



## ***2<sup>nd</sup> Quarter Earnings Conference Call***

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***November 8, 2018***

## **David M. Shaffer**

Director, President and Chief Executive Officer

## **Michael J. Schmidtlein**

Executive Vice President and Chief Financial Officer

### ***Forward-Looking Information***

As a reminder, we will be presenting certain forward-looking statements on this call that are based on Management's current expectations and views regarding future events and operating performance and are subject to uncertainties and changes in circumstances. Our actual results may differ materially from the forward-looking statements for a number of reasons. Our forward-looking statements are applicable only as of the date of this presentation. For a list of the factors which could affect our future results, including our earnings estimates, see forward-looking statements included in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018, which was filed with the U.S. Securities and Exchange Commission.

In addition, we will also be presenting certain non-GAAP financial measures. For an explanation of the differences between the comparable GAAP financial information and the non-GAAP information, please see our company's Form 8-K which includes our press release dated November 7<sup>th</sup>, 2018, which is located on our web site at [www.enersys.com](http://www.enersys.com).

# Second Quarter Fiscal 2019 Results

(\$ Millions)

	Q2 F'19	Q2 F'18
<b>SALES</b>	<b>\$660</b>	<b>\$617</b>
<b>GROSS PROFIT \$</b>	<b>\$160.9</b>	<b>\$159.9</b>
<b>OP EARNINGS \$</b>	<b>\$66.6</b>	<b>\$67.3</b>
<b>OP EARNINGS %</b>	<b>10.1%</b>	<b>10.9%</b>
<b>EPS</b>	<b>\$1.17</b>	<b>\$1.05</b>

- Q2 F'19 EPS near top of guidance range of \$1.14 to \$1.18 per share
- 85% sales price recovery from rising commodity costs

Note: Q2 F'18 and YTD F'18 restated for \$.4M and \$.8M, respectively, for pension costs that were reclassified from COGS to other income/expense, pursuant to the adoption of ASU-2017-07.

Presented on an as adjusted basis.

# Global Business Review

## AMERICAS

- All Reserve Power markets strong, however TPPL capacity constraints
- Motive Power TPPL maintenance-free products trending over 10% of motive sales
- Winning business from competitors

## EMEA

- Strong Motive Power, partially offset by weak telecom (telecom spending soft - waiting for 5G)
- Motive Power TPPL maintenance-free product sales also trending higher

## ASIA

- Reserve Power Q2 sales volume down due to Chinese mandate for using recycled lithium batteries for telecom
- Strong Motive Power growth in China and Australia

## AEROSPACE & DEFENSE

- Significant wins from Defense and Aerospace OEMs for satellites and weapon systems
- Adding second shift in Tampa facility

# Information Metrics

	Q2 FY19	FY 2018	FY 2017
Premium Products % of Net Sales	42%	40%	40%
LME Lead Average	\$1.12 (YoY Increase \$30M)	\$1.04 (YoY Increase \$125M)	\$0.84
Gross Cost Reduction Savings	\$7M	\$25M	\$20+M
System Costs in P&L (SAP, Salesforce, HRIS)	\$2M	\$8M	\$3M
Engineering Costs + YoY	\$3M	\$8M	\$2M+

- Final quarter of commodity cost year-over-year headwind

# Strategic Initiatives

- **Alpha acquisition complements our growth, product differentiation and technologies**
- **Maintenance-free motive power lithium modular product launches in December**

# F'19 2<sup>nd</sup> Qtr. YOY Sales By Region & Line Of Business

(\$ Millions)

