



PLAYING to WIN

Q3 2020 Earnings Webcast

October 28, 2020

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FINGERPRINT

SPXFLOW

- 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 expressed or implied results.
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- Statements in this presentation are only as of the time made, and SPX FLOW 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 copy of this presentation, including a reconciliation of the non-GAAP financial measures from their most comparable measures calculated and presented in accordance with GAAP, is available on our website at www.SPXFLOW.com.



OPENING REMARKS

Marc Michael, President and CEO

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Navigating Through The Pandemic

Our guiding principles



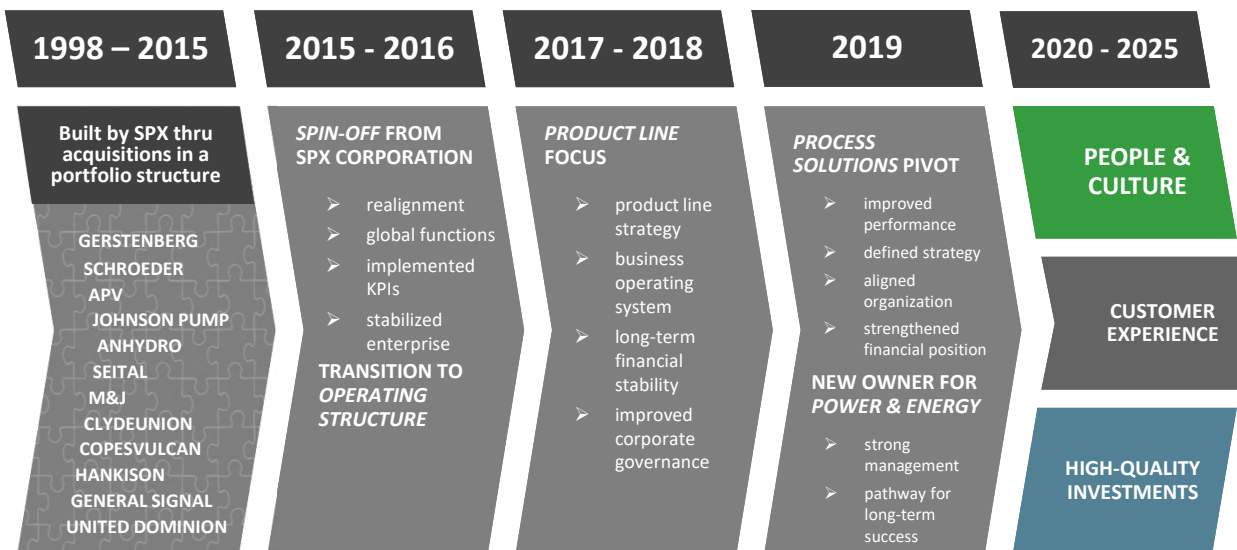
COMMITMENT TO BELONGING

Internal Diversity, Equity, Inclusion and Community Engagement



Q3 2020 HIGHLIGHTS

strategic shift to process solutions resulting in higher performance



- ✓ **Orders better than planned:**
 - Short cycle Industrial and Food & Beverage orders improved
- ✓ **Strong operational performance:**
 - Agile conversion of better short cycle orders to revenue
 - Incremental margins of ~11% through cost management
 - Factory efficiency stable on lower volume
 - F&B Systems executed at a high level
- ✓ **Gross Margin at 35.3%:**
 - +20 points year-over-year
- ✓ **Strong Balance Sheet – Net Leverage 0.3x:**
 - Adjusted FCF \$39m ⁽¹⁾
 - Liquidity >\$850 million dollars
 - Redeemed \$300 million 5.625% Senior Notes due 2024 reducing Gross Leverage to 2.5x
- ✓ **Prudent Capital Allocation:**
 - Acquired Posi Lock Puller
 - Agreed to purchase remaining shares of our Korean JV
 - Repurchased ~\$11m of shares outstanding

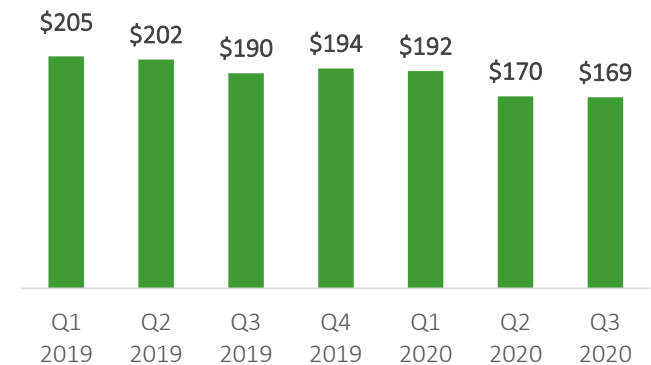
(1) Adjusted Non-GAAP measure.

