



# **First Quarter 2018 Earnings Conference Call**

April 24, 2018

# Forward-Looking Statements



Certain statements contained in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "outlook", "expected", "projected", "scheduled", "could", "believe", "anticipated" and others, and include statements regarding our expectations for 2018 financial performance and end market conditions including the anticipated growth or improvement of operating results and anticipated market conditions; expectations with respect to the impact of the Aclara acquisition; projected modified earnings per share expectations; and restructuring and related activities. Such forward-looking statements involve numerous assumptions, known and unknown risks, uncertainties and other factors which may cause actual and future performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include: the impact of U.S. tax reform legislation; the impact of and the ability to complete strategic acquisitions and integrate acquired companies, including risks associated with the Aclara acquisition; achieving sales levels to fulfill revenue expectations; unexpected costs or charges, certain of which may be outside the control of the Company; changes in material costs; the level of price increases or discounts; restructuring actions; general economic and business conditions; foreign exchange rates; and competition. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, refer to our most recent 10-K for the year ended December 31, 2017 and subsequent SEC filings that are filed with the SEC and are also available at [www.hubbell.com](http://www.hubbell.com).



- Net sales of \$991M
  - Organic growth of 3%; acquisitions contributed 13%
  - FX increased sales less than 1%
  
- Operating margin 10.0%; adjusted operating margin 12.3%<sup>(1)</sup>
  - Price | material cost headwinds
  - Impact from acquisitions
  - Productivity in excess of cost increases
  - Favorable volume | mix
  
- Diluted EPS of \$1.05; adjusted diluted EPS of \$1.39<sup>(1)</sup>
  - Includes \$0.12 of legacy intangible asset amortization

Organic and acquisition growth; material cost headwinds

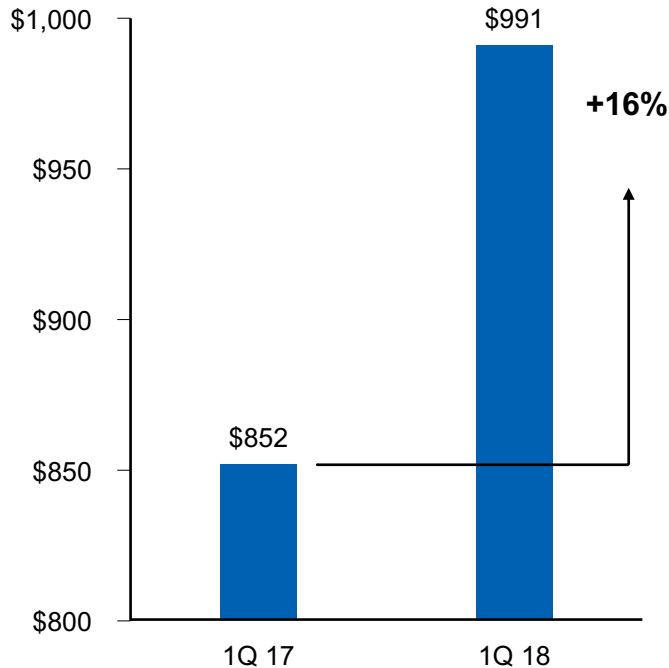
<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

# 1Q 2018 Sales



(\$Millions)

## Net Sales



## End Markets

Non-residential	↑ ↑	<ul style="list-style-type: none"><li>• New construction</li><li>• Renovation and retrofit</li></ul>
Electrical T & D	↑ ↑	<ul style="list-style-type: none"><li>• Transmission</li><li>• Distribution</li></ul>
Industrial	↑ ↑	<ul style="list-style-type: none"><li>• Light</li><li>• Heavy</li></ul>
Oil & Gas	↑ ↑	<ul style="list-style-type: none"><li>• Oil</li><li>• Gas</li></ul>
Residential	↑	<ul style="list-style-type: none"><li>• Single Family</li></ul>