	F'19 Q2	F'18 Q2	Fav/(Unfav)		Volume	Price	M&A	Fx
			\$	%				
Americas	\$389	\$342	\$47	14%	12%	3%	-	-1%
EMEA	\$204	\$198	\$6	3%	6	-	-	-3%
Asia	\$68	\$78	(\$10)	-13%	-14%	1%	-	-
<b>Total Net Sales</b>	<b>\$660</b>	<b>\$617</b>	<b>\$43</b>	<b>7%</b>	<b>7%</b>	<b>2%</b>	<b>-</b>	<b>-2%</b>
<b>Motive Power</b>	<b>\$347</b>	<b>\$325</b>	<b>\$22</b>	<b>7%</b>	<b>7%</b>	<b>2%</b>	<b>-</b>	<b>-2%</b>
<b>Reserve Power</b>	<b>\$313</b>	<b>\$292</b>	<b>\$21</b>	<b>7%</b>	<b>7%</b>	<b>2%</b>	<b>-</b>	<b>-2%</b>
<b>Total Net Sales</b>	<b>\$660</b>	<b>\$617</b>	<b>\$43</b>	<b>7%</b>	<b>7%</b>	<b>2%</b>	<b>-</b>	<b>-2%</b>

Rounding may cause minor differences.

Highlighted items are referenced in management presentation.

# F'19 2<sup>nd</sup> Qtr. Sequential Sales By Region & Line Of Business

(\$ Millions)

	F'19 Q2	F'19 Q1	Fav/(Unfav)	
			\$	%
Americas	\$389	\$393	(\$4)	-1%
EMEA	\$204	\$210	(\$7)	-3%
Asia	\$68	\$68	-	-
<b>Total Net Sales</b>	<u>\$660</u>	<u>\$671</u>	<u>(\$11)</u>	<u>-2%</u>
			<div> <div>-1% Organic, 0% Acquisitions</div> <div>0% Price, -1% Fx</div> </div>	
Motive Power	\$347	\$347	-	-
Reserve Power	\$313	\$324	(\$11)	-3%
<b>Total Net Sales</b>	<u>\$660</u>	<u>\$671</u>	<u>(\$11)</u>	<u>-2%</u>

Rounding may cause minor differences.

  Highlighted items are referenced in management presentation.



# F'19 2<sup>nd</sup> Qtr. Operating Earnings by Region

(\$ Millions)

Year Over Year	F'19 Q2	F'18 Q2	Fav/(Unfav)	
			\$	%
Operating Earnings - As adjusted				
Americas	\$50.5	\$44.9	\$5.7	13%
	13.0%	13.1%		
EMEA	13.8	18.2	(4.4)	-24%
	6.8%	9.2%		
Asia	2.3	4.2	(1.8)	-44%
	3.4%	5.5%		
Total Operating Earnings	\$66.6	\$67.3	(\$0.6)	-1%
As % Net Sales	10.1%	10.9%		

Sequential	F'19 Q2	F'19 Q1	Fav/(Unfav)	
			\$	%
Operating Earnings - As adjusted				
Americas	\$50.5	\$49.5	\$1.0	2%
	13.0%	12.6%		
EMEA	13.8	17.2	(3.4)	-20%
	6.8%	8.2%		
Asia	2.3	1.5	0.8	53%
	3.4%	2.2%		
Total Operating Earnings	\$66.6	\$68.2	(\$1.6)	-2%
As % Net Sales	10.1%	10.2%		

Note: Q2 F'18 and YTD F'18 restated for \$.4M and \$.8M, respectively, for pension costs that were reclassified from COGS to other income/expense, pursuant to the adoption of ASU-2017-07.

Rounding may cause minor differences. Presented on an as adjusted basis.

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# F'19 2<sup>nd</sup> Qtr. Net Earnings and EPS

(\$ Millions, Except Per Share Amounts)

	F'19 Q2	F'18 Q2	Fav/(Unfav)	
			\$	%
<b>Operating Earnings - As Adjusted</b>	\$66.6	\$67.3	(\$0.6)	-1%
As % Net Sales	10.1%	10.9%		(0.8)Pts.
<b>Book Tax Rate</b>	19%	22%	—	—
<b>Net Earnings - As Adjusted</b>	\$49.9	\$45.3	\$4.6	10%
As % Net Sales	7.6%	7.3%		0.2 Pts.
<b>EPS diluted - As Adjusted</b>	\$1.17	\$1.05	\$0.12	12%
<b>Avg. Diluted Shares Outstanding</b> (Millions)	42.774	43.327	.553	1%

Note: Q2 F'18 and YTD F'18 restated for \$.4M and \$.8M, respectively, for pension costs that were reclassified from COGS to other income/expense, pursuant to the adoption of ASU-2017-07.

