



# Q3 2023 Earnings Presentation

October 25, 2023

**MSA**

*The Safety Company*

One Mission. One Passion. One Purpose.

# Cautionary Statements Regarding Forward-looking Statements



This presentation may contain (and verbal statements made by MSA® Safety Incorporated (“MSA Safety”) may contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and involve various assumptions, known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, but are not limited to, statements in this presentation regarding our expectations. In some cases, you can identify forward-looking statements by words such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or other comparable words. Actual results, performance or outcomes may differ materially from those expressed or implied by these forward-looking statements and may not align with historical performance and events due to a number of factors, including those discussed in the sections of our annual report on Form 10-K entitled “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors,” and those discussed in our Form 10-Q quarterly reports filed after such annual report. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and caution should be exercised against placing undue reliance upon such statements, which are based only on information currently available to us and speak only as of the date hereof. We are under no duty to update publicly any of the forward-looking statements after the date of this presentation, whether as a result of new information, future events or otherwise, except as required by law.

# Non-GAAP Financials



To supplement our Consolidated Financial Statements presented in accordance with generally accepted accounting principles (“GAAP”), we use, and this presentation includes, certain non-GAAP financial measures. These financial measures include constant currency revenue growth, adjusted operating income, adjusted operating margin, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings, adjusted earnings per diluted share, R&D investment, net debt, debt to adjusted EBITDA, net debt to adjusted EBITDA, free cash flow and free cash flow conversion. These non-GAAP financial measures provide information useful to investors in understanding our operating performance and trends, and to facilitate comparisons with the performance of our peers. Management also uses these measures internally to assess and better understand our underlying business performance and trends related to core business activities. The non-GAAP financial measures and key performance indicators we use, and computational methods with respect thereto, may differ from the non-GAAP financial measures and key performance indicators, and computational methods, that our peers use to assess their performance and trends.

The presentation of these non-GAAP financial measures does not comply with U.S. GAAP. These non-GAAP financial measures should be viewed as supplemental in nature, and not as a substitute for, or superior to, our reported results prepared in accordance with GAAP. When non-GAAP financial measures are disclosed, the Securities and Exchange Commission's Regulation G requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. For an explanation of these measures, together with a reconciliation to the most directly comparable GAAP financial measure, see the appendix of this presentation.

# Q3 2023 Strategic Highlights

## Generating Sustainable Growth and Impact

### LIVING OUR PURPOSE

#### 2022 IMPACT REPORT

- Creating shared value for stakeholders through our Impact Pillars:
  - Products & Solutions
  - People
  - Planet
- Leveraging core strengths
  - Customer knowledge, relationships
  - A trusted brand
  - A culture of innovation
  - Human-centered design
- Generating impact through innovation
  - Sustainability integrated into product development
  - Designing inclusive safety gear
  - Addressing safety challenges such as heat stress and making fall protection gear more user-friendly

### SUPPORTING SAFE COMMUNITIES

#### PROTECTING FIREFIGHTERS AROUND THE WORLD

- MSA’s Chatillon-sur-Chalaronne, France, manufacturing facility welcomed Stage 13 of the 2023 Tour de France to the “World Capital of Fire Helmets”
  - Members of the French Federation of Firefighters on the Tour’s emergency response team wore MSA’s Gallet F2XR rescue helmets

#### OFFICIAL SAFETY SPONSOR OF THE PITTSBURGH PENGUINS NHL HOCKEY TEAM

- MSA Safety brand will be featured on the team’s away-game helmets starting with 2023 – 2024 NHL season

#### GAINING RECOGNITION

- Recognized as one of America’s Greenest Companies for 2024 by *Newsweek*
- Named as a Top Workplace among large companies for the 10<sup>th</sup> time by the *Pittsburgh Post-Gazette*



# Q3 2023 Performance Highlights









## Broad-Based Strength Across Our Global Business

### HIGHLIGHTS

- Strong execution driven by the MSA Business System
- Double-digit sales growth
  - Balanced across product categories, geographies and price/volume
- Incremental margin at high end of target range
  - Margin expansion from healthy volume and price/cost performance
- Robust cash generation
- Order pace remained healthy
- Continued commercial momentum with key wins across portfolio
- Backlog remains an opportunity
- Strengthened financial position ending quarter with 1.3x net leverage