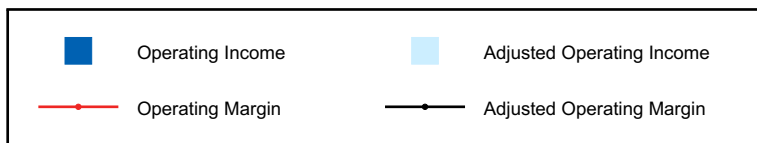
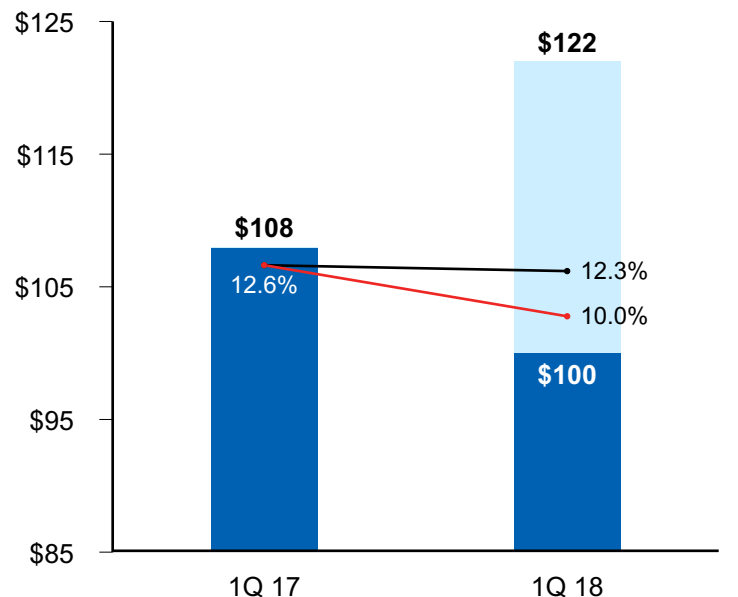
Organic +3%; Acquisition +13%

# 1Q 2018 Operating Income



(\$Millions)

## Operating Income <sup>(1)</sup>



## Gross Margin

28.5% of sales, down 230 bps from 2017 (reported)

- Includes Aclara acquisition-related costs of (110 bps)
- Price | material cost headwinds
- Dilutive impact of acquisitions
- Productivity greater than cost increases

## S&A% of Net Sales

18.5% of sales, up 30 bps from 2017 (reported)

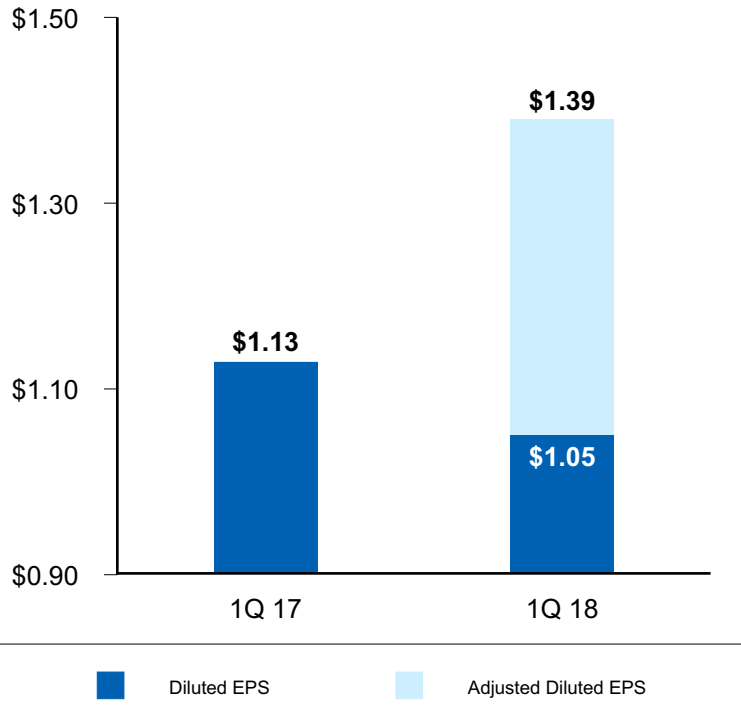
- Includes Aclara acquisition-related and transaction costs of (120 bps)
- Benefit from higher volume

Impact of acquisitions, P|C|P headwinds

<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.



