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# MSA Safety

## CJS 21st Annual New Ideas for the New Year Conference

January 13, 2021

# Safe Harbor



Except for historical information, certain matters discussed in this document may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, all projections and anticipated levels of future performance. These forward looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Actual results can be affected by any number of factors, many of which are outside of management's control. The factors that could cause such differences include but are not limited to economic conditions, spending patterns of government agencies, competitive pressures, product liability claims, the success of new product introductions, currency exchange rate fluctuations, the impact of acquisitions and related integration activities and the risks of doing business in foreign countries. These risks, uncertainties and other factors are detailed in our filings with the United States Securities and Exchange Commission ("SEC") including our most recent Form 10-K. MSA undertakes no duty to publicly update any forward looking statements contained herein, except as required by law.

This document includes certain non-GAAP financial measures. The presentation of these financial measures does not comply with U.S. generally accepted accounting principles ("GAAP"). For an explanation of these measures, together with a reconciliation to the most directly comparable GAAP financial measure, see the appendix.





# MSA Safety Overview (NYSE: MSA)



## Our Mission

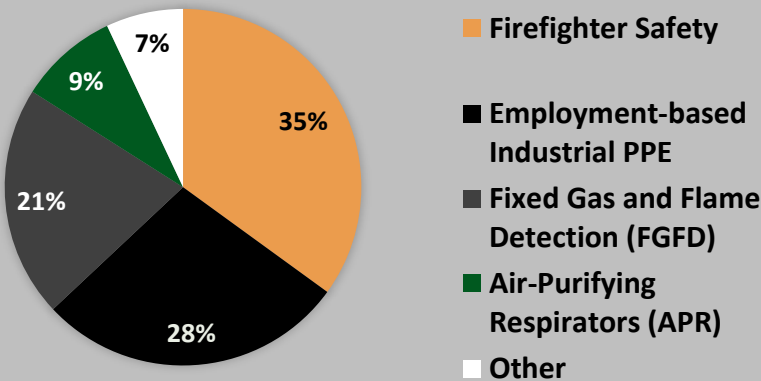
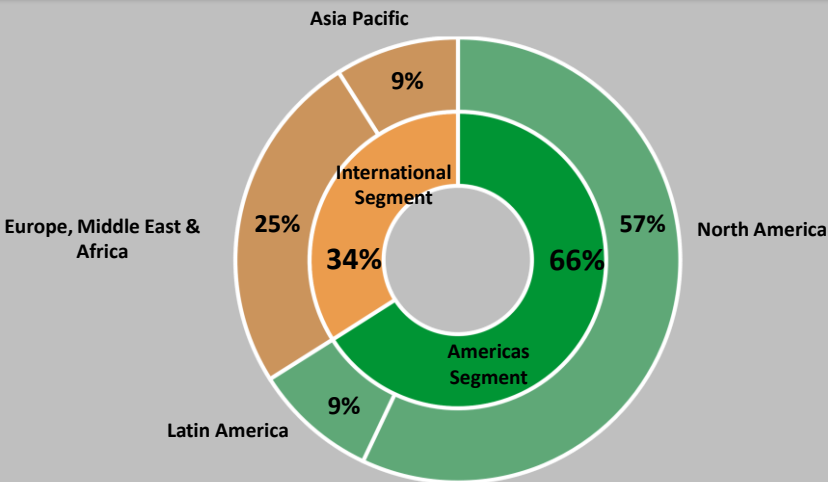
That men and women may work in safety and that they, their families, and their communities may live in health throughout the world.

Revenue \$1.3B

Employees ~5,000

Market Cap ~\$6B

Revenue by Geography and Product Category  
(Nine Months Ended September 30, 2020)



MSA Safety is a leading global safety equipment provider with a proven track record of value creation

# We execute against a distinctive ESG Strategy

## ESG Pillars



### Our People

Foster a safe, diverse and inclusive workplace that encourages personal and professional growth, global collaboration, innovation, and better business outcomes.



### Our Communities

Engage with our surrounding communities through charitable giving and volunteer work to enhance safety and improve lives around the world.



### Our Environment

Conduct our business in a manner that is environmentally sustainable and ensures protection of our natural resources.



### Our Integrity

Maintain an unwavering commitment to our foundational core value of Integrity.