### MULTI-INDUSTRY DETECTION SOLUTIONS

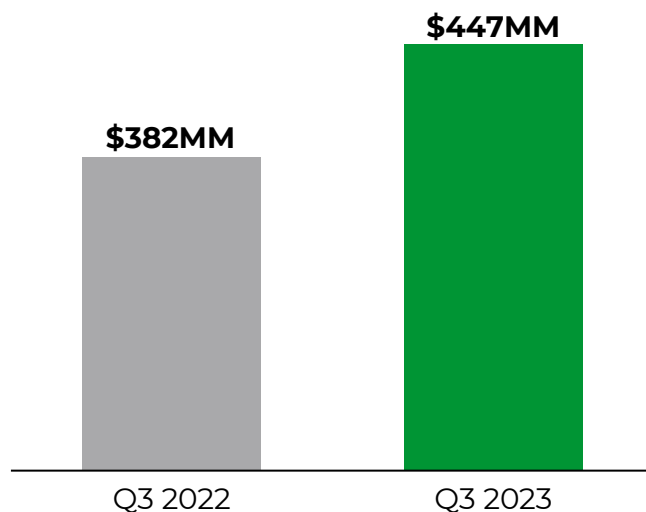
<b>OVERVIEW</b>	Connected instrumentation leveraging proprietary technologies to protect workers, critical infrastructure and the environment			
<b>KEY STATS</b>	<b>~\$4B</b> Total Addressable Market	<b>36%</b> % of Overall Net Sales <sup>(1)</sup>	<b>\$618MM</b> LTM Net Sales <sup>(1)</sup>	<b>KEY MARKETS</b> Process Industries, Utilities, Industrial, HVAC-Refrigeration
<b>PRODUCTS &amp; SOLUTIONS</b>	<b>FIXED GAS &amp; FLAME DETECTION</b> 		<b>PORTABLE GAS DETECTION</b> 	
<b>M&amp;A HISTORY</b>	<b>2010</b> GENERAL MONITORS 	<b>2016</b> SENSCIENT 	<b>2019</b> SIERRA MONITOR CORPORATION 	<b>2021</b> BACHARACH 

(1) % of net sales for the trailing 12-month period ended September 30, 2023.

# Q3 2023 Financial Summary

## Continued Growth Across Portfolio and Strong Operating Leverage

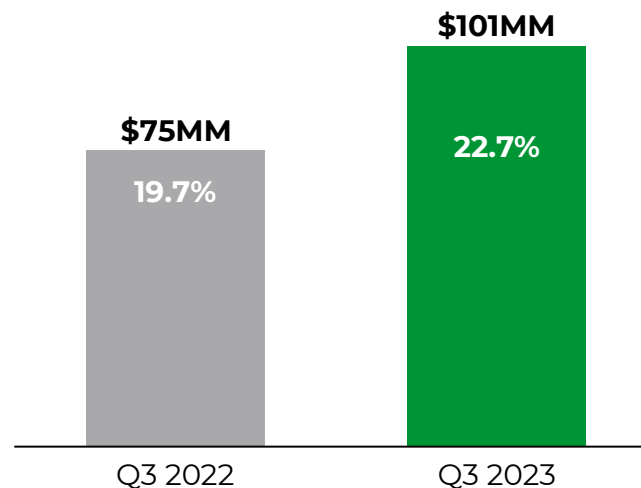
### NET REVENUE



#### NET REVENUE GROWTH OF 17%

- +15% organic and +2% currency
- Growth balanced across product categories, reporting segments and price/volume