QUARTERLY ORDERS

Q3 2020 sequential order assessment

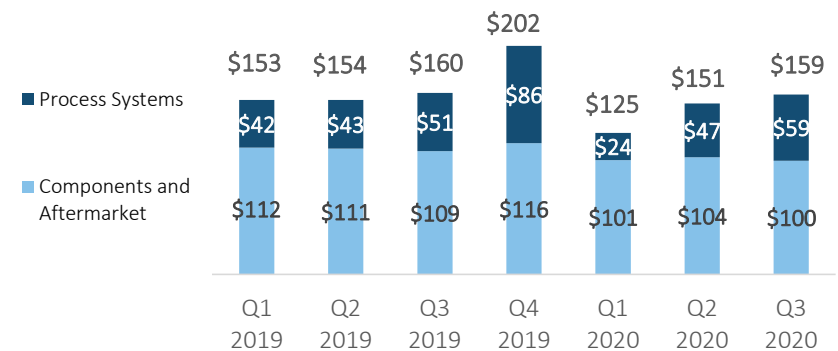
■ **INDUSTRIAL organic orders better than anticipated:**

- Sequential orders declined ~4% organically
 - + Meaningful sequential growth in short cycle products
 - Most notable in North America
 - Global timing delays on larger capital projects
 - Concentrated in Europe



■ **FOOD & BEVERAGE organic orders highlight end market resiliency:**

- Sequential orders increased ~2.5%:
 - + Systems growth concentrated in Europe
 - + Total global component orders improved
 - North American orders up low single digits (heaviest concentration of component business)
 - Aftermarket service orders down sequentially (timing related)
 - Concentrated in Europe





FINANCIAL REVIEW

Jaime Easley, VP and CFO

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Q3 2020 Financial Overview

higher quality of revenue, productivity and cost containment driving sustainable margin improvement

\$ millions	Q3 2019 Actuals	Q3 2020 Actuals	Variance YoY
Orders	\$350	\$328	(6%)
Revenue	\$384	\$357	(7%)
Segment Income	\$56	\$53	(5%)
Segment Income %	14.6%	14.8%	+20 pts
Operating Income ⁽¹⁾	\$42	\$38	(11%)
EBITDA ⁽¹⁾	\$51	\$47	(8%)
EBITDA %	13.3%	13.1%	(20 pts)
Earnings Per Share ⁽¹⁾	\$0.59	\$0.48	(19%)

- **Revenues down 7% year-over-year:**

- Down 9% organically versus prior assumption for a (10%) - (20%) decline for 2020
- Short cycle industrial revenue remains depressed but yoy declines moderated
- Project and systems revenue declines related to customer capex decisions

- **Segment Income margin up year-over-year despite lower revenue:**

- ~11% decremental margin
- Improved project delivery
- Net price / cost benefits
- Tight cost control
- Better mix of revenue driven by short cycle recovery

- **Generated \$39m of Adjusted Free Cash Flow ⁽¹⁾**

⁽¹⁾ Adjusted Non-GAAP measure. See appendix for reconciliations of non-GAAP measures. Q3 2020 adjusted EPS is calculated at a tax rate of 29%

INDUSTRIAL Q3 2020 RESULTS

solid execution in the face of volume headwinds

(\$ millions)	Q3 2019	Q3 2020	Δ	ORGANIC Δ
Orders	\$190	\$169	(11%)	(13%)
Revenue	\$205	\$196	(4%)	(6%)
Segment Income	\$29	\$29	flat	-
Margin	14.0%	14.6%	+60 bps	-

Organic Orders (13%):

- Stable orders in China offset by weakness in Europe and N.A.
- Short cycle orders still down 10%-15% yoy despite better than expected result
- OE orders weak due to customer capital project delays in APAC and Europe

Organic Revenue (6%):

- + Aftermarket up ~3%
- OE down ~11%

Segment margins increased despite revenue declines:

- + Productivity initiatives and cost containment
- + Lower SG&A

FOOD & BEVERAGE Q3 2020 RESULTS

higher quality revenue and project execution evident in margin improvement

(\$ millions)	Q3 2019	Q3 2020	Δ	ORGANIC Δ
Orders	\$160	\$159	(1%)	(3%)
Revenue	\$179	\$161	(10%)	(12%)
Segment Income	\$27	\$24	(11%)	-
<i>Margin</i>	<i>15.1%</i>	<i>15.1%</i>	<i>flat</i>	-

Organic Orders down (3%):

