



MSA Safety

12th Annual Longbow Research Investors Conference
August 2019



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: *A global safety equipment provider*



Ticker

MSA (NYSE)

Employees

~4,800

Headquarters

Cranberry Township, PA

Indices

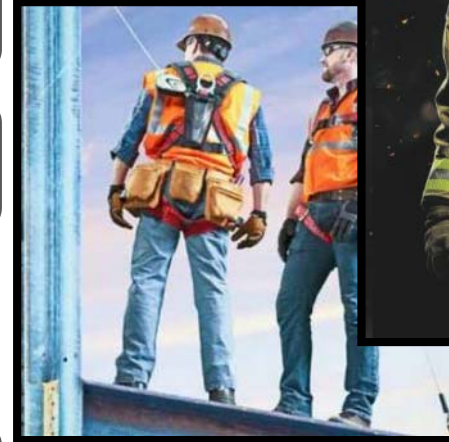
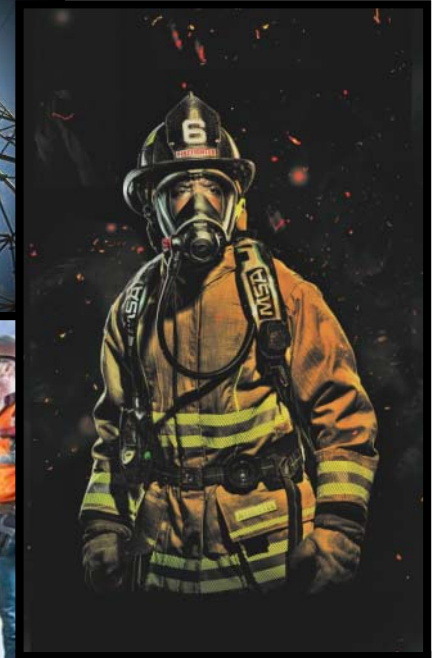
Russell 2000; S&P MidCap 400

Market Cap

~\$4B

52 week range

\$86.72 – \$113.06



Safety by the Numbers: *Safety investments are critically important*



Work Place Injuries

4.5 million

Work-place injuries per year¹



Lost Productivity

100 million +

Production days lost per year due to injuries²



Higher Costs

\$143 billion

Expenses related to work place injuries²

¹ National Safety Council / U.S. Bureau of Labor Statistics

² Grainger 2015 Safety Record Study

Companies across the world continue to invest in safety equipment that protects workers and facility infrastructures – secular trend that supports demand for MSA products in developed and emerging markets

MSA Corporate Strategy: *Our blueprint for creating shareholder value*



Advance the Core of MSA: *More than 85% of total sales are core products*

- ✓ *R&D investments and strategic acquisitions drive market share gains in our core products and end markets*



Achieve Operational Excellence: *Leverage revenue growth to drive higher EBIT*

- ✓ *Continuous improvement initiatives, focus on the core, strategic pricing of new products, and restructuring programs drive EBIT margin expansion*




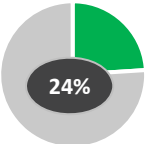


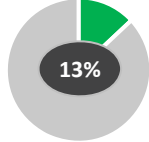


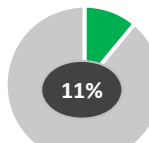


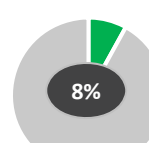


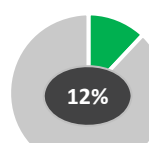


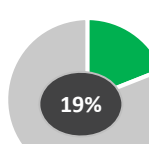

Effective Capital Deployment: *Use cash to grow the business and return value to shareholders*

- ✓ *Target free cash flow conversion of 100% of net income – invest in strategic acquisitions and new product development, fund an increasing dividend, and repurchase shares to offset dilution*

Profitable growth, strategic investments and strong cash flow drive our business forward