## Recent ESG Highlights

- Donated more than **140K disposable masks** to medical institutions around the world in 2020
- Invested **more than \$10M** to modernize tooling and processes for APR production at our Jacksonville, NC facility – committed to fortifying our nation's pandemic preparedness
- Joined the **Carbon Disclosure Project**
- **30%** of MSA executive leaders are diverse
- **Best in class internal safety metrics** compared to industry benchmark
- **82%** favorability score from 2019 Global Employee Engagement Survey
- **1,155** metric tons of materials recycled globally in 2019



## Recent Awards

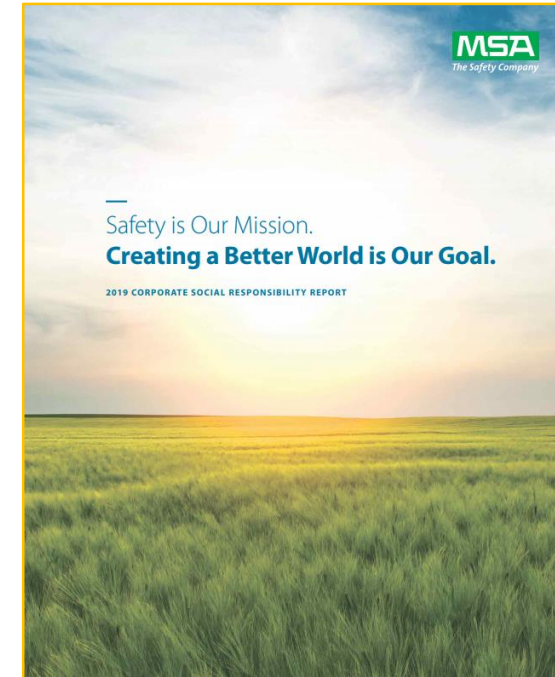


Pittsburgh Post-Gazette

7x Winner of  
Top  
Workplace in  
Western  
Pennsylvania



Recognized for our commitment to diversity and inclusion, and the contributions of several MSA leaders to the COVID-19 response



**Safety is our mission, creating a better world is our goal; Continuous improvement approach to ESG**

# Secular Drivers in Safety: Exposure to Key Global Trends

Global development and increased **enforcement of safety standards**

## **Safety has an Attractive ROI for Customers**

\$1 invested in injury prevention returns between \$2-6 <sup>1</sup>

## **High Cost of Non-Compliance**

OSHA fine in 2019 for repeat violations increased 5% from 2018 <sup>2</sup>

## **Firefighter health and wellness**

Industry is moving toward a second set of turnout gear and physiological monitoring <sup>3</sup>

## **Falls from Height are the Leading OSHA Violation...And Costly**

9% of all disability claims are related to falls from height, costing employers more than \$5B per year <sup>2</sup>

## **Public Health Concerns and Global PPE Shortages**

COVID-19 pandemic driving unprecedented demand for respirator masks and other PPE across numerous industries

## **Emerging Markets**

Outsized population and workforce growth; Western-based multinational companies implement consistent, advanced safety requirements across global facilities

## **Industrial IoT & Connected Worker**

Estimated that more than 80% of industrial worksites are currently using or interested in implementing Industrial IoT devices. Applications include safety, quality, and other key processes. <sup>4</sup>

## **Global ESG Movement**

ESG investing and public demand for social responsibility is driving a heightened focus on worker safety and well-being