## Earnings Per Diluted Share <sup>(1)</sup>



- Higher operating income, excluding Aclara
- Lower effective tax rate
- Impact of Aclara
  - Benefit of operating income
  - Higher interest expense

**Stronger operating income, lower tax rate driving EPS improvement**

<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

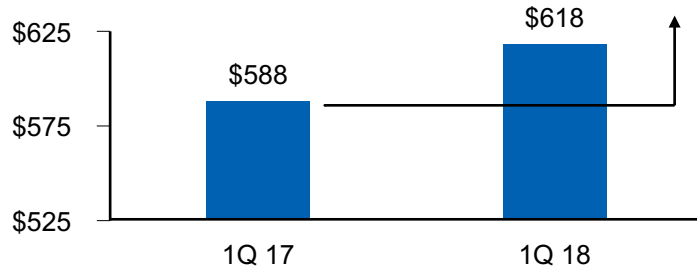
# 1Q 2018 Electrical Segment Results



(\$Millions)

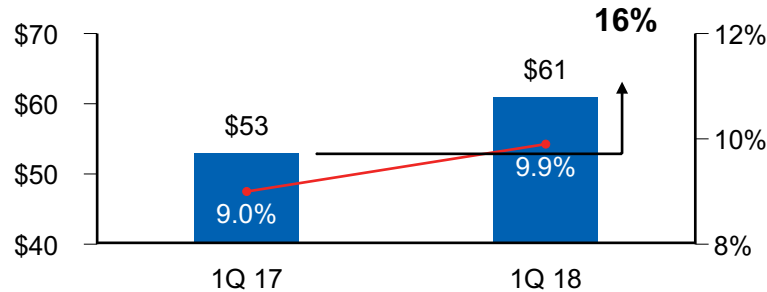
## Net Sales

+5%



## Operating Income

16%



■ Operating Income —●— Operating Margin

## Markets

- Organic +3%, Acquisitions +1%, FX +1%
- Non-residential and residential growth
- Oil | Gas and Industrial growth

## Performance

- Productivity greater than cost increases
- Benefit of higher volume
- Price | material cost headwinds
- Investment in IoT

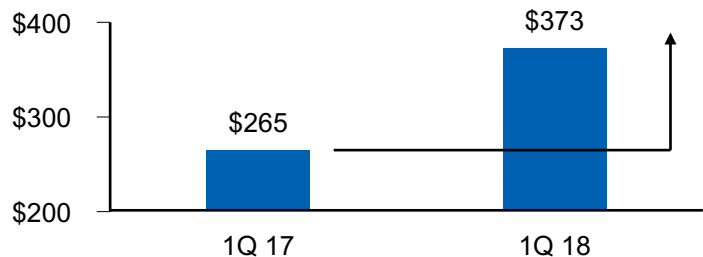
Steady organic growth; margin expansion in Lighting

# 1Q 2018 Power Segment Results

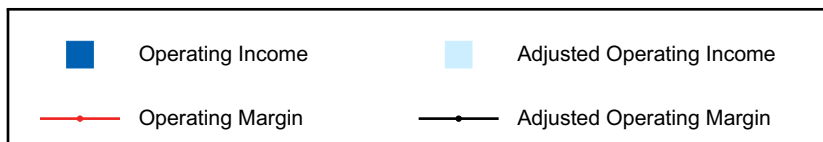
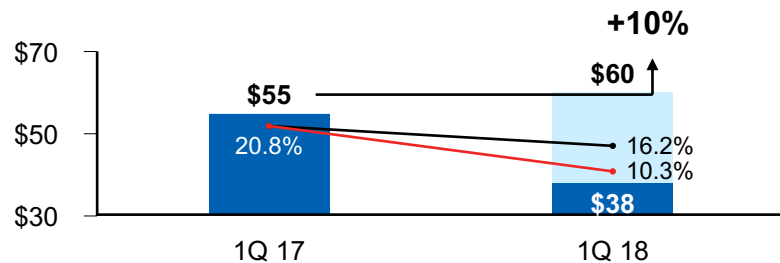


(\$Millions)

## Net Sales +41%



## Operating Income <sup>(1)</sup>



## Markets

- Organic +3%, Acquisitions +38%
- Distribution and Transmission growth

## Performance

- Price | material cost headwinds (~2 pts)
- Dilutive impact of acquisitions (~2 pts)
- Includes Aclara acquisition-related and transaction costs of (~6 pts)

OP impacted by material costs and acquisitions

<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.



