

# nVent First Quarter 2020

**Earnings Presentation**

**April 29, 2020**



# Forward-Looking Statement and Key Definitions

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## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This presentation contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "forecasts," "should," "would," "positioned," "strategy," "future," or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. All projections in this presentation are also forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include the adverse effects on our business operations or financial results, including due to the impact of the COVID-19 pandemic; overall global economic and business conditions impacting our business; the ability to achieve the benefits of our restructuring plans; the ability to successfully identify, finance, complete and integrate acquisitions; competition and pricing pressures in the markets we serve, including the impacts of tariffs; the strength of housing and related markets; volatility in currency exchange rates and commodity prices; inability to generate savings from excellence in operations initiatives consisting of lean enterprise, supply management and cash flow practices; increased risks associated with operating foreign businesses; the ability to deliver backlog and win future project work; failure of markets to accept new product introductions and enhancements; the impact of changes in laws and regulations, including those that limit U.S. tax benefits; the outcome of litigation and governmental proceedings; and the ability to achieve our long-term strategic operating goals. Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission, including nVent's Annual Report on Form 10-K, as amended. All forward-looking statements speak only as of the date of this presentation. nVent Electric plc assumes no obligation, and disclaims any obligation, to update the information contained in this presentation.

## KEY DEFINITIONS AND NOTES

Except as otherwise noted all references to 2020 and 2019 represent our results for the period indicated, presented on an adjusted basis. "Organic Sales" refers to GAAP revenue excluding (1) the impact of currency translation and (2) the impact of revenue from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to divested product lines not considered discontinued operations. "Segment Income" represents Operating Income exclusive of non-cash intangible amortization, separation costs, certain acquisition related costs, costs of restructuring activities, impairments and other unusual non-operating items. Return on Sales ("ROS") equals Segment Income divided by Sales. See appendix for GAAP to non-GAAP reconciliations.

## **Our Near-Term Goals During COVID-19**

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**1. We will focus first on the safety and well-being of our employees**

**2. We will continue business operations to serve our customers and support critical infrastructure**

**3. We will make nVent a stronger company, well-positioned to exit this crisis**

**Working together as One nVent**

# Executive Summary

## COVID-19

- Deterioration of demand
- Well-positioned with a healthy capital structure
- Confident in the steps we are taking and expect to emerge stronger

## Q1 '20

- Sales of \$521 million, down 3% and 8% organically
- ROS was 15.6%, contracting 230 bps
- Adjusted EPS of \$0.34, down 13%
- Improved Free Cash Flow performance

## Q1 Segment Call-outs

- EFS grew sales 3% organically and expanded ROS by 90 bps
- Working capital improvements
- Thermal challenged with Oil & Gas declines and warmer than expected winter

## 2020 Outlook

- Withdrawing previously stated 2020 guidance
- Uncertain economic environment
- Global implications of “stay at home” are constantly evolving by geography

**Taking actions to emerge stronger**

## nVent April Daily Organic Sales Rates Down ~20% YoY

### Enclosures

- Sales down ~20% YoY

### Thermal Management

- Sales down ~15% YoY

### EFS

- Sales down ~25% YoY

### North America

- Sales down ~25% YoY

### Europe

- Sales down ~15% YoY

### Asia

- Sales up ~15% YoY

## Vertical Trends

- |                                       |                           |
|---------------------------------------|---------------------------|
| + General Infrastructure              | - Oil & Gas               |
| + Utilities                           | - Commercial Construction |
| + Data Centers & Networking Solutions | - General Industrial      |
| + Security & Defense                  | - Automotive              |

## Integrated Supply Chain

- As of today all plants and distribution centers are operational
- No major supply chain disruptions
- Implemented pandemic management checklist
- Initiating temperature testing and face mask programs
- Worked closely with authorities and followed local guidelines