1. Safety and Health Magazine

2. EHS Today

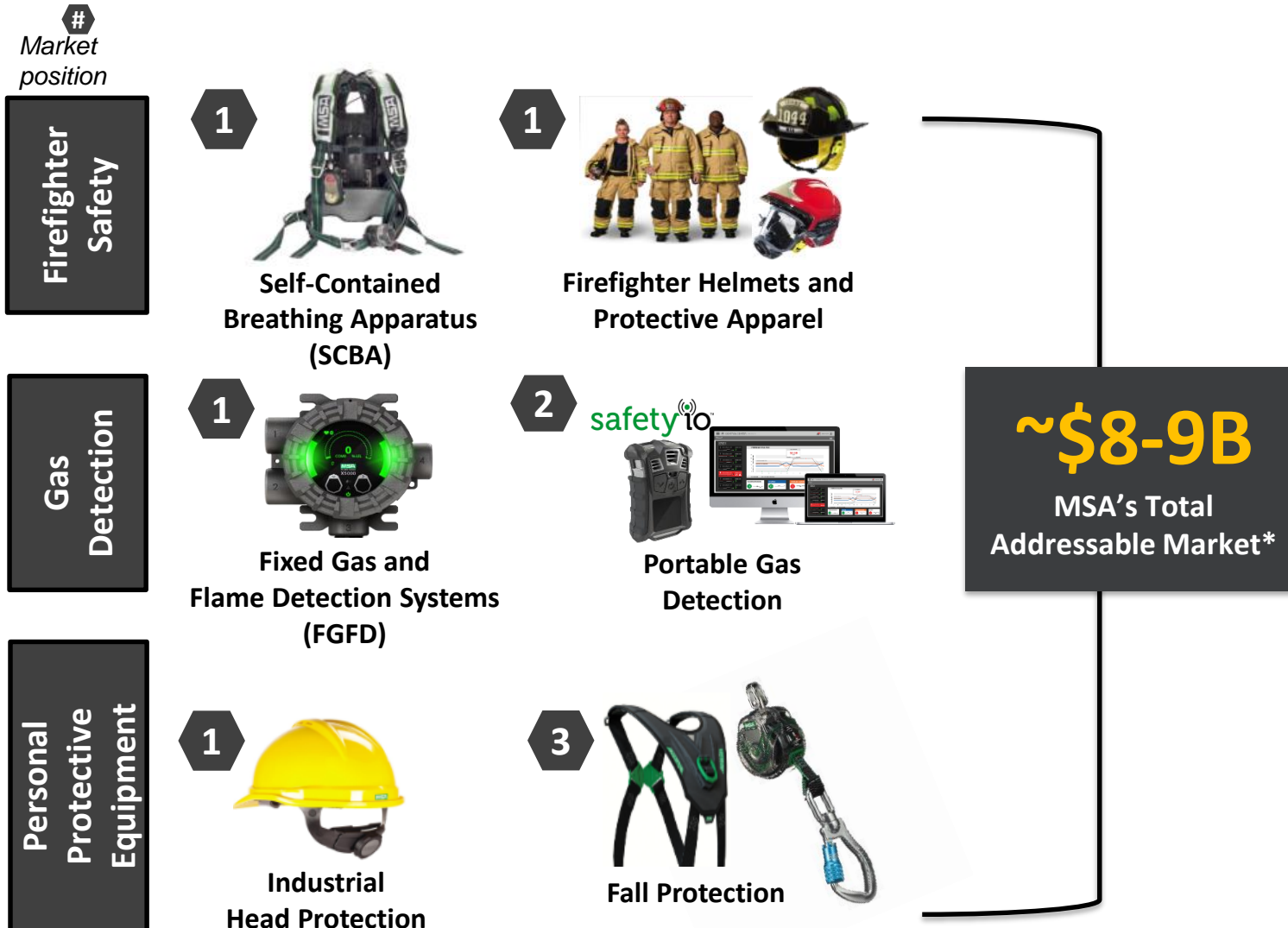
3. Fire Apparatus Magazine

4. OHS Online

**Secular safety trends position MSA to grow faster than GDP through various economic cycles**



# Leading Positions in Attractive Markets



## Product Characteristics

- Mission critical applications, not discretionary
- Highly engineered and differentiated, leading platforms
- Compete on technology features, comfort, delivery, brand equity and total cost of ownership

## MSA Business Model

- Market leadership – premium price and brand positioning enabled by engineering excellence
- Strong balance sheet and balanced capital allocation priorities
- Defensible market positions with significant IP in a highly regulated market

## Diversified Markets

- Highly diversified end market exposure: firefighter safety, energy, construction, utilities, general industrial, military, and mining
- Secular safety trends support growth in excess of GDP
- Niche markets – room to grow within current markets and expand addressable market through innovation and M&A

\*Source: Frost & Sullivan Research and Internal Estimates

Leading market positions across a diversified portfolio; consistently at the forefront of safety innovation

# Consistently at the Forefront of Safety Innovation



7

~4%

R&D % of Sales  
Q3 2020 YTD

~35%

Product Vitality Index  
Q3 2020 YTD

~45%

Gross Profit  
Q3 2020 YTD



## Continuous Pipeline of Industry Leading Innovations



**MSA Connected Firefighter:**  
**Powered by LUNAR**  
*Fighting a fire will never be the same*



**MSA M1 SCBA**  
*Modular platform targeting the International market*



**ALTAIR io360**  
*The future of area monitoring and effortlessly connected worksites*



**Ultima X/S 5000 Gas Monitors**  
*FGFD platform that leverages XCell sensors to drive lower cost of ownership for customers*



**V-Tec io1**  
*Smart hook connector with RFID technology that alerts wearers when they're not secured to an anchorage point*



**V-Gard H1 Safety Helmet**  
*Next generation of head protection*

R&D investments support a strong margin profile and enhance competitive position in niche markets

# Track Record of Disciplined Execution

## Growth Investments Support Market Share Gains Across a Diversified Portfolio



R&D Investments Yield Market Leading Technology



**smc** sierra monitor

**GLOBE**

**LATCHWAYS**  
FALL PROTECTION

Strengthening market positions  
through strategic acquisitions

**+7%**

5 Year Revenue CAGR<sup>(1)</sup>

<sup>(1)</sup>Revenue growth stated in constant currency.  
GAAP reported sales change is +4%.