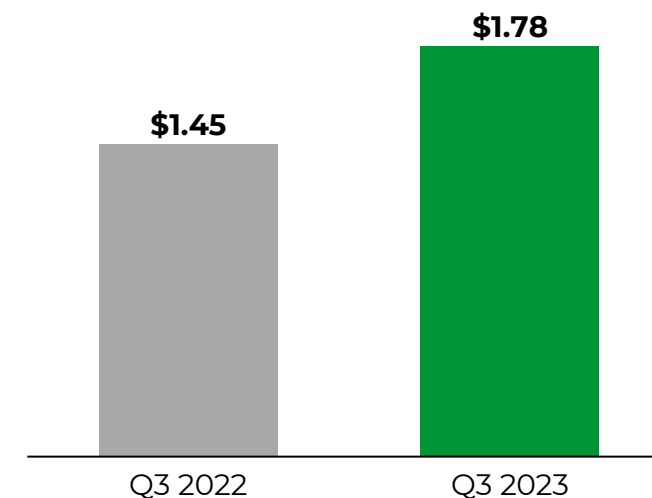
### ADJUSTED OPERATING INCOME & ADJUSTED OPERATING MARGIN



#### ADJUSTED OPERATING MARGIN OF 22.7%

- Volume leverage, price/cost management and operations productivity drove 300 bps margin expansion
- Incremental margin of 40%
- Adjusted EBITDA margin of 25.6%, up 290 bps year-over-year

### ADJUSTED DILUTED EPS



#### ADJUSTED EPS GROWTH OF 23%

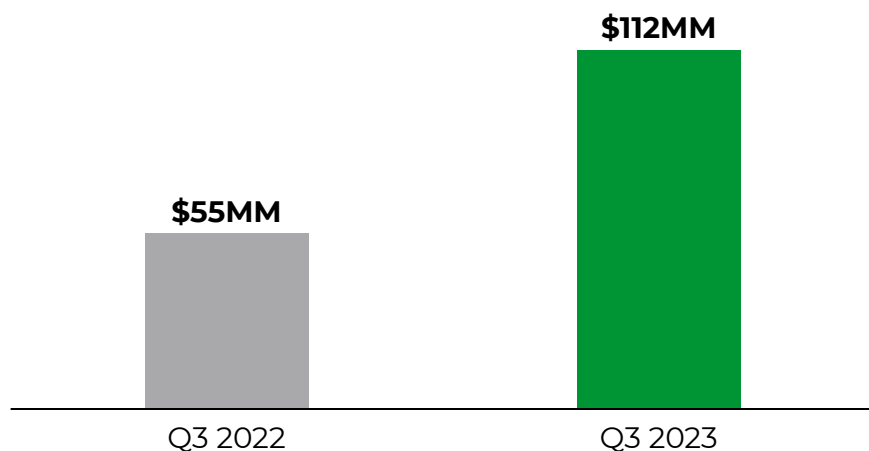
- Higher operating profit drove growth, partially offset by higher interest expense and tax rate

# Q3 2023 Free Cash Flow and Financial Leverage



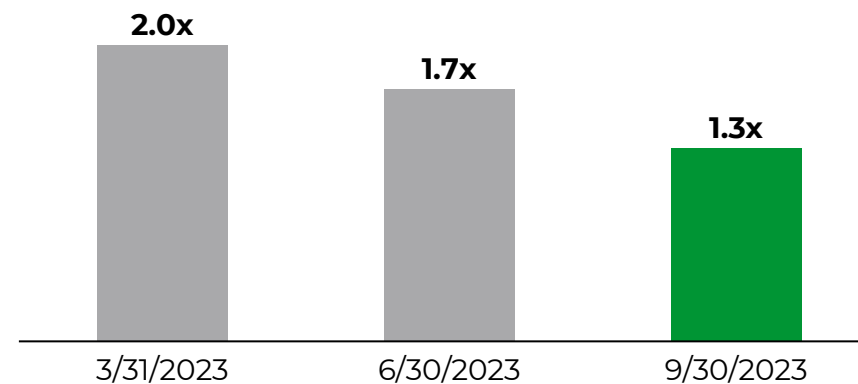
## Robust Cash Generation and Continued Leverage Progress

### FREE CASH FLOW



- Strong cash flow generation enables investment in strategic initiatives
  - Free cash flow conversion rate of 160% (127% YTD)<sup>(1)</sup>
  - Enhanced cash flow generation from higher income, working capital discipline and improved supply chain
  - Returned \$18MM in dividends to shareholders

### NET LEVERAGE



- Robust balance sheet with 1.3x net leverage and ample liquidity
  - Repaid \$68MM of debt in Q3 (\$146MM YTD)
  - \$578MM of net debt at quarter end
  - Profitable growth and improved working capital management continue to support debt reduction and balanced capital allocation strategy

(1) Free cash flow conversion refers to the ratio of free cash flow to adjusted earnings. See appendix for definitions of non-GAAP measures and non-GAAP reconciliations.