Managing through the impact of COVID-19

# Actions in Response to COVID-19

Targeting  
~\$50M of cost  
savings in  
2020

- Temporarily reduced second quarter executive officer salaries (CEO 25%, other executive officers 20%) along with Board of Director fees
- Implemented two week furloughs and other actions globally, temporarily reduced salaries for other senior leaders by 10% in the second quarter
- Implemented a temporary hiring freeze
- Limiting discretionary spend across the organization
- Aligning cost structure to meet demand
- Includes carryover cost savings of \$15M

Near term  
strategy to  
preserve  
cash

- Continue to focus on working capital initiatives
- Reduce and prioritize capital expenditures; preserve strategic investments
- Temporarily suspend share buybacks
- Maintain dividend
- Continue to assess bolt-on acquisitions

**Taking actions to manage decrementals, preserve cash and be ready for recovery**

# Emerging Stronger

## Customers

- Responding to new demand dynamics and customer needs
- Well-positioned with regional supply chains
- Partnering with distributors to extend reach with digital, vertical and marketing focus

## New Products

- Continue to prioritize R&D investment
- 11 products launched in Q1 and over 10 planned for Q2
- Digitally enabled global training sessions including engineers, contractors and sales

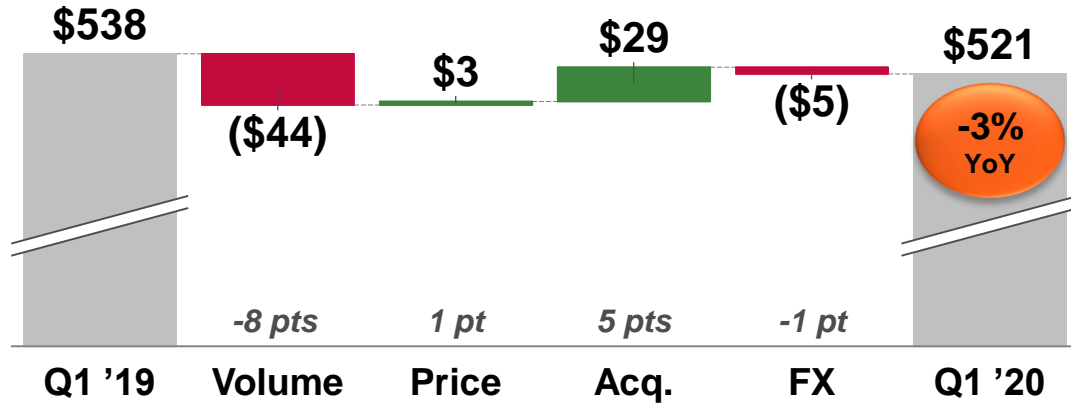
## Digital Transformation

- Launching new Go-To-Market programs
  - Improved websites
  - Expanded sales and marketing tools
  - Enriched product data
- Established an Agile Project Delivery Practice to enable velocity and quality
- Driving back office process improvements and automation

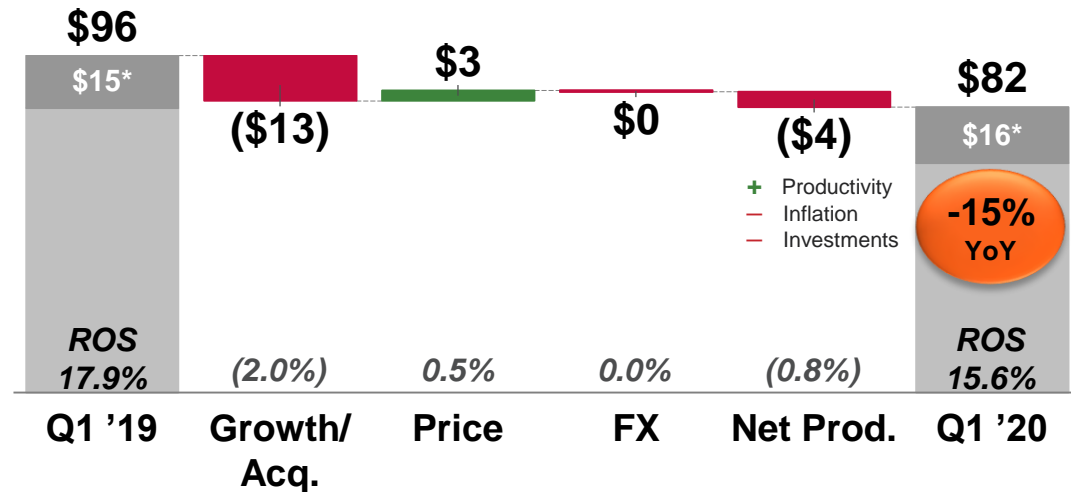
Accelerate performance and emerge stronger

