



MSA Safety

William Blair 41st Annual Growth Stock Conference

June 2, 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
The Safety Company

MSA Safety Overview (NYSE: MSA)



Our Mission

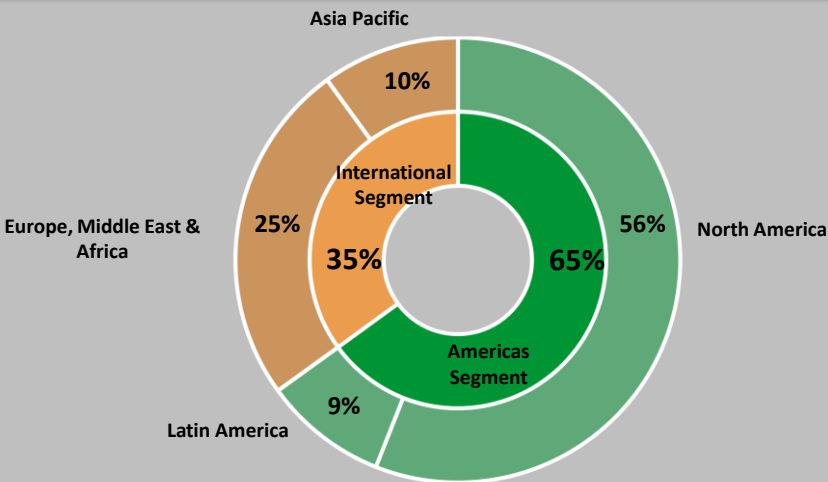
That men and women may work in safety and that they, their families, and their communities may live in health throughout the world.

Revenue \$1.35B

Employees ~5,000

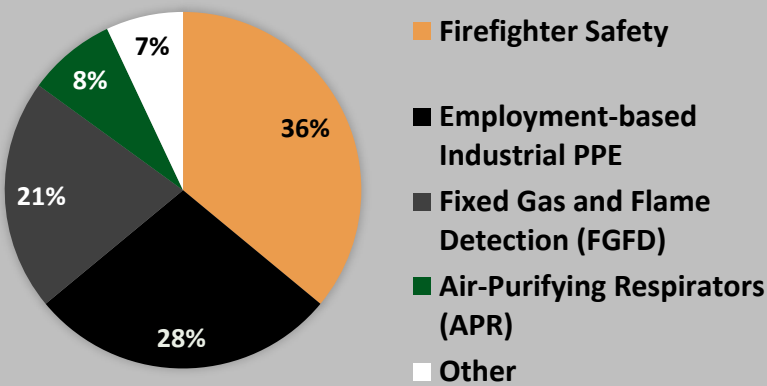
Market Cap ~\$6B

Revenue by Geography and Product Category
(Twelve Months Ended December 31, 2020)



Shareholder Returns

Price performance for the 5 years ended May 28, 2021



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

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 ¹

High Cost of Non-Compliance

OSHA fine in 2021 for repeat violations increased 6% from 2018 ²

Firefighter Health and Wellness

Industry is moving toward a second set of turnout gear and physiological monitoring ³

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 ²

Global ESG Movement

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

Growth of the Connected Worker Device Market

The global connected worker device market is projected to reach \$1B by 2030 (9% CAGR). ⁴

Future of Industrial Worksites

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. ⁵

Productivity Solutions

Connected worker implementation has been shown to reduce operational spend by 8% while improving safety outcomes. ⁶



1. Safety and Health Magazine
2. EHS Today
3. Fire Apparatus Magazine
4. Verdantix
5. OHS Online
6. Visual Capitalist

Global trends position MSA to grow faster than GDP through various economic cycles

Leading Positions in Attractive Markets

Market
position

Firefighter
Safety



1

Self-Contained Breathing Apparatus and Connected Platforms



1

Firefighter Helmets and Protective Apparel



1

Fixed Gas and Flame Detection Systems (FGFD)



2

Portable Gas Detection



3

Fall Protection



1

Industrial Head Protection

~\$9B

MSA's Total Addressable Market*

Product Characteristics

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

MSA Business Model

- Market leadership – premium 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
- 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

Disciplined Execution

Growth Investments Support Market Share Gains Across a Diversified Portfolio



R&D Investments Yield Market Leading Technology



smc
sierra
monitor

GLOBE®



Strengthening market positions
through strategic acquisitions

+4%

5 Year Revenue CAGR

Profitability Growing at Multiple of Revenue

45%

5 Year Cumulative Incremental Adjusted
Operating Margin

2020 Adjusted Operating Margin: 18.0%

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

+13%

5 Year Adjusted Earnings CAGR

Strong Balance Sheet: Committed to Balanced Capital Deployment

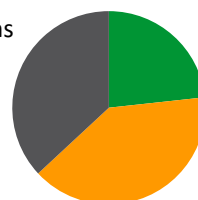
\$1B

5 Year Operating
Cash Flow

Historical Capital Deployment

Acquisitions

Capex



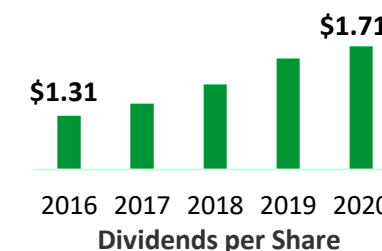
Dividends

0.7x

Net Debt to Adjusted EBITDA
At 3/31/2021

50+ Consecutive
Years of Dividend
Increases

Announced +2%
increase in May 2021



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

All 5 Year metrics refer to the year ended 12/31/2020

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

Q1

- Quarterly revenue was down 10% from a year ago. Q1 2020 reflected a pre-pandemic environment for MSA, creating a challenging comparison across several areas of our business. Economic conditions and COVID impacts created additional pressure.
- Incoming orders strengthened in March and April
- Operating cash flow was up 235% from a year ago. We deployed \$63 million for the acquisition of UK turnout gear leader Bristol Uniforms, \$10 million for strategic capital expenditures, and funded \$17 million of dividends to shareholders.



