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# William Blair 40<sup>th</sup> Annual Growth Stock Conference

## June 9, 2020

Nish Vartanian, Chairman, President and CEO  
Ken Krause, Sr. VP and CFO

# 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.





# At MSA Safety, We Know What's At Stake



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## 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.

Advancing worker safety and delivering productivity solutions for more than 105 years

# MSA Safety Overview (NYSE: MSA)



Revenue

\$1.4B

Employees

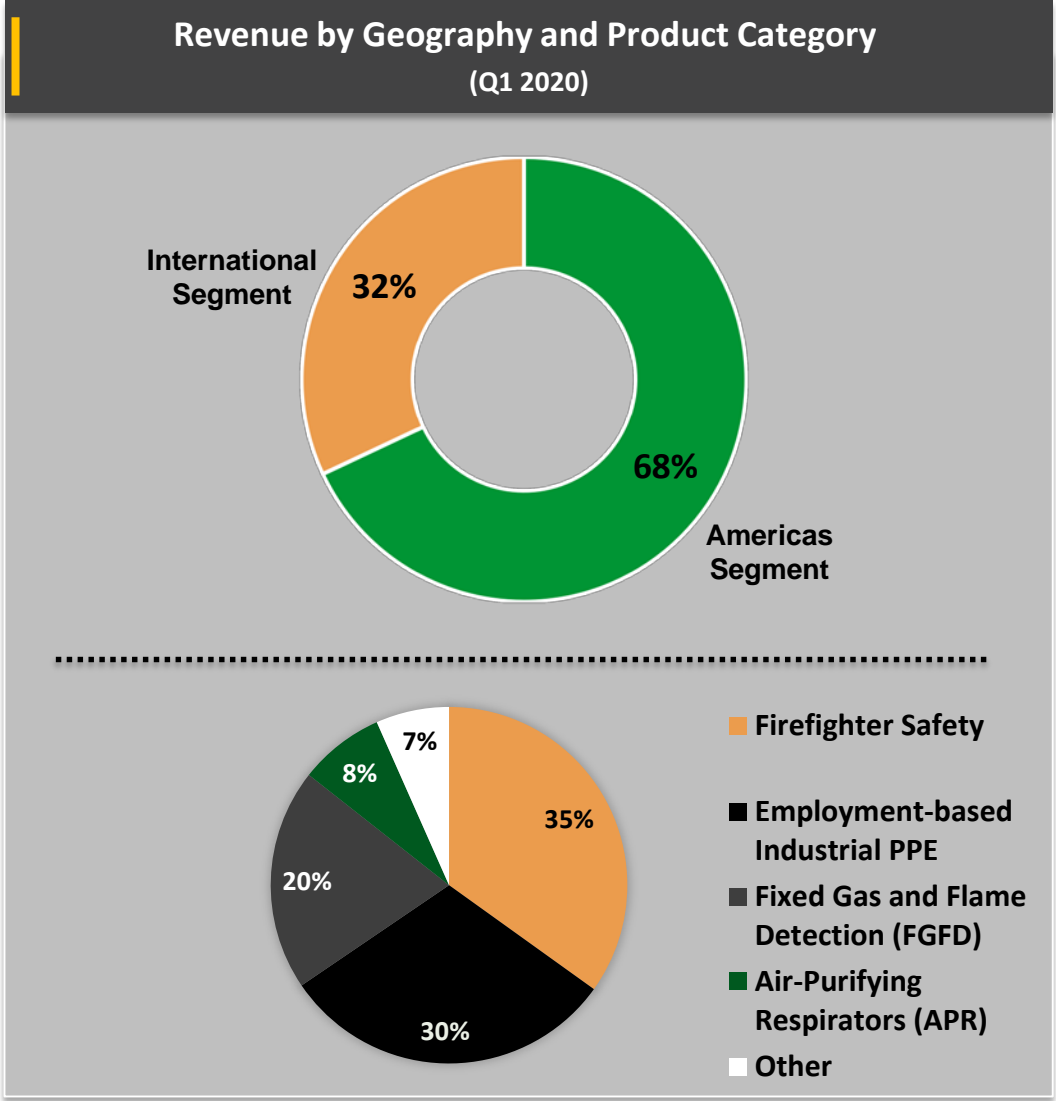
~5,000

Product Vitality Index

~35%

Market Cap

~\$5B



# 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**

Industrial sector is expected to represent ~24% of the total IoT market or >\$100B by 2020 <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. Forbes/GrowthEnabler & MarketsandMarkets analysis

**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
- Asset-light and strong cash flow
- Defensible market positions with significant IP in a highly regulated market – more than 600 different safety standards