- + Systems orders up ~12% driven by strength in Europe which was only partially offset by declines in APAC
- Components and aftermarket down high single digits

Organic Revenue (12%):

- High teens systems revenue decline
- Components down high single digits
- Aftermarket down high single digits due to lower service revenues

Segment income down 11% and margins flat:

- + Higher quality of revenue
- + Improved operational performance and project delivery execution
- + Lower variable SG&A

Q4 2020 WORKING ASSUMPTIONS

industrial end markets still impacted by economic weakness;
some delayed capital spending for new equipment

	<u>Food and Beverage</u>	<u>Industrial</u>	<u>Year-over-Year</u>		<u>Segment Income Margins</u>	<u>Margin Expectation</u>
Organic Orders	<ul style="list-style-type: none"> Down ~25% (difficult comp) Timing of systems orders (Q4 2019 highest quarter in 3 years) Lower demand for short-cycle offerings 	<ul style="list-style-type: none"> Down Low-double digits Lower demand for short-cycle offerings Timing of customer capital spend 	(15%) – (20%)	Food and Beverage	<ul style="list-style-type: none"> less short-cycle revenue Increased systems revenues 	Low double digits
Organic Revenue	<ul style="list-style-type: none"> Down high-single digits Decrease in aftermarket and components Increased systems revenue 	<ul style="list-style-type: none"> Down mid-single digits Declines concentrated in short-cycle products Increased OE projects 	(4%) – (8%)	Industrial	<ul style="list-style-type: none"> Less short-cycle revenue Increased OE project revenue 	Low double digits

9/26/2020 CAPITAL STRUCTURE

ample liquidity and financial flexibility

(\$ millions)	<u>6/27/2020</u>	<u>9/26/2020</u>	<u>Covenant</u>
Gross Debt-to-EBITDA ⁽¹⁾	4.3x	2.5x	N/A
Net Debt-to-EBITDA ⁽¹⁾	0.2x	0.3x	< 4.0x

	<u>Q3 2019</u>	<u>Q3 2020</u>
Net cash from continuing operations	\$32.3	\$39.1
Capital expenditures	(\$4.9)	(\$5.5)
Free Cash Flow	\$27.4	\$33.6
Adjustments ⁽²⁾	-	\$5.0
Adjusted Free Cash Flow	\$27.4	\$38.6

(1) Leverage calculation uses debt and EBITDA as defined by the company's credit facilities.

(2) Q3 2020 adjustments include \$2.8m of cash restructuring spend, \$2.2m cash spending on strategic actions

(3) Does not include outstanding letters of credit totaling \$5.7m

(\$ millions)	<u>9/26/20</u>	<u>Maturity</u>
Term Loan A	\$100	2022
\$500 Revolver (<i>undrawn</i>)	\$0	2024
\$300m Bonds @ 5.875%	\$300	2026
Other	\$6	
Total Debt	\$406	
Net Debt	\$54	
Total Capitalization	\$1,402	
Liquidity:		
Cash	\$352	
Revolver availability ⁽³⁾	\$500	
Total Liquidity	\$852	

MEANINGFUL CAPITAL ALLOCATION PROGRESS DURING THE QUARTER

debt Reduction, value creating acquisitions & return of capital

Continued Reinvestment via Capex and Innovation Through Economic Cycles

Redeemed \$300m 5.625% Bonds due 2024

- \$17m annual interest expense savings
- De-risked balance sheet via leverage reduction in the current environment
- Ample liquidity to fund organic and inorganic investments

Programmatic M&A

- Acquired Posi Lock Puller to fill product capabilities within the Power Team tool portfolio
- Purchased remaining shares of our Korean joint venture to leverage our strength across all dehydration locations

Prudent Return of Capital

- ~\$11m of excess cash deployed to buyback
- Approximately \$130m remains on authorization through the end of 2021



CLOSING REMARKS

Marc Michael, President and CEO

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SHIFTING TO OFFENSE FROM DEFENSE

strategic transformation has provided foundation for acceleration to higher performance

- ✓ Launched 80/20 in 2020 providing focus and clarity on growth and margin expansion
 - Focused on an improved customer experience through high velocity responsiveness. Serving the right customers, the right way at the right time.
 - Expand margins through improved operating performance by allocating resources to the most important areas and realizing cost efficiencies
 - Generating a higher quality of revenue with disproportionate investment in high growth / margin product categories aligned with key customers
- ✓ Balance sheet strength and available liquidity enables investment through-the-cycle aligned with our capital allocation framework
 - Organic investment into new products, plant modernization and digital capabilities
 - Programmatic M&A aligned with our strategic product priorities in the Food, Health and Specialty Industrial markets
 - Returning excess cash to shareholders