MSA Core Product Portfolio



| | % of 2018 MSA Sales | Global Market Position |
|---|---|---|
|  Breathing Apparatus |  |  |
|  Firefighter Helmets & Protective Apparel |  |  |
|  Industrial Head Protection |  |  |
|  Fall Protection |  |  |
|  Portable Gas Detection |  |  |
|  Fixed Gas & Flame Detection (FGFD) |  |  |

Leading market position in nearly all of our core products – diversified product portfolio serving a broad range of end markets and geographies

New Product Development: *Lifeblood of MSA*



Investing in Growth Platforms

~4.0%

Of Sales Invested in R&D

FY 2018

>35%

FY 2018 Sales Vitality

*% of Sales from Products Developed
and Launched in the past 5 Years*

**Introducing New Products that Support our
Leading Positions in Core Products and Markets**



MSA M1 SCBA

*Modular platform targeting
the International market*



V-Series Fall Protection

*New harnesses and lanyard lines
leverage V-Gard brand equity*



Safety io

*Creating a safer workplace with
software-as-a-service*



Ultima X/S 5000 Gas Monitors

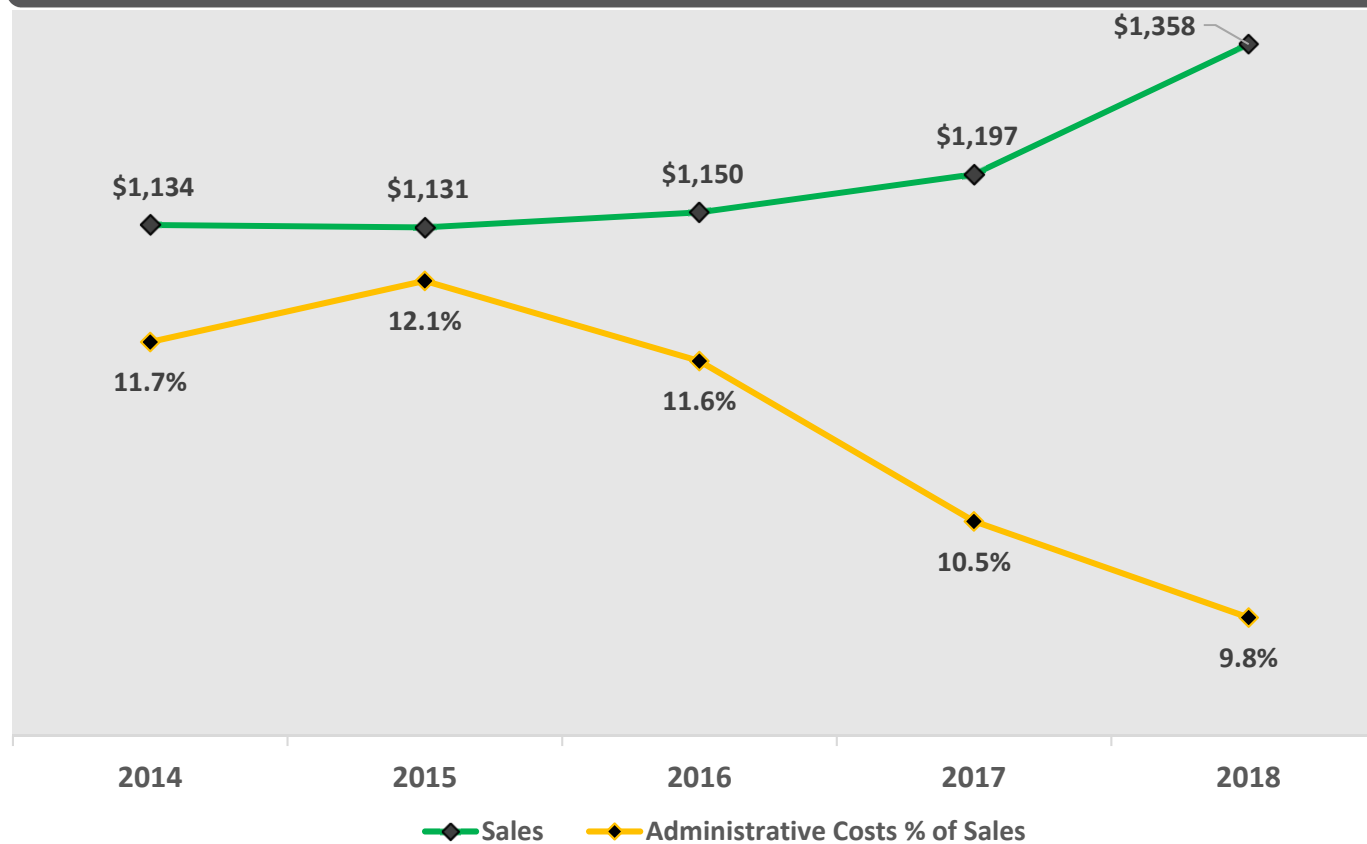
*FGFD platform that leverages XCell
sensors to drive lower cost of
ownership for customers*