# 1Q 2018 Cash Flow



(\$Millions)

	YTD 2017	YTD 2018
Net Income Attributable to Hubbell	\$ 63	\$ 58
Depreciation and Amortization	24	40
Accounts receivable, net	(13)	(47)
Inventories, net	(12)	(19)
Accounts payable	9	(1)
Current liabilities	(18)	(36)
<b>Working Capital</b>	<b>(34)</b>	<b>(103)</b>
Other	10	5
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 63</b>	<b>\$ —</b>
Capex	(14)	(22)
<b>Free Cash Flow <sup>(2)</sup></b>	<b>\$ 49</b>	<b>\$ (22)</b>

Current year impacted by ~\$25M of unusual items

<sup>(2)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

# 1Q 2018 Adjusted EBITDA



	YTD 2017	YTD 2018
Net Income	\$ 64	\$ 60
Provision for Income Taxes	27	16
Interest Expense, net	11	17
Other Non Operational Income	6	6
Depreciation and Amortization	24	40
Aclara Transaction Costs in Operating Income	—	9
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 132</b>	<b>\$ 148</b>

YOY EBITDA growth

<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

# 2018 Capital Structure



	12/31/2017	03/31/2018
Cash	\$ 375	\$ 216
Commercial Paper Outstanding	\$ 63	\$ 149
Term Loan	\$ —	\$ 500
<u>Senior Notes</u>		
- Due 2022 @ 3.625%	\$ 300	\$ 300
- Due 2026 @ 3.35%	\$ 400	\$ 400
- Due 2027 @ 3.15%	\$ 300	\$ 300
- Due 2028 @ 3.50%	\$ —	\$ 450
Total Debt <sup>(3)</sup>	\$ 1,055	\$ 2,081
<i>Debt to Total Capital</i>	39%	56%
<i>Net Debt to Total Capital</i> <sup>(4)</sup>	23%	48%
<u>Revolver</u>		
- Currently available	\$ 750	\$ 750
- Outstanding	\$ —	\$ —