Looking Ahead

- May incoming orders remained strong and continued to show recovery in industrial areas of our business. At the same time, we continue to operate in a very dynamic environment and manage through supply chain challenges with resins and electronic components.
- We've made adjustments to certain pricing actions and have moved forward with a mid-year price increase in key geographies to mitigate raw material and freight inflation.
- Expect to deliver approximately \$15M of cost savings across the income statement in 2021, and annual savings of \$20M thereafter. These savings will partially offset the impact of variable compensation resets and other discretionary costs coming back into the P&L in 2021.
- Expect to close the acquisition of Bacharach in early July.

Bacharach Acquisition: Leader in HVAC-R Gas Detection



8

Transaction Overview

- Entered a definitive agreement to acquire Bacharach, Inc. in a transaction valued at \$337 million.

Financial Impact

- Revenue of approximately \$70 million; Accretive to MSA margins, earnings and cash flow in the first full year of ownership.
- Planning for adjusted earnings accretion of \$0.10 - \$0.15 per share in the second half of 2021 and \$0.25 - \$0.35 per share for the full year of 2022.

Financing

- Transaction is expected to be financed through a combination of fixed and variable incremental borrowings with an after-tax cost of less than 2%.
- Acquisition is expected to add approximately one turn of leverage to MSA's balance sheet.

Closing Timing

- Expected to close in early July, subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals

Strategic Rationale

- ESG-oriented mission with a safety-focused culture 
- Leading detection portfolio with a strong brand and innovation
- Complementary product and manufacturing expertise supports our ability to capture synergies over the coming years
- Business is aligned with prominent mega-trends and regulatory tailwinds
- Expands our reach into new and attractive end markets; builds further resilience in our gas detection portfolio



Acquisition will expand MSA's gas detection portfolio and leverages MSA's product and manufacturing expertise into new markets

Key Messages

- Workplace safety is more relevant today than ever.
- Continue to invest in new product development and strategic acquisitions to strengthen our market positions and expand our addressable market.
 - Deployed \$63 million for the Bristol Uniforms acquisition in January 2021 to expand our position in International Fire Service PPE; recently announced a definitive agreement to acquire Bacharach, Inc. for \$337 million. Expect to close in early July.
- Continue to see strength in the order book through May – demand is improving across industrial markets and remains strong in fire service. At the same time, we continue to operate in a very dynamic environment and manage through supply chain challenges with resins and electronic components.





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Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income/ Adjusted Operating Margin

	2015	2016	2017	2018	2019	2020	Incremental Margin 5 Year
Sales to external customers	\$ 1,130,783	\$ 1,149,530	\$ 1,196,809	\$ 1,358,104	\$ 1,401,981	\$ 1,348,223	
Operating income	122,741	160,702	39,577	173,479	186,230	166,851	
Operating margin %	10.9 %	14.0 %	3.3 %	12.8 %	13.3 %	12.4 %	
Restructuring charges	12,258	5,694	17,632	13,247	13,846	27,381	
Currency exchange (gains) losses, net	2,204	766	5,127	2,330	19,814	8,578	
Product liability expense	—	—	126,432	45,327	26,619	39,036	
Strategic transaction costs	7,462	2,531	4,225	421	4,400	717	
COVID-19 related costs	—	—	—	—	—	757	
Adjusted operating income	<u>\$ 144,665</u>	<u>\$ 169,693</u>	<u>\$ 192,993</u>	<u>\$ 234,804</u>	<u>\$ 250,909</u>	<u>\$ 243,320</u>	
Adjusted operating margin %	12.8 %	14.8 %	16.1 %	17.3 %	17.9 %	18.0 %	45 %

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, strategic transaction costs and COVID-19 related 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

	2015	2016	2017	2018	2019	2020	CAGR
Net income attributable to MSA Safety Inc.	\$ 69,590	\$ 92,691	\$ 26,027	\$ 124,150	\$ 136,440	\$ 120,101	12 %
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 charges (benefits) associated with restructuring activities	7,605	6,473	(2,504)	1,794	584	1,119	
Tax benefit associated with ASU 2016-09	—	—	(8,323)	(2,531)	(2,278)	(1,965)	
Subtotal	80,074	99,164	35,017	125,931	150,105	119,255	
Product liability expense	982	341	126,432	45,327	26,619	39,036	
Restructuring charges	12,258	5,694	17,632	13,247	13,846	27,381	
Strategic transaction costs	4,583	2,531	4,225	421	4,400	717	
Currency exchange losses, net	2,204	766	5,127	2,330	4,455	8,578	
Loss on extinguishment of debt	—	—	—	1,494	—	—	
Asset related losses and other	1,636	32	678	484	371	993	
Income tax expense on adjustments	(6,792)	(3,161)	(47,810)	(13,800)	(11,826)	(19,330)	
Adjusted earnings	\$ 94,945	\$ 105,367	\$ 141,301	\$ 175,434	\$ 187,970	\$ 176,630	13 %

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

	Twelve Months Ended March 31,
	2021
Operating income	\$ 152,107
Depreciation and amortization	40,538
Product liability expense	39,881
Restructuring charges	26,682
Currency exchange gains, net	6,209
Acquisition related costs	1,993
Adjusted EBITDA	\$ 267,410
Total end-of-period debt	360,428
Debt to adjusted EBITDA	<u>1.3</u>
Total end-of-period debt	360,428
Total end-of-period cash and cash equivalents	184,728
Net debt	\$ 175,700
Net debt to adjusted EBITDA	<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.