**Consistently at the forefront of safety innovation – investments support mid-single digit revenue growth
profile and enhance strong competitive position in niche safety industry**

Strong Incremental Margins on Revenue Gains



Net Sales vs. Administrative Expense % of Sales



Executed cost reduction programs to reduce fixed administrative costs while continuing to invest in revenue generating resources – driving strong incremental margin profile

Fundamental shift in profitability profile in recent years driving strong incremental operating margin

Strong Financial Performance: *Strategy driving results*



Execute our corporate strategy and deploy capital

Design
market-leading
safety products



Invested ~\$440M in strategic
acquisitions over 3 years



Drive profitable growth and generate free cash flow



+13%

2018 Sales Growth
+8% Organic Constant
Currency Growth



+120 BPS

2018 Operating Margin
improvement



>100%

2018 Free Cash Flow
Conversion

Organic constant currency sales growth, adjusted operating margin, and Free Cash Flow are non-GAAP measures. See reconciliations in appendix.

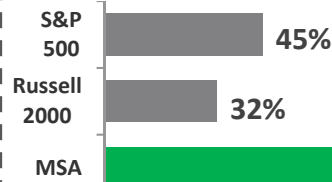
Reinvest cash to fund growth and return value to shareholders

\$53M

2018 R&D
investments

\$34M

2018 CapEx
investments



Three Year Period ended 8/1/2019

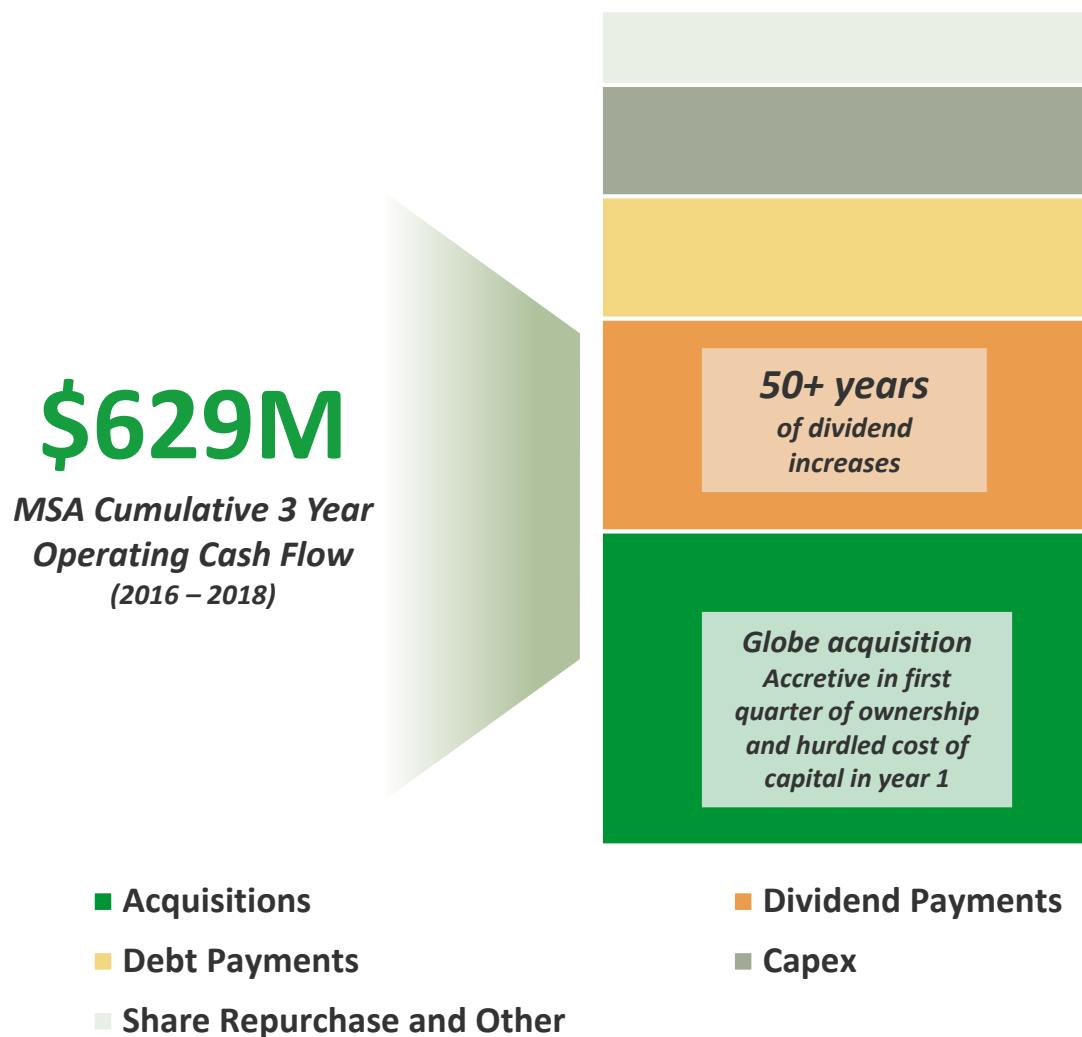
MSA TSR
outpacing the
market

~50+

Consecutive Years of
Dividend Increases
Most recently increased by
+11% in June 2019

Core product strategy, accretive acquisitions, cost reductions, and balanced capital allocation strategy
driving above-market shareholder returns

Capital Allocation Strategy: *Balanced approach*



Capital Allocation Priorities

Invest in Growth

Fund Increasing Dividend

Reduce Leverage

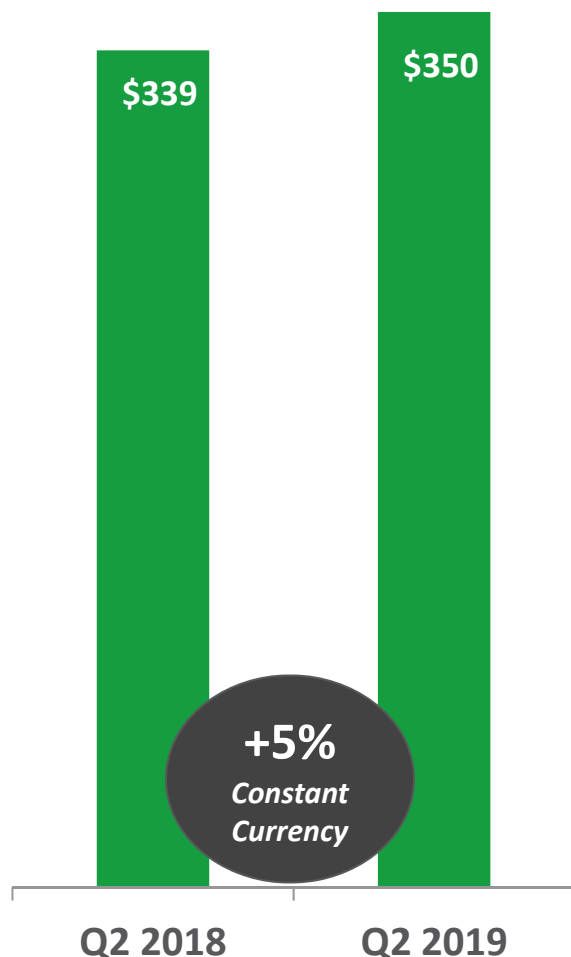
**Repurchase Shares to
Offset Dilution**