Higher debt levels relating to Aclara funding

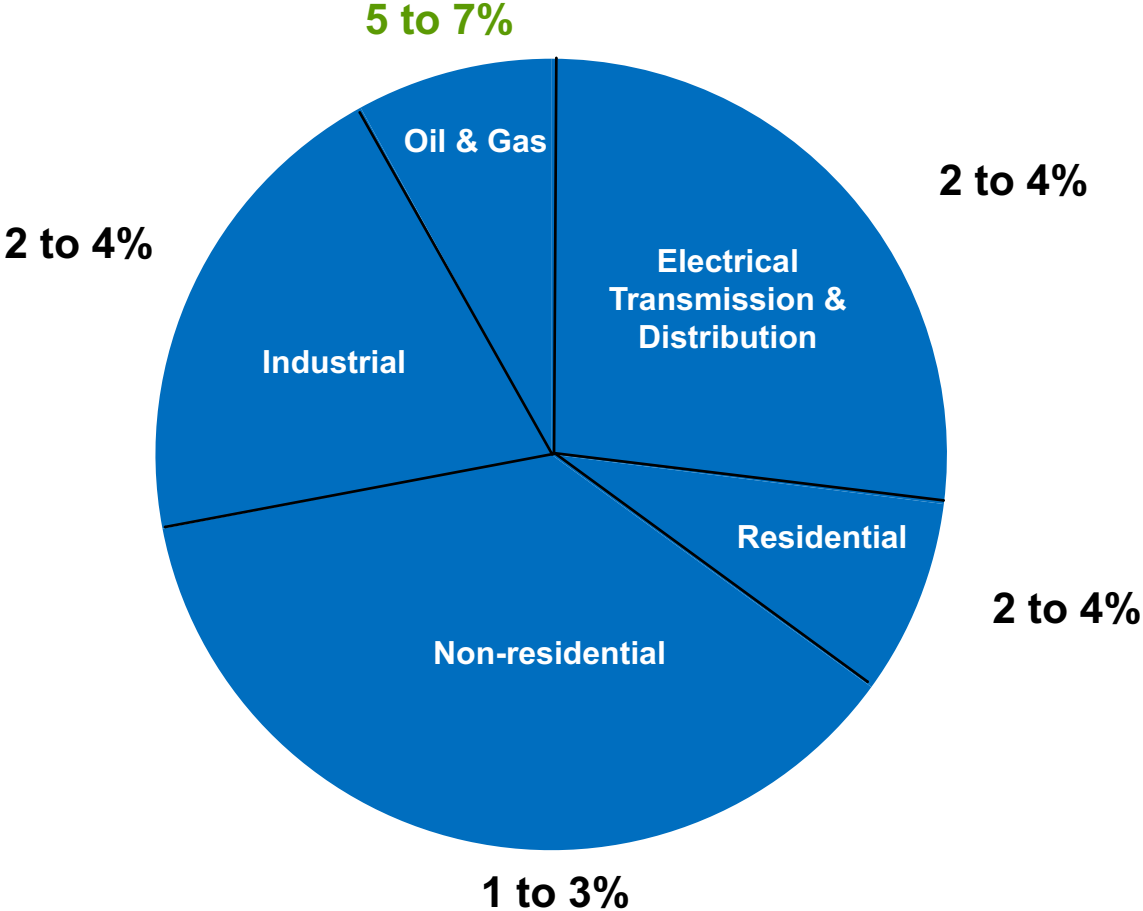
<sup>(3)</sup> Refer to the appendix for note on Total Debt.