## 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 centered around one mission: Safety

# Consistently at the Forefront of Safety Innovation



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~4%

R&D % of Sales  
Q1 2020

~35%

Product Vitality Index  
Q1 2020

~46%

Gross Profit  
Q1 2020



## Continuous Pipeline of Industry Leading Innovations



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



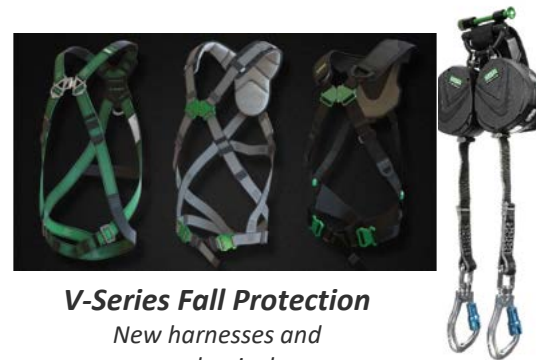
**MSA M1 SCBA**  
*Modular platform targeting the International market*



**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-Series Fall Protection**  
*New harnesses and mechanicals*

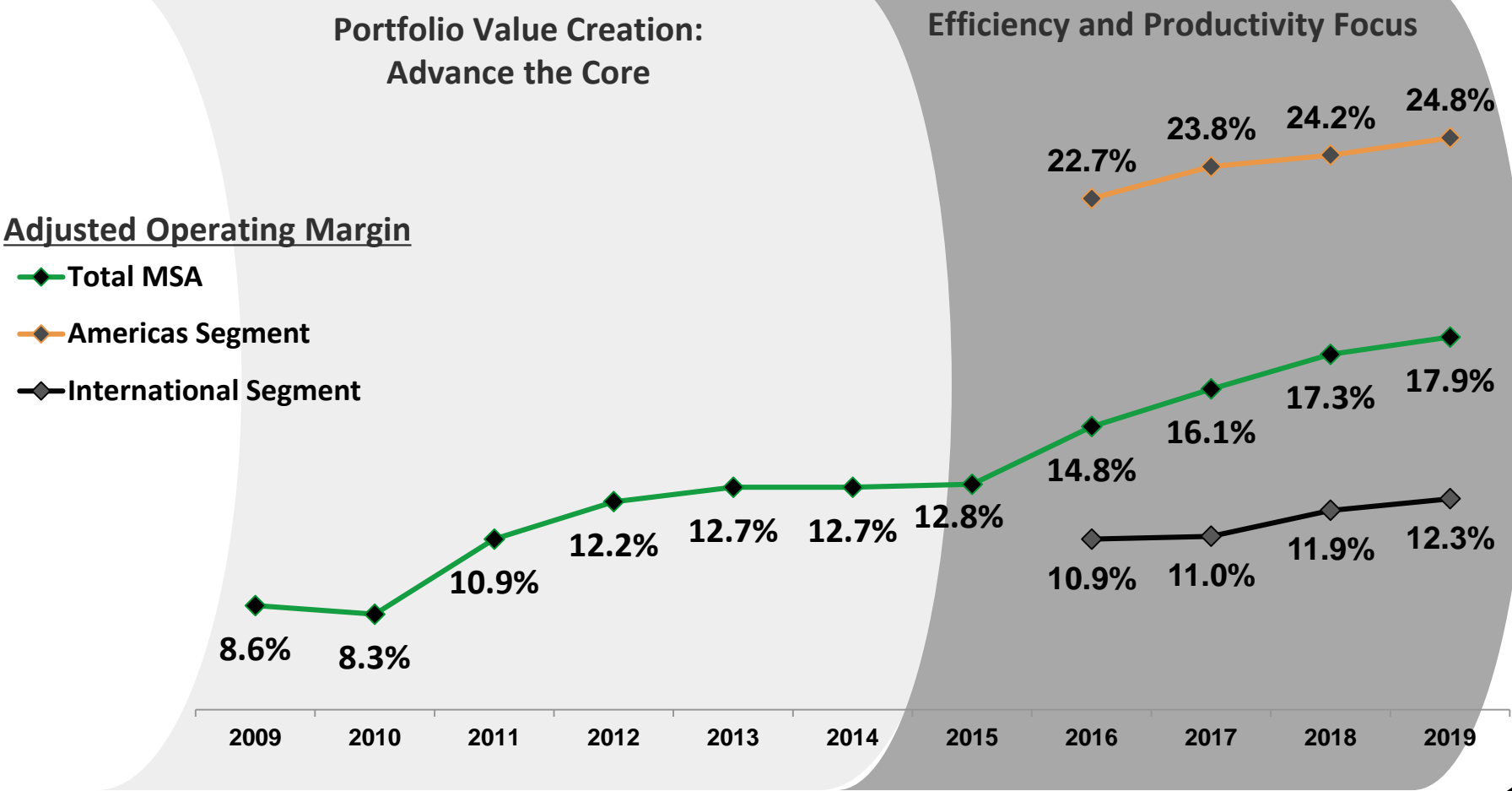