Strategically deploy capital to drive growth and return value to shareholders

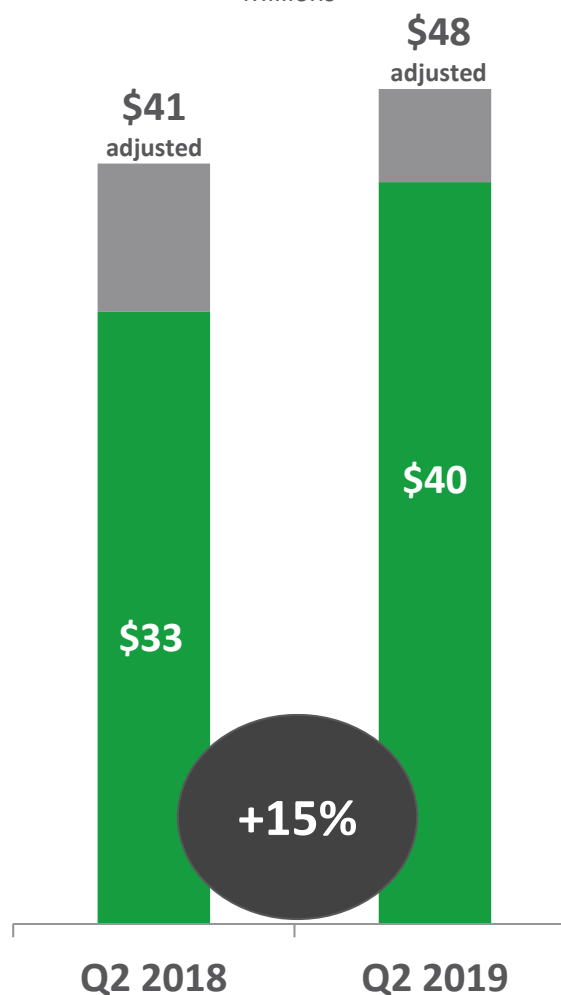
Q2 2019 Financial Highlights



Revenue Millions



Earnings (GAAP and Adjusted) Millions



Key Trends

- Revenue growth of 5% in constant currency and 7% in core products. Growth in substantially all core products, with new products in gas detection and fall protection as the key contributors.
- Sales vitality index exceeded 35% in the quarter – demonstrating strong returns on R&D investments
- Incremental margins exceeded 40% in the quarter, reflecting new product development investments and ongoing focus on productivity
- Deployed \$33 million of capital for the acquisition of Sierra Monitor and funded a \$16 million dividend. Dividend reflects an 11 percent increase, continuing MSA's long history of raising its dividend annually for more than 50 years.

Constant currency revenue and adjusted earnings are non-GAAP measures. See reconciliations in appendix.

Double-digit earnings growth in the second quarter; strong balance sheet provides flexibility to continue investing in our business

Why Own MSA



Leading positions in attractive markets

#1 / #2 position globally in nearly all core products

Proven growth strategy

R&D investments and accretive acquisitions drive growth in core products and market segments

Strong progress in driving margin expansion

Focus on operational excellence and productivity; generated double digit earnings growth over the past several years

Balanced capital allocation strategy

Investing for growth and returning value to shareholders; 50+ years of dividend increases

History of delivering on our targets and driving strong financial results. Committed to making investments that capture market share, drive profitability and enhance shareholder value.