## Profitability Growing at Multiple of Revenue

**40%**

5 Year Cumulative Incremental  
Adjusted Operating Margin

- Strategic pricing and new products
- Productivity initiatives and cost reduction programs yielding strong returns
- Accretive acquisitions

**+15%**

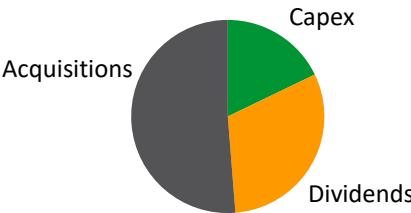
5 Year Adjusted Earnings CAGR

## Committed to Balanced Capital Deployment – Investing in Growth and Returning Value to Shareholders

**\$850M**

5 Year Operating  
Cash Flow

### Historical Capital Deployment

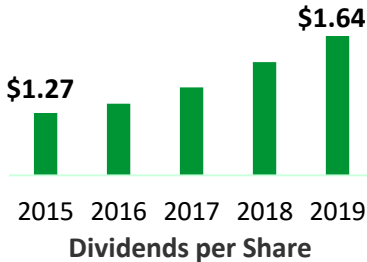


**50+**

Consecutive Years of  
Dividend Increases

**+4%**

Increase in 2020



Adjusted operating margin and adjusted earnings are non-GAAP measures. See reconciliations in appendix.

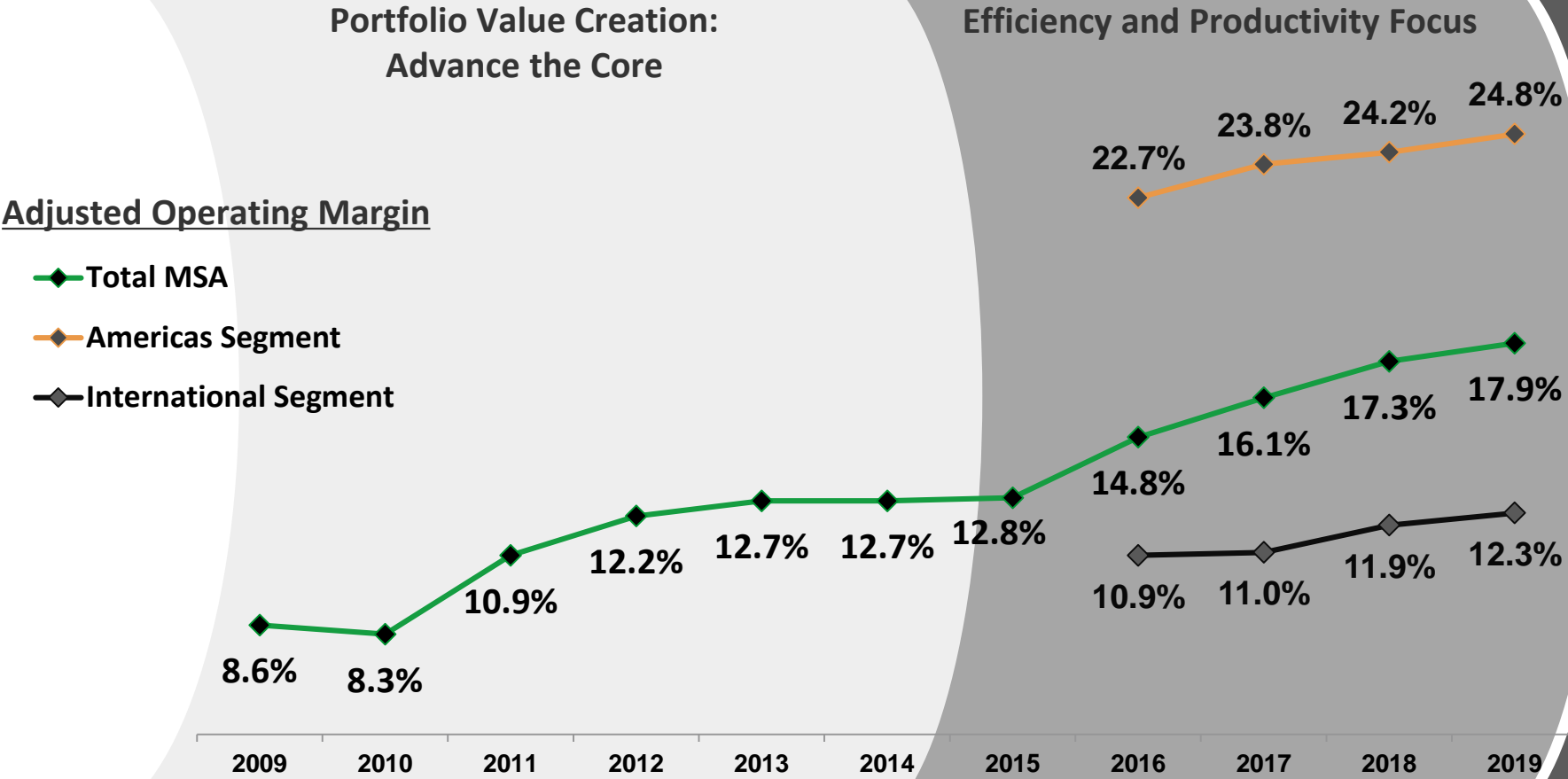
All 5 Year metrics refer to the year ended 12/31/2019