# Q1 '20 nVent Performance

## Sales (\$ in millions)



## Segment Income (\$ in millions)



## Financial Highlights (YoY)

- **Sales down 3%, Organic down 8%**
  - Acquisitions added 5 points of growth
- **Price + productivity largely offset inflation**
- **Segment Income down 15%**
  - Return on sales down 230 bps
- **Adjusted EPS of \$0.34**
  - Down 13%
- **Free Cash Flow usage of \$2M**
  - Better than prior year
  - Targeting 100% conversion of FY adjusted net income
- **Other Items**
  - Adjusted tax rate of ~18%
  - Net interest expense of ~\$10M
  - Shares of ~171M



# Q1 '20 Segment Performance

(\$M)	Sales	Segment Income	Commentary
<b>Enclosures</b>	<p><b>\$259</b> Up 1% Down 8% organic</p>	<p><b>\$41</b> Down 10% ROS 15.8% (-200bps)</p>	<ul style="list-style-type: none"> <li>- Slowdown in the Industrial vertical</li> <li>- COVID-19 related volume declines impacted margin</li> <li>+ Eldon contributed ~\$26M in Sales</li> </ul>
<b>Thermal Mgmt</b>	<p><b>\$121</b> Down 17% Down 16% organic</p>	<p><b>\$20</b> Down 41% ROS 16.8% (-680bps)</p>	<ul style="list-style-type: none"> <li>- Headwinds from oil price decline and COVID-19</li> <li>- Commercial sales down low-double digits</li> <li>- Business mix and negative volume impacted margin</li> <li>+ Backlog up strong double digits</li> </ul>
<b>EFS</b>	<p><b>\$142</b> Up 3% Up 3% organic</p>	<p><b>\$34</b> Up 7% ROS 23.6% (+90bps)</p>	<ul style="list-style-type: none"> <li>+ Expanded ROS by 90 bps</li> <li>+ Positive contributions from Price and Volume</li> <li>+ Strong operational performance</li> <li>+ Closed acquisition of WBT business</li> </ul>

**Strong EFS and Acquisition performance | Thermal challenged with O&G declines | COVID-19 impacted demand and operations**

# Healthy Liquidity Position

## Credit Rating

- **BBB- (Stable) / BBB (Negative) from S&P and Fitch, respectively**

## Debt Structure\*

- **Total debt of \$1.2B**

## Key Financial Covenant\*

- **\$600M revolving credit facility with \$200M term loan**
  - Maximum net leverage ratio not to exceed 3.75x
    - Net leverage ratio at 2.3x as of 3/31/2020

## Liquidity\*

- **Balance sheet cash of \$188M**
- **\$285M currently drawn from revolving credit facility, \$315M undrawn capacity**
  - Includes \$150M proactive liquidity draw in March
- **Limited maturities until 2023**

## Levers to Unlock Cash

- **Inventory:** Driving reduction initiatives across the segments
- **AP and AR:** Focused actions to optimize payment/customer terms
- **Tax:** Taking advantage of payment deferral opportunities and refunds in jurisdictions where we operate