Appendix



Reconciliation of Non-GAAP Financial Measures

Organic constant currency revenue: 2018

| Twelve Months Ended December 31, 2018 | | | | | | | | | |
|---------------------------------------|---------------------|---|----------------------------|------------------------|-------------------------------|-----------------|------------|----------------|-----------|
| | Breathing Apparatus | Firefighter Helmets and Protective Apparel ^(a) | Industrial Head Protection | Portable Gas Detection | Fixed Gas and Flame Detection | Fall Protection | Core Sales | Non-Core Sales | Net Sales |
| GAAP reported sales change | 11% | 64 % | 10% | 10% | 6 % | 11 % | 15% | 5% | 13% |
| Plus: Currency translation effects | —% | — % | 2% | —% | (1)% | (1)% | —% | —% | —% |
| Constant currency sales change | 11% | 64 % | 12% | 10% | 5 % | 10 % | 15% | 5% | 13% |
| Less: Acquisitions | —% | 69 % | —% | —% | — % | — % | 7% | —% | 5% |
| Organic constant currency change | 11% | (5)% | 12% | 10% | 5 % | 10 % | 8% | 5% | 8% |

(a) Firefighter helmets and protective apparel includes the impact of the Globe acquisition, completed on July 31, 2017.

Management believes that constant currency revenue growth is a useful metric for investors, as foreign currency translation can have a material impact on revenue growth trends. Constant currency revenue growth highlights ongoing business performance excluding the impact of fluctuating foreign currencies, which is outside of management's control. Organic constant currency revenue growth is defined as constant currency revenue growth excluding acquisitions. Management believes that organic constant currency revenue growth is a useful measure for investors to provide an understanding of MSA's standalone results. There can be no assurances that MSA's definition of constant currency revenue growth or organic constant currency revenue growth is consistent with that of other companies. As such, management believes that it is appropriate to consider revenue growth determined on a GAAP basis in addition to these non-GAAP financial measures.

Reconciliation of Non-GAAP Financial Measures

Constant currency revenue: Q2 2019

| Three Months Ended June 30, 2019 | | | | | | | | | |
|------------------------------------|---------------------|--|----------------------------|------------------------|-------------------------------|-----------------|------------|----------------|-----------|
| | Breathing Apparatus | Firefighter Helmets and Protective Apparel | Industrial Head Protection | Portable Gas Detection | Fixed Gas and Flame Detection | Fall Protection | Core Sales | Non-Core Sales | Net Sales |
| GAAP reported sales change | —% | 5% | (2)% | 3% | 11% | 21% | 5% | (9)% | 3% |
| Plus: Currency translation effects | 2% | 1% | 2 % | 2% | 2% | 4% | 2% | 3 % | 2% |
| Constant currency sales change | 2% | 6% | — % | 5% | 13% | 25% | 7% | (6)% | 5% |

| Six Months Ended June 30, 2019 | | | | | | | | | |
|------------------------------------|---------------------|--|----------------------------|------------------------|-------------------------------|-----------------|------------|----------------|-----------|
| | Breathing Apparatus | Firefighter Helmets and Protective Apparel | Industrial Head Protection | Portable Gas Detection | Fixed Gas and Flame Detection | Fall Protection | Core Sales | Non-Core Sales | Net Sales |
| GAAP reported sales change | —% | 1% | —% | (1)% | 5% | 19% | 3% | (8)% | 2% |
| Plus: Currency translation effects | 3% | 2% | 3% | 3 % | 3% | 5% | 3% | 4 % | 2% |
| Constant currency sales change | 3% | 3% | 3% | 2 % | 8% | 24% | 6% | (4)% | 4% |

Management believes that constant currency revenue growth is a useful metric for investors, as foreign currency translation can have a material impact on revenue growth trends. Constant currency revenue growth highlights ongoing business performance excluding the impact of fluctuating foreign currencies, which is outside of management's control. There can be no assurances that MSA's definition of constant currency revenue growth is consistent with that of other companies. As such, management believes that it is appropriate to consider revenue growth determined on a GAAP basis in addition to this non-GAAP financial measure.

