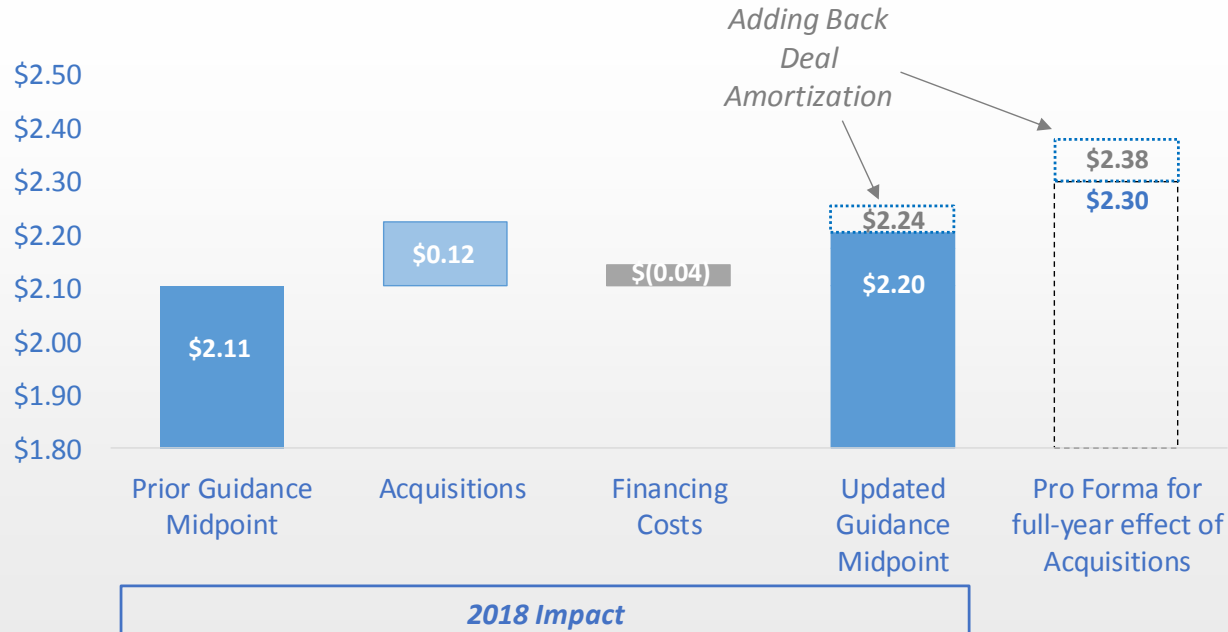
Segment	EBITDA Margin
HVAC	~17%
Detection & Measurement	~24%
Engineered Solutions	~10%

Note: Core results are non-GAAP financial measures that exclude the results of the South African projects. \*Based on 2018 midpoint guidance with acquisitions treated as if owned beginning 01/01/18.

\*\*Represents, respectively, segment income for the HVAC segment, Engineered Solutions (Core) segment income for the Engineered Solutions segment, and Detection & Measurement adjusted segment income for the Detection & Measurement segment, in each case adjusted to add back the segment's depreciation and amortization expense, with EBITDA margin representing such amount, divided by, respectively by segment revenues for the HVAC segment, Engineered Solutions (Core) revenues for the Engineered Solutions segment, and Detection & Measurement revenues for the Detection & Measurement segment, on a pro forma basis for the acquisitions.

## Detection & Measurement Becoming Most Profitable Segment

# 2018 Adjusted EPS\* Guidance With Acquisitions



\*Non-GAAP financial measure.

## 2018 Core Guidance (Updates Bolded)

	Revenue	Segment Income Margin
<b>HVAC</b>	<ul style="list-style-type: none"> <li>Organic growth* within LT range of 2.0-4.0%</li> </ul>	<ul style="list-style-type: none"> <li>100 basis points increase (~15.5%)</li> </ul>
<b>Detection &amp; Measurement</b>	<ul style="list-style-type: none"> <li><b>In a range of \$325-335 million</b></li> </ul>	<ul style="list-style-type: none"> <li><b>22.5-23.5%</b></li> </ul>
<b>Engineered Solutions (Core)*</b>	<ul style="list-style-type: none"> <li>Segment revenue decline* in high-single digits %</li> <li>Modest growth in Transformer revenue; organic decline* in Process Cooling resulting from operating model changes</li> </ul>	<ul style="list-style-type: none"> <li>80-130 basis points increase (~8.0-8.5%)</li> </ul>
<b>Total SPX Core*</b>	<ul style="list-style-type: none"> <li><b>\$1.40-1.45 billion</b></li> </ul>	<ul style="list-style-type: none"> <li>14.0-14.5%</li> </ul>

Note: Core results are non-GAAP financial measures that exclude the results of the South African projects.

\*Non-GAAP financial measure.

**Adjusted Operating Income Margin\* of ~10%;**  
**Adjusted EPS\* Guidance \$2.15-\$2.25**

- Meaningful progress towards 2020 targets
- Well-planned integration of acquisitions underway
- Solid balance sheet position
- Significant growth capital remains available

**Poised for Double Digit Earnings Growth**

# Questions

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# Appendix

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# 2018 Modeling Considerations



Metric	Commentary/Assumptions
Corporate costs	Low \$40Ms
Long-term incentive comp	\$16-17M
Restructuring costs	\$1-2M
Interest cost	\$19-20M, including \$2.5M related to acquisition financing
Equity earnings, other	\$2M
Tax rate	Approximately 22% effective rate; maintaining long-term modelling rate of 23%
Capex	\$12-14M
Cash cost of pension + OPEB	Approximately \$18M: ongoing cash cost approximately \$16M
D&A	Approximately \$30M, mostly in COGS, including \$3M of acquisition-related amortization
Share count	Approximately 45M
FCF Conversion	Targeting 110% of Adjusted Net Income (i.e., ex South African projects)
Currency effect	Topline sensitivity to USD-GBP rate