<sup>(4)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

# End Markets – 2018 Outlook



Estimated %  
Hubbell Sales



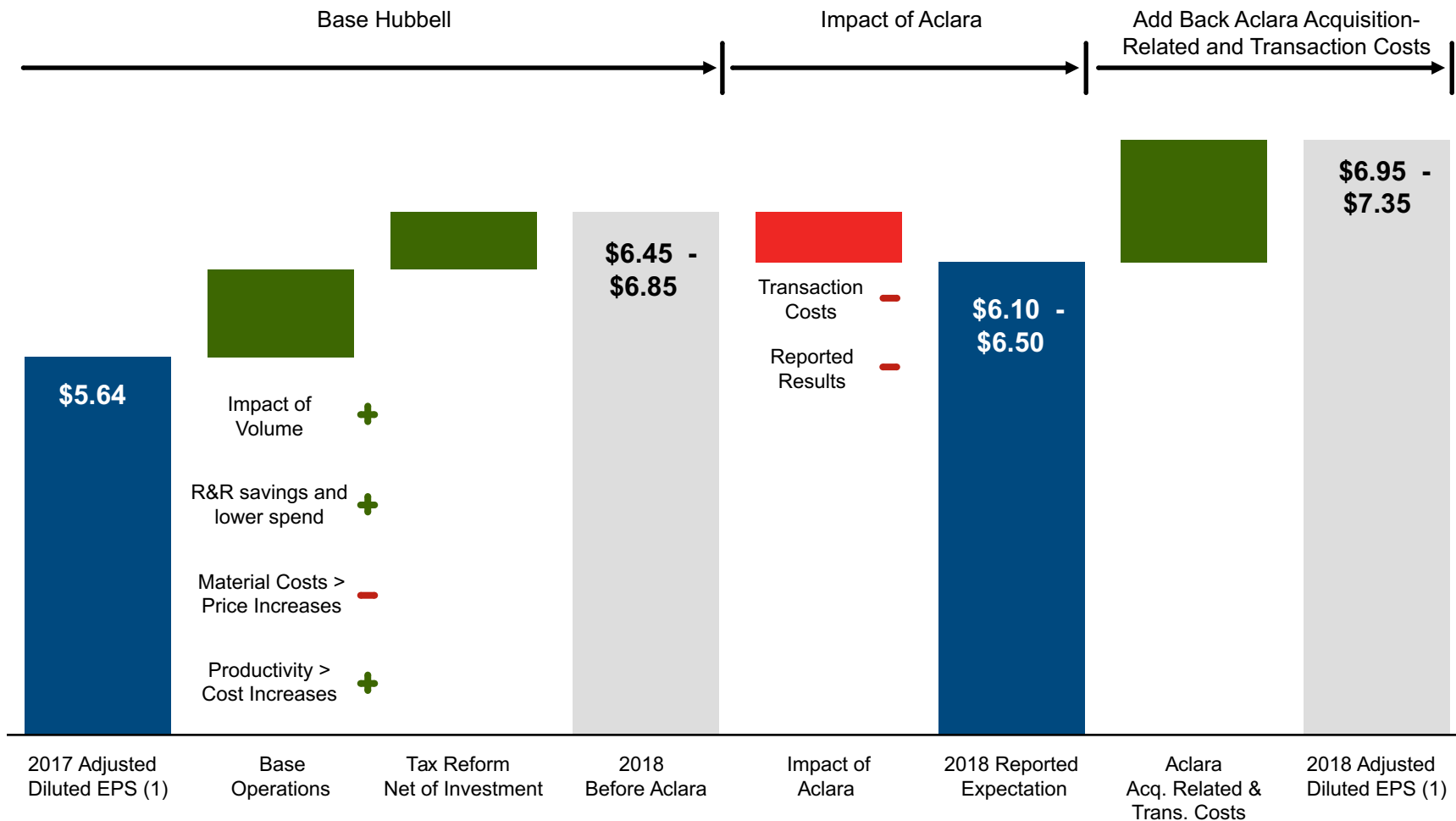
Consistent growth across all end markets

- Net sales growth of approximately 15 - 20%
  - End market growth of 2 - 4% in the aggregate
  - Acquisitions add ~15%
  - NPD driving modest market out-performance
  
- Diluted EPS of \$6.10 - \$6.50; adjusted EPS of \$6.95 - \$7.35 <sup>(1)</sup>
  - Adjusted excludes Aclara acquisition-related and transaction costs
  - Includes ~\$0.50 of legacy intangible asset amortization
  
- Free cash flow greater than net income

Delivering increased value to shareholders

<sup>(1)</sup> Refer to the appendix for reconciliations of non-GAAP measures.

# 2018 Outlook



2018 includes ~\$0.50 of legacy intangible asset amortization

(1) Refer to the appendix for note on adjusted earnings.

<sup>(1)</sup> References to "adjusted" operating measures exclude the impact of certain costs. Management believes these adjusted operating measures provide useful information regarding our underlying performance from period to period and an understanding for our results of operations without regard to items we do not consider a component of our core operating performance. Adjusted operating measures include adjusted operating income, adjusted operating margin, adjusted net income, adjusted earnings per diluted share, projected full year adjusted earnings per diluted share, and adjusted EBITDA which exclude, where applicable.

- Aclara acquisition-related and transaction costs, which includes the amortization of identified intangible assets and inventory step-up amortization expense relating to our business acquisitions and professional services and other fees that were incurred in connection with the acquisition of Aclara,
- The loss on early extinguishment of long-term debt recognized in the third quarter of 2017 from the redemption of all of our \$300 million of long-term notes that were scheduled to mature in 2018,
- Income tax effects associated with U.S. Tax Reform.
- Adjusted EBITDA also excludes the Other income (expense), net caption and interest income, as reported in the condensed consolidated statements of income

Effective with results of operations reported in the first quarter of 2018, "adjusted" operating measures no longer exclude restructuring and related costs, as these costs and the related savings are expected to return to a more consistent annual run-rate in 2018, and therefore no longer affect the comparability of our underlying performance from period to period. The previously reported 2017 adjusted operating measures have been restated to reflect the change in definition.