# 2023 Outlook

## Raising Full Year Sales Growth Outlook to Mid-Teens Reflects Strong YTD Performance and Balanced Outlook

	% NET SALES <sup>(1)</sup>	KEY END MARKETS
<b>FIREFIGHTER SAFETY</b> <ul style="list-style-type: none"> <li>• SCBA</li> <li>• Helmets</li> <li>• Protective apparel and boots</li> </ul>	<p><b>37%</b></p>	<ul style="list-style-type: none"> <li>• Fire service and first responder</li> </ul>
<b>GAS DETECTION</b> <ul style="list-style-type: none"> <li>• Fixed gas and flame detection</li> <li>• Portable gas detection</li> </ul>	<p><b>36%</b></p>	<ul style="list-style-type: none"> <li>• Oil, gas and petrochemical</li> <li>• Utilities</li> <li>• HVAC-R</li> <li>• Industrial</li> </ul>
<b>INDUSTRIAL PPE</b> <ul style="list-style-type: none"> <li>• Industrial head protection</li> <li>• Fall protection</li> <li>• Non-core sales</li> </ul>	<p><b>27%</b></p>	<ul style="list-style-type: none"> <li>• Oil, gas and petrochemical</li> <li>• Utilities</li> <li>• Non-residential construction</li> <li>• Industrial</li> </ul>

### OPERATING ENVIRONMENT UPDATE

#### POSITIVES

- Continued strength in organic growth
- Elevated backlog remains an opportunity
- Ongoing healthy funding environment for firefighter safety
- Successful commercial and operational execution driving upside
  - Improving factory throughput
  - Managing price/cost
- Growing global demand for safety products and solutions

#### CHALLENGES

- Macroeconomic conditions potentially result in end market softening
- Supply chain improving, but constraints continue
- EPS headwind from higher interest expense

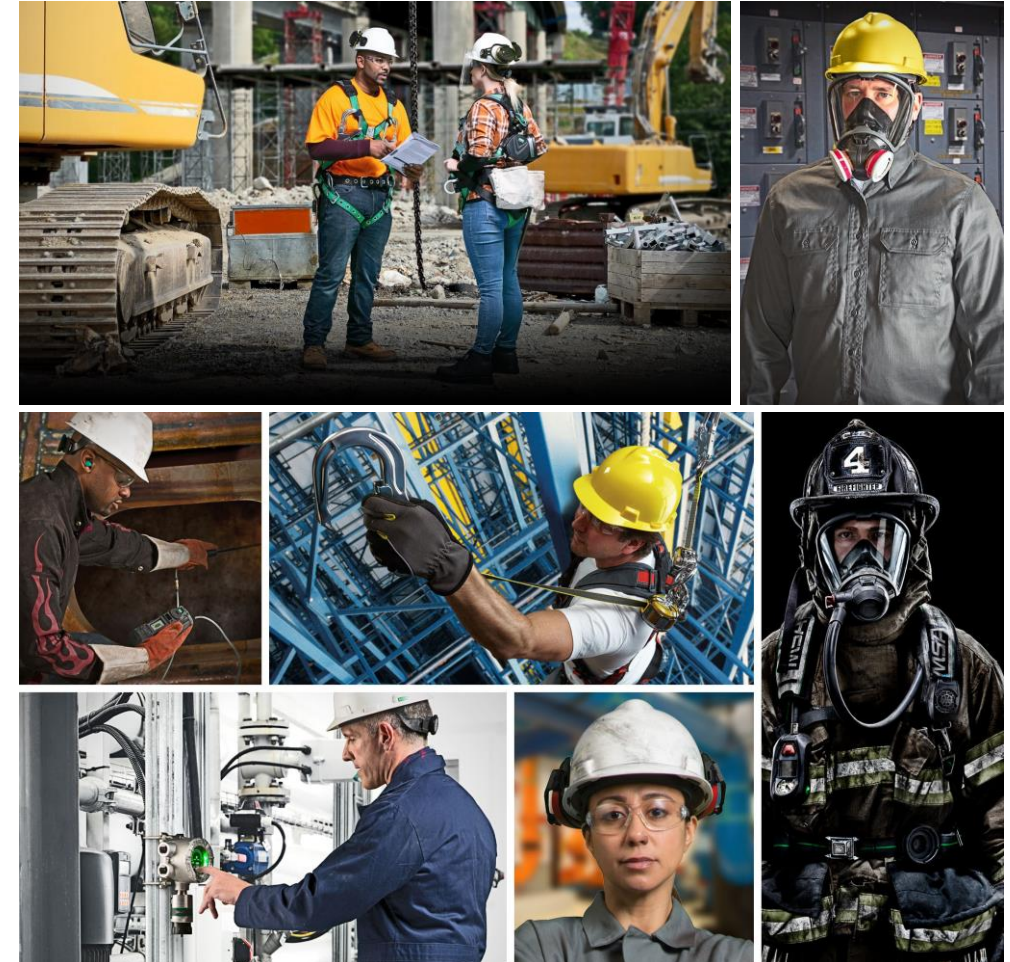
(1) % of net sales for the trailing 12-month period ended September 30, 2023.