**Strong liquidity and multiple levers to preserve cash**

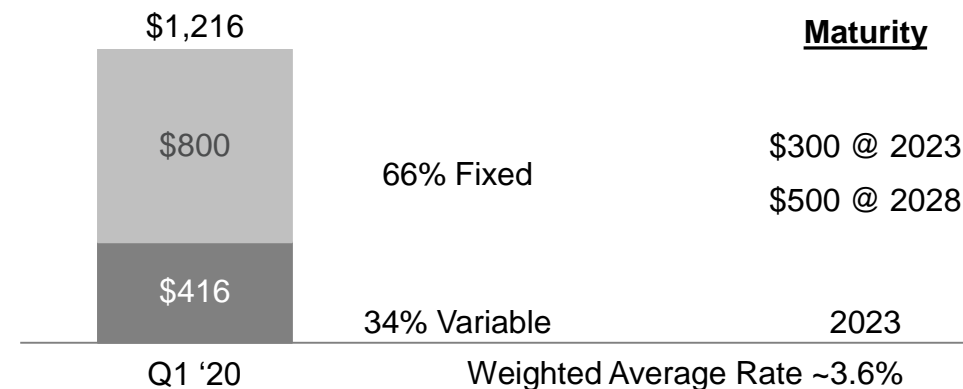
# Balance Sheet and Cash Flow

## CASH FLOW (\$M)

	Q1 2020	Q1 2019
<b>Net Income</b>	\$ 19	\$ 56
Amortization	16	15
<b>Subtotal</b>	\$ 35	\$ 71
Depreciation	10	8
Capital Expenditures	(10)	(9)
Working Capital	(66)	(82)
Other	30	(4)
<b>Free Cash Flow - Total</b>	\$ (2)	\$ (16)

- Reduced Capital Expenditures to ~\$40M
- D&A of ~\$110M + ~\$15M of Non-Cash Stock Compensation
- Net debt to EBITDA ratio of 2.3X
- \$315M revolver available

## DEBT SUMMARY (\$M)



Note: Does not include \$185 of cash on hand at quarter-end and \$5 of unamortized debt issuance costs

## DEBT ROLL-FORWARD (\$M)

Use of Cash:	Q1 2020	Q1 2019
<b>Beginning Debt</b>	\$ 1,065	\$ 942
Used (Generated) Cash	2	16
Share Repurchases	3	76
Dividends	30	31
Debt Repayments	(4)	(3)
Revolver Borrowings, net	150	-
Other	(35)	(123)
<b>Ending Debt</b>	\$ 1,211	\$ 939

**Strong balance sheet**

# Withdrawing 2020 Guidance; Scenario Planning

- The Company is withdrawing its previous 2020 financial guidance due to the rapidly changing environment as the COVID-19 pandemic evolves
  - Will evaluate providing guidance later in the year
- Seeing current demand environment pointing to Mild to Moderate downturn in 2020
  - Expect Q2 2020 to be the weakest given current economic forecasts and negative absorption

Downturn Scenario*	Mild	Moderate	Severe
FY Sales Decline:	~10%	~20%	>30%
Margin Decrementals:	~30%	~35%	>40%
FCF Down:	~10-15%	~25-30%	>40%

Scenarios are presented for illustrative purposes; we cannot predict the ultimate impacts of COVID-19

Planning for uncertain times

# Summary

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**Near-term goals focused on employees, customers and emerging stronger**

**Executing on downturn plan focused on ~\$50 million in expected cost reductions**

**Well-positioned with a healthy capital structure**

**Remain focused on long-term strategy**

**Confident in the actions we are taking to emerge stronger**



**Appendix and  
GAAP to Non-GAAP Measurements & Reconciliations**



# Reported to Adjusted 2020 Reconciliation

nVent Electric plc  
 Reconciliation of GAAP to non-GAAP financial measures for the quarter ended March 31, 2020  
 excluding the effect of adjustments (Unaudited)

<i>In millions, except per-share data</i>	<b>First Quarter</b>	
Net sales	\$	520.9
Net income		18.6
Provision for income taxes		31.0
Income before income taxes		49.6
Other expense		0.8
Net interest expense		9.9
Operating income		60.3
<i>% of net sales</i>		11.6%
Adjustments:		
Restructuring and other		4.3
Acquisition transaction and integration costs		0.9
Intangible amortization		16.0
Segment income	\$	81.5
<i>Return on sales</i>		15.6%
Segment income	\$	81.5
Depreciation		9.6
EBITDA - as adjusted	\$	91.1
Net income - as reported	\$	18.6
Adjustments to operating income		21.2
Income tax adjustments		18.3
Net income - as adjusted	\$	58.1
<b>Diluted earnings per ordinary share</b>		
Diluted earnings per ordinary share - as reported	\$	0.11
Adjustments		0.23
Diluted earnings per ordinary share - as adjusted	\$	0.34