R&D investments, accretive acquisitions, cost reductions, and balanced capital deployment driving above-market shareholder returns



# Strong Incremental Margin Provides Runway for Sustained Profitability Improvements

## Significant Margin Progress Across MSA’s Reporting Segments



### Drivers of historical financial transformation:

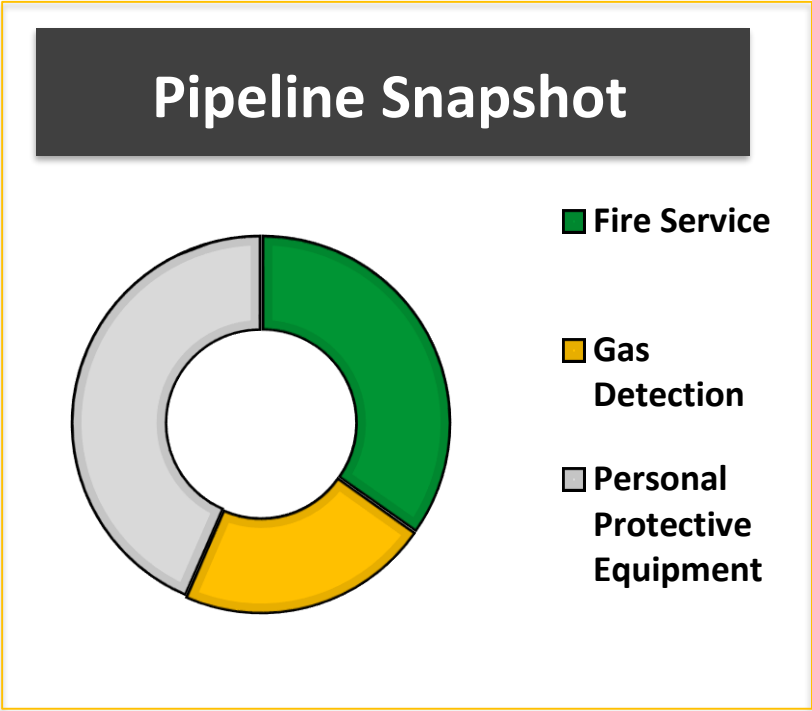
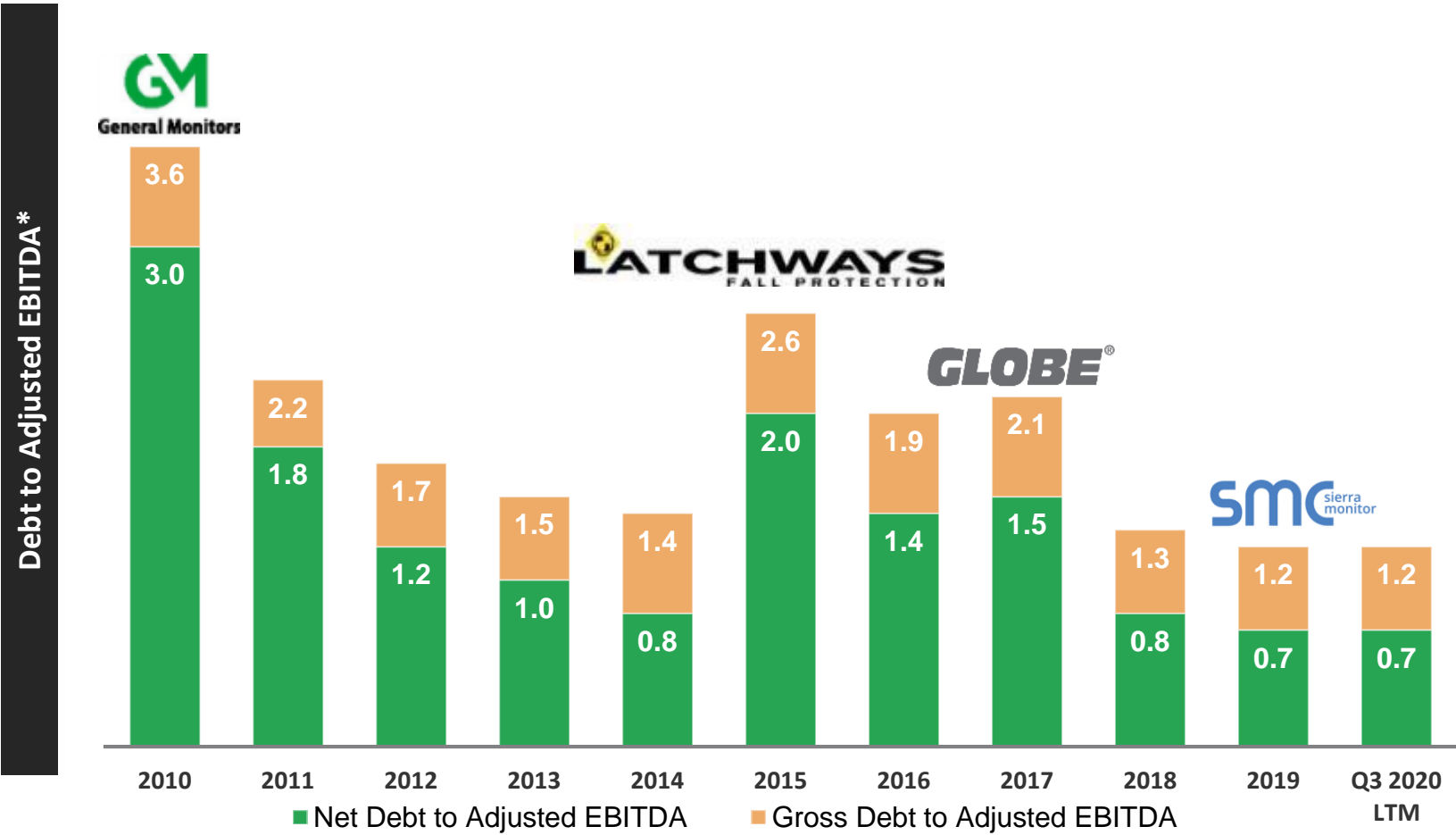
- Superior Innovation
- Operational Improvements and Productivity Focus
- Strategic and Disciplined Acquisitions