# Key Takeaways

## Well Positioned to Deliver Profitable Growth on a Sustained Basis

-  **Strong execution** YTD resulting in double-digit growth, healthy margin expansion and robust cash generation
-  **Mission-driven culture and unwavering commitment** to the safety of our customers and our employees
-  **Reliable, diversified base business** drives organic growth and margin expansion opportunities across cycles
-  **Reinvestment in innovation and technology**, including strategic M&A, enables leading positions in attractive end markets
-  **Strong balance sheet** supports growth investments and increased return of capital to shareholders while deleveraging





## Q&A



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# Appendix

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# Reconciliation of Non-GAAP Financial Measures



## Constant Currency Sales Growth (Unaudited) – Consolidated

	Three Months Ended September 30, 2023								
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change	21%	18%	28%	11%	5%	15%	18%	3%	17%
Plus: Currency translation effects	(2%)	(2%)	(2%)	(2%)	(3%)	(4%)	(2%)	(3%)	(2%)
Constant currency sales change	19%	16%	26%	9%	2%	11%	16%	— %	15%

	Nine Months Ended September 30, 2023								
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change	13%	27%	24%	23%	10%	23%	20%	13%	19%
Plus: Currency translation effects	— %	1%	(1%)	— %	(1%)	(1%)	(1%)	(1%)	— %
Constant currency sales change	13%	28%	23%	23%	9%	22%	19%	12%	19%

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



## Constant Currency Sales Growth (Unaudited) – Americas Segment

	Three Months Ended September 30, 2023								
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change	13%	23%	18%	13%	5%	15%	15%	1%	14%
Plus: Currency translation effects	— %	— %	(2%)	(3%)	(3%)	(4%)	(2%)	(3%)	(2%)
Constant currency sales change	13%	23%	16%	10%	2%	11%	13%	(2%)	12%

	Nine Months Ended September 30, 2023								
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change	9%	38%	20%	26%	10%	24%	20%	22%	20%
Plus: Currency translation effects	— %	— %	(1%)	(1%)	(2%)	(2%)	(1%)	(2%)	(1%)
Constant currency sales change	9%	38%	19%	25%	8%	22%	19%	20%	19%

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# Reconciliation of Non-GAAP Financial Measures



## Constant Currency Sales Growth (Unaudited) – International Segment

		Three Months Ended September 30, 2023								
		Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change		45%	3%	52%	6%	4%	15%	29%	6%	25%
Plus: Currency translation effects		(6%)	(7%)	(5%)	(2%)	(1%)	(6%)	(5%)	(4%)	(4%)
Constant currency sales change		39%	(4%)	47%	4%	3%	9%	24%	2%	21%

		Nine Months Ended September 30, 2023								
		Breathing Apparatus	Firefighter Helmets and Protective Apparel	Fixed Gas and Flame Detection	Portable Gas Detection	Industrial Head Protection	Fall Protection	Core Sales	Non-Core Sales	Net Sales
GAAP reported sales change		25%	(2%)	32%	16%	11%	20%	20%	2%	18%
Plus: Currency translation effects		1%	— %	— %	2%	3%	1%	1%	— %	— %
Constant currency sales change		26%	(2%)	32%	18%	14%	21%	21%	2%	18%

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# Reconciliation of Non-GAAP Financial Measures