# Reported to Adjusted 2019 Reconciliation

nVent Electric plc  
Reconciliation of GAAP to non-GAAP financial measures for the year ended December 31, 2019  
excluding the effect of 2019 adjustments (Unaudited)

<i>In millions, except per-share data</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	\$ 538.0	\$ 539.5	\$ 559.8	\$ 566.7	\$ 2,204.0
Net income	56.4	60.9	59.9	45.5	222.7
Provision for income taxes	9.7	13.2	13.7	(1.9)	34.7
Income before income taxes	66.1	74.1	73.6	43.6	257.4
Other expense	0.9	1.0	0.9	28.2	31.0
Net interest expense	10.5	11.9	11.6	10.7	44.7
Operating income	77.5	87.0	86.1	82.5	333.1
% of net sales	14.4%	16.1%	15.4%	14.6%	15.1%
Adjustments:					
Restructuring and other	3.6	2.7	11.2	6.7	24.2
Acquisition transaction and integration costs	-	-	1.9	0.5	2.4
Intangible amortization	15.1	15.1	15.4	15.8	61.4
Inventory step-up amortization	-	-	-	3.2	3.2
Segment income	\$ 96.2	\$ 104.8	\$ 114.6	\$ 108.7	\$ 424.3
Return on sales	17.9%	19.4%	20.5%	19.2%	19.3%
Segment income	\$ 96.2	\$ 104.8	\$ 114.6	\$ 108.7	\$ 424.3
Depreciation	8.4	8.8	8.9	9.3	35.4
EBITDA - as adjusted	\$ 104.6	\$ 113.6	\$ 123.5	\$ 118.0	\$ 459.7
Net income - as reported	\$ 56.4	\$ 60.9	\$ 59.9	\$ 45.5	\$ 222.7
Adjustments to operating income	18.7	17.8	28.5	26.2	91.2
Pension and other post-retirement mark-to-market loss	-	-	-	27.3	27.3
Income tax adjustments	(5.6)	(3.3)	(4.6)	(19.3)	(32.8)
Net income - as adjusted	\$ 69.5	\$ 75.4	\$ 83.8	\$ 79.7	\$ 308.4
<b>Diluted earnings per ordinary share</b>					
Diluted earnings per ordinary share - as reported	\$ 0.32	\$ 0.35	\$ 0.35	\$ 0.27	\$ 1.29
Adjustments	0.07	0.09	0.14	0.20	0.49
Diluted earnings per ordinary share - as adjusted	\$ 0.39	\$ 0.44	\$ 0.49	\$ 0.47	\$ 1.78



# Organic Sales Growth & Free Cash Flow Reconciliation

nVent Electric plc  
 Reconciliation of Net Sales Growth to Organic Net Sales Growth by Segment  
 for the quarter ended March 31, 2020 (Unaudited)

	Q1 Net Sales Growth			
	Organic	Currency	Acq./Div.	Total
<b>nVent</b>	<b>(7.5%)</b>	<b>(1.1%)</b>	<b>5.4%</b>	<b>(3.2%)</b>
Enclosures	(8.3%)	(1.0%)	10.5%	1.2%
Thermal Management	(15.8%)	(1.2%)	—%	(17.0%)
Electrical & Fastening Solutions	2.5%	(0.8%)	1.6%	3.3%

Reconciliation of cash from operating activities to free cash flow (Unaudited)

<i>In millions</i>	Three months ended	
	March 31, 2020	March 31, 2019
Net cash provided by (used for) operating activities	\$ 6.7	\$ (13.1)
Capital expenditures	(10.2)	(9.2)
Proceeds from sale of property and equipment	1.1	6.0
<b>Free cash flow</b>	<b>\$ (2.4)</b>	<b>\$ (16.3)</b>