**V-Gard H1 Safety Helmet**  
*Next generation of head protection*

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

# Strong Incremental Margin Provides Runway for Sustained Profitability Improvements

## Significant Margin Progress Across MSA's Reporting Segments



Three Key Focus Areas Have Driven Historical Financial Transformation:

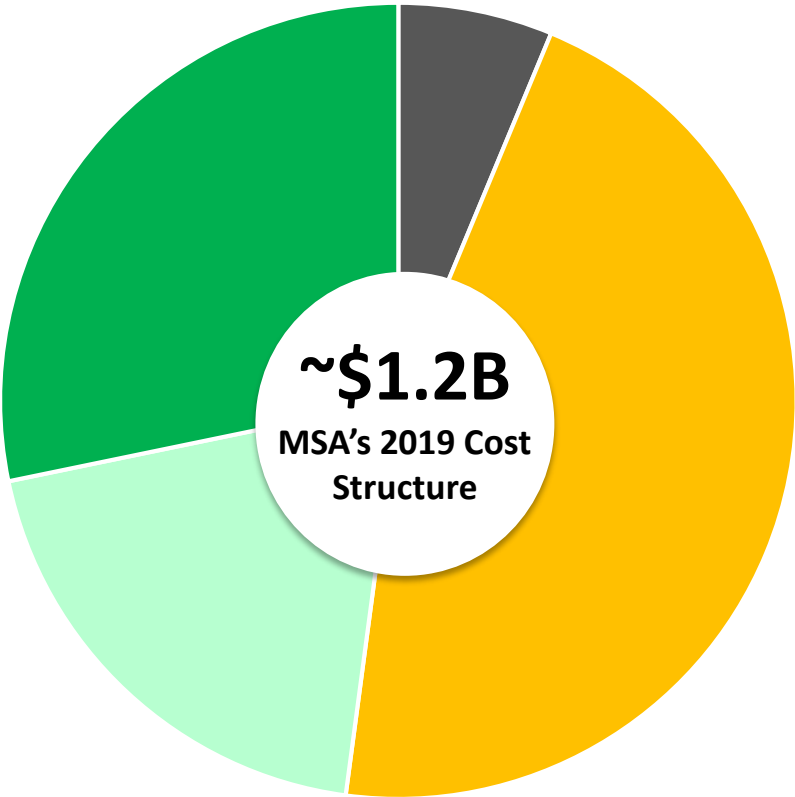
- Superior Innovation
- Operational Improvements and Productivity Focus
- Strategic and Disciplined Acquisitions

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

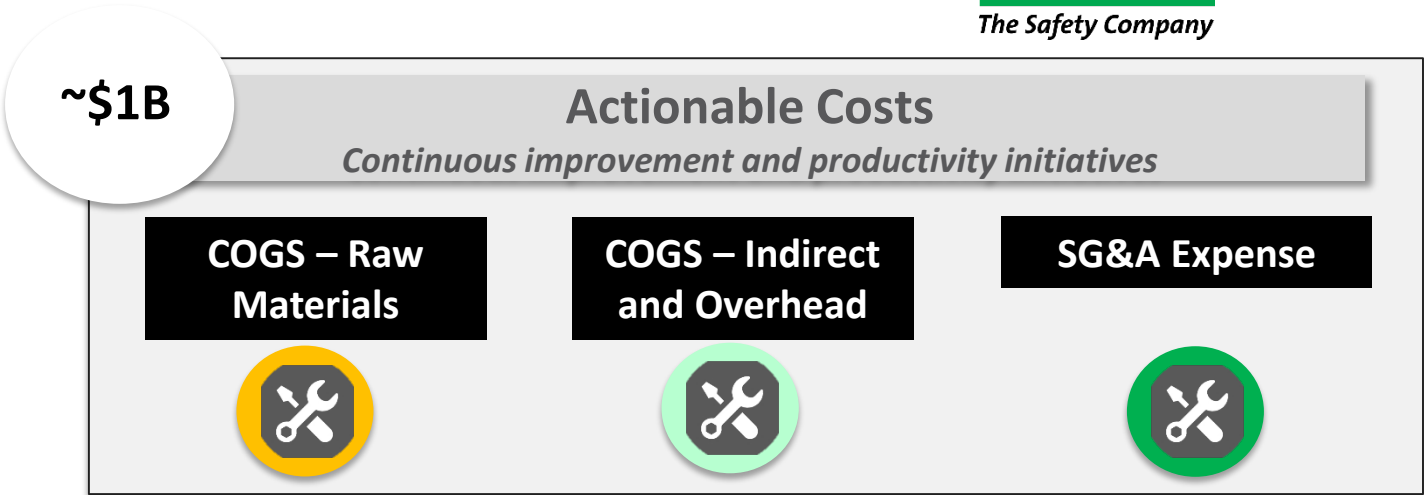
Consistently improving margins through commercial excellence and productivity programs