**40%**  
5 Year Total MSA  
Cumulative Incremental  
Adjusted Operating  
Margin

Adjusted operating margin is a non-GAAP measure. See reconciliations in appendix.

Consistently improving margins through commercial excellence and strategic programs; Expect global restructuring programs executed throughout 2020 to collectively deliver \$10-15M of cost savings in 2021

# Balance Sheet is Well Positioned for Inorganic Investment



\*Debt to adjusted EBITDA is a non-GAAP measure. See reconciliations in appendix.

Full pipeline of quality opportunities in current product areas and logical extensions that align with our safety mission; History of leveraging up for accretive acquisitions while maintaining investment grade balance sheet

# Why Own MSA

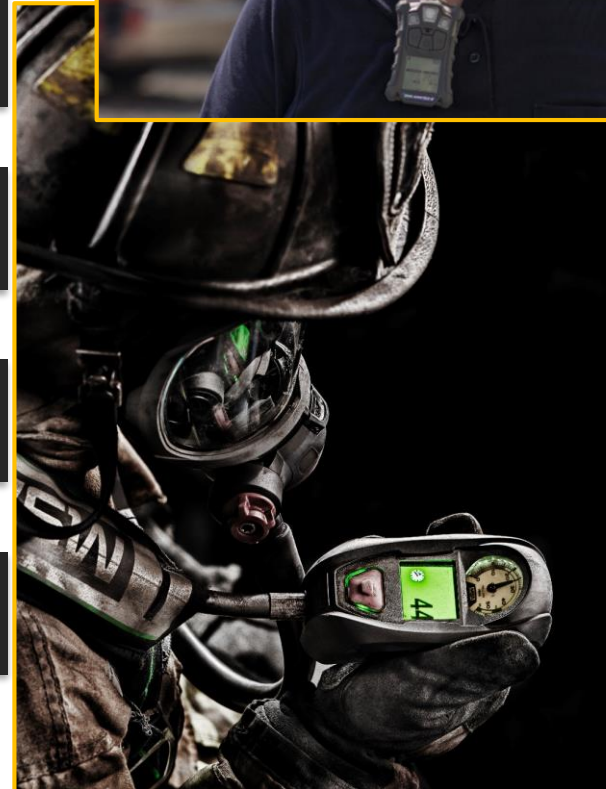
Secular trend of safety is more prominent today than it's ever been

Continue to invest in new product development; full pipeline of innovative safety solutions to support and expand our leading market positions

Strong track record of completing strategic acquisitions; balance sheet is well positioned to invest

Executing global productivity programs to maintain and improve margin profile

Culture as a differentiator; continue to focus on attracting, developing and retaining the brightest talent