Reconciliation of Non-GAAP Financial Measures

Adjusted operating income and adjusted operating margin: 2018 vs. 2017

| | Americas | International | Corporate | Consolidated |
|---------------------------------------|------------|---------------|-----------|--------------|
| Twelve Months Ended December 31, 2018 | | | | |
| Sales to external customers | \$ 854,287 | \$ 503,817 | — | \$ 1,358,104 |
| Operating income | | | | 173,479 |
| Operating margin % | | | | 12.8% |
| Restructuring and other charges | | | | 13,247 |
| Currency exchange losses, net | | | | 2,330 |
| Other operating expense | | | | 45,327 |
| Strategic transaction costs | | | | 421 |
| Adjusted operating income (loss) | 206,839 | 59,866 | (31,901) | \$ 234,804 |
| Adjusted operating margin % | 24.2% | 11.9% | | 17.3% |
| Twelve Months Ended December 31, 2017 | | | | |
| Sales to external customers | \$ 736,847 | \$ 459,962 | — | \$ 1,196,809 |
| Operating income | | | | 39,577 |
| Operating margin % | | | | 3.3 % |
| Restructuring charges | | | | 17,632 |
| Currency exchange losses, net | | | | 5,127 |
| Other operating expense | | | | 126,432 |
| Strategic transaction costs | | | | 4,225 |
| Adjusted operating income (loss) | 175,589 | 50,391 | (32,987) | \$ 192,993 |
| Adjusted operating margin % | 23.8% | 11.0% | | 16.1 % |

Adjusted operating income (loss) and adjusted operating 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) and adjusted operating margin are useful metrics for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring charges, currency exchange gains/losses, other operating expense and strategic transaction costs. Adjusted operating margin is defined as adjusted operating income (loss) divided by sales to external customers. Adjusted operating income (loss) and adjusted operating 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) and adjusted operating 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

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Adjusted operating income and adjusted operating margin: Q2 2019 vs Q2 2018

| | Americas | International | Corporate | Consolidated |
|----------------------------------|------------|---------------|-----------|--------------|
| Three Months Ended June 30, 2019 | | | | |
| Sales to external customers | \$ 231,389 | \$ 118,286 | \$ — | \$ 349,675 |
| Operating income | | | | 54,478 |
| Operating margin % | | | | 15.6% |
| Restructuring charges | | | | 3,522 |
| Currency exchange losses, net | | | | 1,290 |
| Product liability expense | | | | 3,529 |
| Strategic transaction costs | | | | 1,529 |
| Adjusted operating income (loss) | 57,689 | 15,072 | (8,413) | 64,348 |
| Adjusted operating margin % | 24.9% | 12.7% | | 18.4% |
| Depreciation and amortization | | | | 9,466 |
| Adjusted EBITDA | 63,842 | 18,288 | (8,316) | 73,814 |
| Adjusted EBITDA % | 27.6% | 15.5% | | 21.1% |
| Three Months Ended June 30, 2018 | | | | |
| Sales to external customers | \$ 215,339 | \$ 123,992 | \$ — | \$ 339,331 |
| Operating income | | | | 46,797 |
| Operating margin % | | | | 13.8% |
| Restructuring charges | | | | 2,335 |
| Currency exchange losses, net | | | | 815 |
| Product liability expense | | | | 8,018 |
| Strategic transaction costs | | | | 58 |
| Adjusted operating income (loss) | 49,838 | 15,853 | (7,668) | 58,023 |
| Adjusted operating margin % | 23.1% | 12.8% | | 17.1% |
| Depreciation and amortization | | | | 9,536 |
| Adjusted EBITDA | 55,894 | 19,233 | (7,568) | 67,559 |
| Adjusted EBITDA % | 26.0% | 15.5% | | 19.9% |