## Segment Information (Unaudited)

(In thousands, except percentage amounts)

	<u>Americas</u>	<u>International</u>	<u>Corporate</u>	<u>Consolidated</u>
<b>Three Months Ended September 30, 2023</b>				
Net sales to external customers	\$ 314,273	\$ 132,455	\$ -	\$ 446,728
Operating income				94,123
Operating margin %				21.1%
Restructuring charges				3,285
Currency exchange losses, net				1,496
Amortization of acquisition-related intangible assets				2,315
Transaction costs <sup>(a)</sup>				78
Adjusted operating income (loss)	93,918	22,577	(15,198)	101,297
Adjusted operating margin %	29.9%	17.0%		22.7%
Depreciation and amortization				13,189
Adjusted EBITDA	103,157	26,289	(14,960)	114,486
Adjusted EBITDA margin %	32.8%	19.8%		25.6%
<b>Three Months Ended September 30, 2022</b>				
Net sales to external customers	\$ 276,082	\$ 105,612	\$ -	\$ 381,694
Operating income				64,313
Operating margin %				16.8%
Restructuring charges				899
Currency exchange losses, net				2,979
Product liability expense				4,035
Amortization of acquisition-related intangible assets				2,279
Transaction costs <sup>(a)</sup>				620
Adjusted operating income (loss)	75,088	8,448	(8,411)	75,125
Adjusted operating margin %	27.2%	8.0%		19.7%
Depreciation and amortization				11,518
Adjusted EBITDA	83,945	10,980	(8,282)	86,643
Adjusted EBITDA margin %	30.4%	10.4%		22.7%

(a) Transaction costs include advisory, legal, accounting, valuation, and other professional or consulting fees incurred during acquisitions and divestitures. These costs are included in selling, general and administrative expense in the unaudited Condensed Consolidated Statements of Operations.

The Americas segment is comprised of our operations in Northern North American and Latin American 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.

# Reconciliation of Non-GAAP Financial Measures



## Segment Information (Unaudited)

(In thousands, except percentage amounts)

### Nine Months Ended September 30, 2023

	<u>Americas</u>	<u>International</u>	<u>Corporate</u>	<u>Consolidated</u>
Net sales to external customers	\$ 902,918	\$ 389,372	\$ -	\$ 1,292,290
Operating income				129,070
Operating margin %				10.0%
Restructuring charges				8,382
Currency exchange losses, net				8,781
Loss on divestiture of MSA LLC				129,211
Product liability expense				3
Amortization of acquisition-related intangible assets				6,936
Transaction costs <sup>(a)</sup>				78
Adjusted operating income (loss)	260,428	60,099	(38,066)	282,461
Adjusted operating margin %	28.8%	15.4%		21.9%
Depreciation and amortization				38,029
Adjusted EBITDA	287,628	70,296	(37,434)	320,490
Adjusted EBITDA margin %	31.9%	18.1%		24.8%

### Nine Months Ended September 30, 2022

Net sales to external customers	\$ 754,116	\$ 330,583	\$ -	\$ 1,084,699
Operating income				168,517
Operating margin %				15.5%
Restructuring charges				3,146
Currency exchange losses, net				4,788
Product liability expense				9,733
Amortization of acquisition-related intangible assets				6,922
Transaction costs <sup>(a)</sup>				1,476
Adjusted operating income (loss)	184,664	34,674	(24,756)	194,582
Adjusted operating margin %	24.5%	10.5%		17.9%
Depreciation and amortization				34,961
Adjusted EBITDA	210,201	43,708	(24,366)	229,543
Adjusted EBITDA margin %	27.9%	13.2%		21.2%

(a) Transaction costs include advisory, legal, accounting, valuation, and other professional or consulting fees incurred during acquisitions and divestitures. These costs are included in selling, general and administrative expense in the unaudited Condensed Consolidated Statements of Operations.

The Americas segment is comprised of our operations in Northern North American and Latin American 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.