**Committed to driving superior returns for shareholders**





# Appendix



# Reconciliation of Non-GAAP Financial Measures



## Adjusted Operating Income/ Adjusted Operating Margin

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales to external customers	\$ 865,718	\$ 922,552	\$ 1,112,814	\$ 1,110,043	\$ 1,112,058	\$ 1,133,885	\$ 1,130,783	\$ 1,149,530	\$ 1,196,809	\$ 1,358,104	\$ 1,401,981
Operating income	63,798	56,302	109,733	129,811	130,985	134,281	122,741	160,702	39,577	173,479	186,230
Operating margin %	7.4 %	6.1 %	9.9 %	11.7 %	11.8 %	11.8 %	10.9 %	14.0 %	3.3 %	12.8 %	13.3 %
Restructuring charges	11,378	14,121	8,559	2,787	5,344	8,515	12,258	5,694	17,632	13,247	13,846
Currency exchange (gains) losses, net	(1,078)	(377)	3,051	3,192	5,452	1,509	2,204	766	5,127	2,330	19,814
Product liability expense	—	—	—	—	—	—	—	—	126,432	45,327	26,619
Strategic transaction costs	—	6,500	—	—	—	—	7,462	2,531	4,225	421	4,400
Adjusted operating income	<u>74,098</u>	<u>76,546</u>	<u>121,343</u>	<u>135,790</u>	<u>141,781</u>	<u>144,305</u>	<u>144,665</u>	<u>169,693</u>	<u>192,993</u>	<u>234,804</u>	<u>250,909</u>
Adjusted operating margin %	8.6 %	8.3 %	10.9 %	12.2 %	12.7 %	12.7 %	12.8 %	14.8 %	16.1 %	17.3 %	17.9 %

Adjusted operating income (loss), adjusted operating margin, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted EBITDA margin are the measures used by the chief operating decision maker to evaluate segment performance and allocate resources. As such, management believes that adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are useful metrics for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring charges, currency exchange gains / losses, product liability expense, and strategic transaction costs, and adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. Adjusted EBITDA is defined as adjusted operating income (loss) plus depreciation and amortization and adjusted EBITDA margin is defined as adjusted EBITDA divided by segment sales to external customers. Adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are not recognized terms under GAAP and therefore do not purport to be alternatives to operating income or operating margin as a measure of operating performance. The Company's definition of adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin may not be comparable to similarly titled measures of other companies. As such, management believes that it is appropriate to consider operating income determined on a GAAP basis in addition to these non-GAAP measures.

# Reconciliation of Non-GAAP Financial Measures

## Adjusted Operating Margin (Americas and International segments) 2016-2017

	Americas	International
Twelve Months Ended December 31, 2016		
Sales to external customers	\$ 678,433	\$ 471,097
Operating income		
Operating margin %		
Restructuring charges		
Currency exchange losses, net		
Product liability expense		
Strategic transaction costs		
Adjusted operating income (loss)	154,298	51,490
Adjusted operating margin %	22.7%	10.9%
Twelve Months Ended December 31, 2017		
Sales to external customers	\$ 736,847	\$ 459,962
Operating income		
Operating margin %		
Restructuring charges		
Currency exchange losses, net		
Product liability expense		
Strategic transaction costs		
Adjusted operating income (loss)	175,589	50,391
Adjusted operating margin %	23.8%	11.0%

The Americas segment is comprised of our operations in North America and Latin America geographies. The International segment is comprised of our operations in all geographies outside of the Americas. Certain global expenses are allocated to each segment in a manner consistent with where the benefits from the expenses are derived.

Adjusted operating income (loss), adjusted operating margin, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted EBITDA margin are the measures used by the chief operating decision maker to evaluate segment performance and allocate resources. As such, management believes that adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are useful metrics for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring charges, currency exchange gains / losses, product liability expense and strategic transaction costs and adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. Adjusted EBITDA is defined as adjusted operating income (loss) plus depreciation and amortization and adjusted EBITDA margin is defined as adjusted EBITDA divided by segment sales to external customers. Adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are not recognized terms under GAAP and therefore do not purport to be alternatives to operating income or operating margin as a measure of operating performance. The Company's definition of adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin may not be comparable to similarly titled measures of other companies. As such, management believes that it is appropriate to consider operating income determined on a GAAP basis in addition to these non-GAAP measures.



# Reconciliation of Non-GAAP Financial Measures

## Adjusted Operating Margin (Americas and International segments) 2018-2019

	Americas	International
Twelve Months Ended December 31, 2018		
Sales to external customers	\$ 854,287	\$ 503,817
Operating income		
Operating margin %		
Restructuring charges		
Currency exchange losses, net		
Product liability expense		
Strategic transaction costs		
Adjusted operating income (loss)	206,839	59,866
Adjusted operating margin %	24.2%	11.9%
Twelve Months Ended December 31, 2019		
Sales to external customers	\$ 915,118	\$ 486,863
Operating income		
Operating margin %		
Restructuring charges		
Currency exchange losses, net		
Product liability expense		
Strategic transaction costs		
Adjusted operating income (loss)	226,596	59,910
Adjusted operating margin %	24.8%	12.3%

The Americas segment is comprised of our operations in North America and Latin America geographies. The International segment is comprised of our operations in all geographies outside of the Americas. Certain global expenses are allocated to each segment in a manner consistent with where the benefits from the expenses are derived.