Rounding may cause minor differences. Presented on an as adjusted basis.

Highlighted items are referenced in management presentation.

# F'19 YTD Sales By Region & Line Of Business

(\$ Millions)

	F'19	F'18	Fav/(Unfav)		Volume	Price	M&A	Fx
			\$	%				
<b>Americas</b>	\$781	\$696	\$85	12%	11%	3%	-	-2%
<b>EMEA</b>	\$414	\$397	\$18	4%	3%	1%	-	-
<b>Asia</b>	\$136	\$147	(\$11)	-8%	-10%	1%	-	1%
<b>Total Net Sales</b>	<u>\$1,331</u>	<u>\$1,240</u>	<u>\$91</u>	<u>7%</u>	<u>6%</u>	<u>2%</u>	<u>-</u>	<u>-1%</u>
<b>Motive Power</b>	\$694	\$643	\$51	8%	6%	2%	-	-
<b>Reserve Power</b>	\$637	\$597	\$40	7%	6%	1%	-	-
<b>Total Net Sales</b>	<u>\$1,331</u>	<u>\$1,240</u>	<u>\$91</u>	<u>7%</u>	<u>6%</u>	<u>2%</u>	<u>-</u>	<u>-1%</u>

Note - Rounding may cause minor differences. Presented on an as adjusted basis.

# F'19 YTD Net Earnings and EPS

(\$ Millions, Except Per Share Amounts)

	F'19	F'18	Fav/(Unfav)	
			\$	%
<b>Operating Earnings - As Adjusted</b>	\$134.8	\$139.0	(\$4.2)	-3%
As % Net Sales	10.1%	11.2%		(1.1)Pts.
<b>Book Tax Rate</b>	19%	22%	—	—
<b>Net Earnings - As Adjusted</b>	\$99.6	\$94.7	\$4.9	5%
As % Net Sales	7.5%	7.6%		(0.1)Pts.
<b>EPS diluted - As Adjusted</b>	\$2.33	\$2.17	\$0.16	7%
<b>Avg. Diluted Shares Outstanding</b>	42.674	43.745	1.071	2%
(Millions)				

Note - Rounding may cause minor differences. Presented on an as adjusted basis.

# Financial Position Highlights

(\$ Millions)

	Q2 Fiscal Year 2019	Full Fiscal Year 2018
Cash & Cash Equivalents	\$545.2	\$522.1
Net Debt (Gross Debt – Investments)	\$178.2	\$187.8
Net Cash from Operations	\$84.0	\$211.0
Capital Expenditures	\$35.5	\$69.8
Leverage Ratio (per US Credit Agreement)	0.7X	0.7X
Primary Working Capital as a % of Sales	25.2%	25.7%
Return on Adj Shareholders' Equity - LTM	16.2%	16.1%

 Highlighted items are referenced in management presentation.

# Tax Legislation Impact

(\$ Millions)

Estimated Impact of U.S. Tax Legislation	Tax (Expense)/Benefit		Cash Impact	
	FY 18	FY 19	FY 18	FY 19
<b>Corporate Income Tax Rate Reduction</b>				
<i>Reduce Deferred Tax Liability</i>	14			
<i>Reduce Current Tax Expense (35% to 31.5%)</i>	3		3	
<i>Reduce Current Tax Expense (31.5% to 21%)</i>		10		10
<b>U.S. Tax on International Earnings</b>				
<i>Increase Current Tax Expense</i>		(7)		(7)
<b>One Time Tax on Cumulative Unrepatriated Earnings</b>				
<i>Increase Current Tax Expense</i>	(98)			
<i>Increase Tax Payments (payable over 8 years)</i>				(8)
<b>Total</b>	<b>(81)</b>	<b>3</b>	<b>3</b>	<b>(5)</b>