QUESTIONS

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APPENDIX

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FY and Q4 2020 MODELING ASSUMPTIONS

2020 Full Year Modeling Assumptions	
interest expense	~\$30m
tax rate	29%
diluted shares outstanding	~43m
depreciation & amortization	~\$40m
CAPEX	~\$30m

Q4 2020 Modeling Assumptions	
interest expense	~\$5m -\$6m
tax rate	29%
diluted shares outstanding	~43m
depreciation & amortization	~\$11m

Note: Q4 / FY 2020 Diluted shares outstanding does not consider potential repurchases

ADJUSTED EPS

non-GAAP reconciliation

	<u>Q3 2020</u>
EPS from Continuing Operations	<u>\$0.39</u>
Non-cash impairment charge	\$0.01
Certain restructuring charges	\$0.02
Charges and fees associated with strategic actions	\$0.05
Fair value adjustment related to an equity security	(\$0.04)
Gain on Sale of assets	(\$0.02)
Early extinguishment of debt	\$0.20
Tax Provision (consistent rate with guidance)	<u>(\$0.13)</u>
Adjusted EPS from Continuing Operations	<u>\$0.48</u>

ADJUSTED EBITDA – CONTINUING OPS

non-GAAP reconciliation

(\$ millions)

	<u>Q3 2020</u>	<u>Q3 2019</u>
Net Income from Continuing Operations	\$16.3	\$16.3
Interest expense, net	\$7.4	\$6.5
Tax Provision	\$0.7	\$2.5
D&A	\$10.2	\$9.5
EBITDA from Continuing Operations	\$34.6	\$34.8
Impairment charges - non cash	\$0.5	\$10.8
Certain restructuring charges	\$1.3	
Charges and fees associated with strategic actions	\$2.8	\$5.0
Gain on Sale of assets	(\$1.3)	
Losses on certain foreign currency remeasurement		\$0.3
Early extinguishment of debt	\$11.0	
Fair value adjustment related to an equity security	(\$2.1)	
Adjusted EBITDA from Continuing Operations	\$46.8	\$50.9

ORGANIC REVENUE

non-GAAP reconciliation

Three months ended September 26, 2020			
	Net Revenue Growth (Decline)	Foreign Currency	Organic Revenue Growth (Decline)
Food & Beverage	(10.2) %	1.9 %	(12.1) %
Industrial	(4.1) %	2.0 %	(6.1) %
SPX FLOW	(6.9) %	2.0 %	(8.9) %
Nine months ended September 26, 2020			
	Net Revenue Growth (Decline)	Foreign Currency	Organic Revenue Growth (Decline)
Food & Beverage	(16.4) %	(1.4) %	(15.0) %
Industrial	(16.5) %	(0.9) %	(15.6) %
SPX FLOW	(16.4) %	(1.1) %	(15.3) %

ADJUSTED OPERATING PROFIT – CONTINUING OPS

non-GAAP reconciliation

(\$ millions)	<u>Q3 2020</u>	<u>Q3 2019</u>
Operating Profit from Continuing Operations	\$31.6	\$26.4
Asset Impairment charges	\$0.5	\$10.8
Certain restructuring charges	\$1.3	
Charges and fees associated with strategic actions	\$2.8	\$5.0
Transitional services income	\$1.3	
Adjusted Operating Profit from Continuing Operations	<u>\$37.5</u>	<u>\$42.2</u>

ADJUSTED DEBT

non-GAAP reconciliation – consolidated basis

(\$ millions)	9/26/2020
Short-term debt	9
Other indebtedness	-
Current maturities of long-term debt	0
Long-term debt	397
Gross Debt	406
less: Purchase card program and extended A/P programs	(9)
Adjusted Gross Debt	397
Less: Cash from continued and discontinued operations	(353)
Adjusted Net Debt	45

Note: Adjusted debt as defined by the company's credit facilities

LTM CONSOLIDATED BANK EBITDA

non-GAAP reconciliation – consolidated basis

(\$ millions)

	LTM
Net Income	\$ 35
Income tax provision (benefit)	8
Interest Expense, net	36
Income before interest and taxes	\$ 79
Depreciation and amortization expense, including intangibles	40
Basic EBITDA	\$ 119
Adjustments:	
Non-cash compensation expense	14
Loss on early extinguishment of debt	11
Intangible Impairments and other organizational costs	4
Pension adjustments	5
Restructuring and other related charges	11
Foreign Exchange (Gain) / Loses	4
Fair value adjustment of equity investment	(7)
Other	(0)
Bank Consolidated EBITDA	\$ 160

Note: EBITDA as defined by the company's credit facilities