Adjusted operating income (loss), adjusted operating margin, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted EBITDA margin are the measures used by the chief operating decision maker to evaluate segment performance and allocate resources. As such, management believes that adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are useful metrics for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring charges, currency exchange gains / losses, product liability expense and strategic transaction costs and adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. Adjusted EBITDA is defined as adjusted operating income (loss) plus depreciation and amortization and adjusted EBITDA margin is defined as adjusted EBITDA divided by segment sales to external customers. Adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are not recognized terms under GAAP and therefore do not purport to be alternatives to operating income or operating margin as a measure of operating performance. The Company's definition of adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin may not be comparable to similarly titled measures of other companies. As such, management believes that it is appropriate to consider operating income determined on a GAAP basis in addition to these non-GAAP measures.

# Reconciliation of Non-GAAP Financial Measures



## Adjusted Earnings

	Twelve Months Ended December 31,						CAGR
	2014	2015	2016	2017	2018	2019	
Net income attributable to MSA Safety Inc	\$ 87,447	\$ 69,590	\$ 92,691	\$ 26,027	\$ 124,150	\$ 136,440	9%
Tax charges associated with U.S. Tax Reform	—	—	—	19,817	2,518	—	
Non-deductible non-cash charge related to the recognition of currency translation adjustments	—	—	—	—	—	15,359	
Non-deductible transaction costs	—	2,879	—	—	—	—	
Tax (benefits) charges associated with European restructuring	—	7,605	6,473	(2,504)	1,794	584	
Tax benefit associated with ASU 2016-09	—	—	—	(8,323)	(2,531)	(2,278)	
Subtotal	87,447	80,074	99,164	35,017	125,931	150,105	
Product liability expense	3,893	982	341	126,432	45,327	26,619	
Restructuring charges	8,515	12,258	5,694	17,632	13,247	13,846	
Strategic transaction costs	—	4,583	2,531	4,225	421	4,400	
Currency exchange losses, net	1,509	2,204	766	5,127	2,330	4,455	
Loss on extinguishment of debt	—	—	—	—	1,494	—	
Asset related (gains) losses, net	(2,116)	1,636	32	678	484	371	
Income tax expense on adjustments	(3,812)	(6,792)	(3,161)	(47,810)	(13,800)	(11,826)	
Adjusted earnings	\$ 95,436	\$ 94,945	\$ 105,367	\$ 141,301	\$ 175,434	\$ 187,970	15%

Management believes that adjusted earnings and adjusted earnings per diluted share are useful measures for investors, as management uses these measures to internally assess the company's performance and ongoing operating trends. There can be no assurances that additional special items will not occur in future periods, nor that MSA's definition of adjusted earnings is consistent with that of other companies. As such, management believes that it is appropriate to consider both net income determined on a GAAP basis as well as adjusted earnings.

# Reconciliation of Non-GAAP Financial Measures



## *Debt to adjusted EBITDA / Net debt to adjusted EBITDA*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3 2020 LTM
Adjusted EBITDA	\$ 105,403	\$ 154,458	\$ 167,107	\$ 173,415	\$ 175,522	\$ 179,520	\$ 203,550	\$ 229,941	\$ 271,691	\$ 287,720	\$ 280,335
Total end-of-period debt	377,257	342,309	279,156	267,334	251,667	466,626	390,502	474,512	361,374	348,394	341,694
Debt to adjusted EBITDA	<u>3.6</u>	<u>2.2</u>	<u>1.7</u>	<u>1.5</u>	<u>1.4</u>	<u>2.6</u>	<u>1.9</u>	<u>2.1</u>	<u>1.3</u>	<u>1.2</u>	<u>1.2</u>
Total cash and cash equivalents	59,760	59,938	82,718	96,265	105,998	105,925	113,759	134,244	140,095	152,195	132,830
Net debt	\$ 317,497	\$ 282,371	\$ 196,438	\$ 171,069	\$ 145,669	\$ 360,701	\$ 276,743	\$ 340,268	\$ 221,279	\$ 196,199	\$ 208,864
Net debt to adjusted EBITDA	<u>3.0</u>	<u>1.8</u>	<u>1.2</u>	<u>1.0</u>	<u>0.8</u>	<u>2.0</u>	<u>1.4</u>	<u>1.5</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>

Management believes that Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA are useful measures for investors, as management uses these measures to internally assess the company's liquidity and balance sheet strength. There can be no assurances that that MSA's definition of Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA is consistent with that of other companies.