# Cost Structure Overview



- R&D & Engineering Costs
- COGS - Raw Materials
- COGS - Indirect Costs and Overhead
- SG&A Expense



COGS excludes sustaining engineering costs for existing products of approx. \$15M



Variable cost structure enables flexibility; pipeline of cost reduction opportunities for the coming years

# 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%**

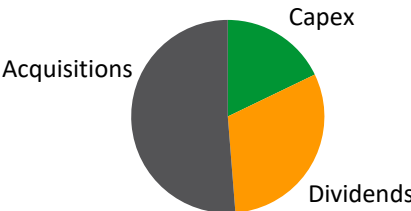
5 Year Adjusted Earnings CAGR

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

**\$850M**

5 Year Operating  
Cash Flow

### Historical Capital Deployment

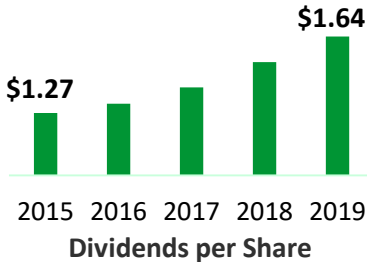


**50+**

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

# MSA COVID-19 Response: 4 Key Priorities



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## Protecting the Health and Safety of Our Workforce

- Consistent with our mission and internal safety culture, our top priority is protecting the health and safety of our workforce
- Continue to follow CDC recommendations for social distancing and disinfecting in factories and worksites; Enhanced cleaning protocols, instituted temperature monitoring, and modified work-cells to ensure proper distancing; associates working from home where possible
- Protecting our local communities: Donated disposable respirator masks - sourced from third parties – to various medical institutional around the world

## Enabling Business Continuity

- As a leader in safety, MSA is an essential business. Our products protect the world's first responders, energy and utility workers, and so many others on the front lines of the COVID-19 outbreak. MSA's factories throughout the world are open and our supply chains are moving.
- Addressing supply chain challenges on a case by case basis; have not seen major disruptions to date.

## Expanding Manufacturing Capacity of Existing APR Portfolio

- MSA produces elastomeric half-mask, full-facepiece respirators and powered APR with a full complement of filtration capacity. These products have been part of MSA's portfolio for many years, commonly used in industrial applications.
- In response to urgent market needs and a surge in respirator orders, we are investing \$11-13 million of CapEx to significantly ramp up manufacturing capacity for respirator products at the Jacksonville, NC plant. Expect production uptick in 2H 2020 as we advance with the process of procuring equipment and hiring production associates.

## Managing Operating Expenses and Liquidity

- Implemented discretionary spending controls and have maintained policies through the second quarter
- MSA has a flexible cost structure and we're committed to being proactive operators through this crisis; identified cost levers that align with scenario models for 2020
- Net leverage of 0.8x adjusted EBITDA at 3/31/20; no material upcoming debt maturities. With \$120 million of cash and more than 2 turns of EBITDA available under our current debt covenants, MSA has ample liquidity and flexibility to maintain its balanced capital allocation strategy.

*Information as of June 9, 2020*

**Diversified product portfolio, variable cost structure and strong balance sheet position MSA well to manage through a challenging environment in the near term**



# Why Invest in MSA?



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**Superior innovation** supports leading positions in attractive markets and strong gross margin

Extensive portfolio **diversification** and heightened **focus on safety** across our end markets; history of growing in excess of GDP

Track record of **strategic acquisitions** that enhance MSA's competitive profile

Diverse **growth and margin expansion opportunities** across our portfolio; our success is not reliant on any single product line, market or productivity program

Strong balance sheet enables **balanced capital allocation** that prioritizes growth investments and retuning value to shareholders through a dividend; 50+ consecutive years of dividend increases

Committed to driving superior returns for shareholders



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# 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) 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, currency exchange gains (losses) and other operating expense. Adjusted operating margin is defined as adjusted operating income (loss) divided by segment 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

## 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%

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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.