The Americas segment is comprised of our operations in the U.S., Canada and Latin America. The International segment is comprised of our operations in all other parts of the world including Europe, Africa, the Middle East, India, China, South East Asia and Australia. 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: Q2 2019 vs Q2 2018

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|--------------------------------|------------------|-------------|------------------------------|------------------|-------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Net income attributable to MSA Safety Incorporated | \$ 39,806 | \$ 33,179 | 20% | 63,038 | 65,550 | (4)% |
| Non-deductible non-cash charge related to the recognition of currency translation adjustments ^(a) | — | — | | 15,359 | — | |
| Tax expense (benefit) associated with ASU 2016-09: Improvements to employee share-based payment accounting | 429 | (962) | | (1,993) | (1,875) | |
| Subtotal | <u>40,235</u> | <u>32,217</u> | 25% | <u>76,404</u> | <u>63,675</u> | 20% |
| Product liability expense | 3,529 | 8,018 | | 6,425 | 10,842 | |
| Restructuring charges | 3,522 | 2,335 | | 9,353 | 7,609 | |
| Strategic transaction costs | 1,529 | 58 | | 1,985 | 152 | |
| Currency exchange losses, net | 1,290 | 815 | | 2,892 | 2,823 | |
| Asset related losses, net | 208 | 1,131 | | 233 | 1,148 | |
| Income tax expense on adjustments | (2,439) | (3,102) | | (5,034) | (5,621) | |
| Adjusted earnings | <u>\$ 47,874</u> | <u>\$ 41,472</u> | 15% | <u>\$ 92,258</u> | <u>\$ 80,628</u> | 14% |
| Adjusted earnings per diluted share | <u>\$ 1.22</u> | <u>\$ 1.07</u> | 14% | <u>\$ 2.36</u> | <u>\$ 2.08</u> | 13% |

^(a) Included in Currency exchange losses, net on the Statement of Income.

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

Free cash flow: 2018 vs. 2017

| | Three Months Ended December 31, | | | Twelve Months Ended December 31, | | |
|--|------------------------------------|------------------|-------------|-------------------------------------|-------------------|-------------|
| | 2018 | 2017 | % Change | 2018 | 2017 | % Change |
| Cash flow from operating activities | \$ 80,617 | \$ 41,090 | 96% | \$ 263,887 | \$ 230,336 | 15% |
| Capital expenditures | (18,267) | (11,995) | | (33,960) | (23,725) | |
| Free cash flow | <u>\$ 62,350</u> | <u>\$ 29,095</u> | 114% | <u>\$ 229,927</u> | <u>\$ 206,611</u> | 11% |
| Net income attributable to MSA Safety Incorporated | \$ 24,883 | \$ (32,984) | | \$ 124,150 | \$ 26,027 | |
| Free cash flow conversion | 251% | (88)% | | 185% | 794% | |

Management believes that free cash flow is a meaningful measure for investors. Management reviews cash from operations after deducting capital expenditures because these expenditures are necessary to promote growth of MSA's business and are likely to produce cash from operations in future periods. It is important to note that free cash flow does not reflect the residual cash balance of the company for discretionary spending since other items, including debt and dividend payments, are deducted from free cash flow before arriving at the company's ending cash balance. Management defines free cash flow conversion as free cash flow divided by net income attributable to MSA. There can be no assurances that MSA's definition of free cash flow is consistent with that of other companies. As such, management believes that it is appropriate to consider cash from operating activities determined on a GAAP basis as well as free cash flow.