# Reconciliation of Non-GAAP Financial Measures



## Adjusted Earnings and Adjusted Earnings per Diluted Share (Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Net income (loss)	\$ 65,256	\$ 44,906	45%	\$ (17,827)	\$ 128,141	(114%)
Loss on divestiture of MSA LLC	—	—		129,211	—	
Deferred tax asset write-off related to divestiture of MSA LLC	—	—		70,366	—	
Product liability expense	—	4,035		3	9,733	
Amortization of acquisition-related intangible assets	2,315	2,279		6,936	6,922	
Transaction costs <sup>(a)</sup>	78	620		78	1,476	
Restructuring charges	3,285	899		8,382	3,146	
Asset related losses and other	42	4,652		(671)	4,776	
Currency exchange losses (gains), net	1,496	2,979		8,781	4,788	
Income tax expense on adjustments	(2,327)	(3,331)		(9,248)	(7,400)	
Adjusted earnings	<u>\$ 70,145</u>	<u>\$ 57,039</u>	23%	<u>\$ 196,011</u>	<u>\$ 151,582</u>	29%
Adjusted earnings per diluted share	<u>\$ 1.78</u>	<u>\$ 1.45</u>	23%	<u>\$ 4.97</u>	<u>\$ 3.85</u>	29%

(a) Transaction costs include advisory, legal, accounting, valuation, and other professional or consulting fees incurred during acquisitions and divestitures. These costs are included in selling, general and administrative expense in the unaudited Condensed Consolidated Statements of Operations.

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 (loss) income determined on a GAAP basis as well as adjusted earnings.

# Reconciliation of Non-GAAP Financial Measures



## Free Cash Flow (Unaudited)

(In thousands, except percentage amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cash flow from (used in) operating activities	\$ 124,784	\$ 63,927	\$ (66,057)	\$ 103,903
Contribution for divestiture of MSA LLC	-	-	341,186	
Product liability payments (receivable collections), net, related to MSA LLC	-	(179)	5,250	(435)
Adjusted cash flow from operating activities	124,784	63,748	280,379	103,468
Capital expenditures	(12,657)	(8,948)	(30,979)	(28,753)
Adjusted Free cash flow	<u>\$ 112,127</u>	<u>\$ 54,800</u>	<u>\$ 249,400</u>	<u>\$ 74,715</u>
Adjusted earnings	70,145	57,039	196,011	151,582
Adjusted Free cash flow conversion	160%	96%	127%	49%

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 adjusted earnings. 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.

# Reconciliation of Non-GAAP Financial Measures



## Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA (Unaudited)

(In thousands)	<b>Twelve Months Ended September 30, 2023</b>
Operating income	\$ 199,690
Loss on divestiture of MSA LLC	129,211
Depreciation and amortization	50,178
Product liability expense	10,860
Restructuring charges	13,201
Currency exchange losses, net	14,248
Amortization of acquisition-related intangible assets	9,221
Transaction costs <sup>(a)</sup>	1,835
Adjusted EBITDA	<u>\$ 428,444</u>
Total end-of-period debt	742,012
Debt to adjusted EBITDA	<u>1.7</u>
Total end-of-period debt	\$ 742,012
Total end-of-period cash and cash equivalents	164,499
Net debt	<u>\$ 577,513</u>
Net debt to adjusted EBITDA	<u>1.3</u>

(a) Transaction costs include advisory, legal, accounting, valuation, and other professional or consulting fees incurred during acquisitions and divestitures. These costs are included in selling, general and administrative expense in the unaudited Condensed Consolidated Statements of Operations.

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.

# Reconciliation of Non-GAAP Financial Measures



## R&D Investment (Unaudited)

(In thousands)	Nine Months Ended September 30,		Trailing Twelve Months	Twelve Months Ended
	2023	2022	Ended September 30,	December 31,
			2023	2022
Research and development expense	\$ 48,906	\$ 43,017	\$ 62,901	\$ 57,012
Capitalized software development costs	9,402	6,541	11,519	8,713
Total R&D investment	58,308	49,558	74,420	65,725
Net sales	\$ 1,292,290	\$ 1,084,699	\$ 1,735,544	\$ 1,527,953
R&D investment (% net sales)	4.5%	4.6%	4.3%	4.3%

Management believes that total R&D investment is a meaningful measure for investors. Management includes capitalized software development costs when evaluating total research and development expenditures as it believes it better represents its overall spend. Management defines R&D investment as research and development expense plus capitalized software development cost. As such, management believes that it is appropriate to consider research and development expense determined on a GAAP basis as well as total R&D investment.