Each of these adjusted operating measures are non-GAAP measures. Management uses the adjusted measures when assessing the performance of the business. Reconciliations of each of these non-GAAP measures to the most directly comparable GAAP measure can be found in the following tables.

Reconciliation of Adjusted Operating Profit to the most directly comparable GAAP measure (millions):

Hubbell Incorporated	Three Months Ended March 31,		
	2018	2017	Change
Net Sales [a]	\$ 991.2	\$ 852.3	16 %
Operating Income \$			
GAAP measure [b]	\$ 99.6	\$ 107.8	(8)%
Aclara acquisition-related and transaction costs	21.9	—	
Adjusted Operating Income \$ [c]	<u>\$ 121.5</u>	<u>\$ 107.8</u>	13 %
Operating Margin %			
GAAP measure [b] / [a]	10.0%	12.6%	-260 bps
Adjusted Operating Margin % [c] / [a]	12.3%	12.6%	-30 bps
 Electrical segment			
	Three Months Ended March 31,		
	2018	2017	Change
Net Sales [a]	\$ 618.1	\$ 587.5	5%
Operating Income \$			
GAAP measure [b]	\$ 61.2	\$ 52.8	16%
Aclara acquisition-related and transaction costs	—	—	
Adjusted Operating Income \$ [c]	<u>\$ 61.2</u>	<u>\$ 52.8</u>	16%
Operating Margin %			
GAAP measure [b] / [a]	9.9%	9.0%	+90 bps
Adjusted Operating Margin % [c] / [a]	9.9%	9.0%	+90 bps
 Power segment			
	Three Months Ended March 31,		
	2018	2017	Change
Net Sales [a]	\$ 373.1	\$ 264.8	41 %
Operating Income \$			
GAAP measure [b]	\$ 38.4	\$ 55.0	(30)%
Aclara acquisition-related and transaction costs	21.9	—	
Adjusted Operating Income \$ [c]	<u>\$ 60.3</u>	<u>\$ 55.0</u>	10 %
Operating Margin %			
GAAP measure [b] / [a]	10.3%	20.8%	-1050 bps
Adjusted Operating Margin % [c] / [a]	16.2%	20.8%	-460 bps



Reconciliation of Adjusted Net Income to the most directly comparable GAAP measure (millions):

Hubbell Incorporated	Three Months Ended March 31.		
	2018	2017	Change
Net Income attributable to Hubbell (GAAP measure)	\$ 58.3	\$ 62.8	(7)%
Aclara acquisition-related and transaction costs, net of tax	18.6	—	
<b>Adjusted Net Income</b>	<b>\$ 76.9</b>	<b>\$ 62.8</b>	<b>22 %</b>

Reconciliation of Adjusted Earnings Per Diluted Share to the most directly comparable GAAP measure (millions, except per share amounts):

Hubbell Incorporated	Three Months Ended March 31.		
	2018	2017	Change
<b>Numerator:</b>			
Net income attributable to Hubbell	\$ 58.3	\$ 62.8	
Less: Earnings allocated to participating securities	(0.2)	(0.2)	
Net income available to common shareholders (GAAP measure) [a]	\$ 58.1	\$ 62.6	(7)%
Adjusted Net Income	76.9	62.8	
Less: Earnings allocated to participating securities	(0.3)	(0.2)	
Adjusted net income available to common shareholders [b]	\$ 76.6	\$ 62.6	22 %
<b>Denominator:</b>			
Average number of common shares outstanding [c]	54.7	55.2	
Potential dilutive shares	0.4	0.4	
Average number of diluted shares outstanding [d]	55.1	55.6	
<b>Earnings per share (GAAP measure):</b>			
Basic [a] / [c]	\$ 1.06	\$ 1.13	
Diluted [a] / [d]	\$ 1.05	\$ 1.13	(7)%
<b>Adjusted Earnings Per Diluted Share [b] / [d]</b>	<b>\$ 1.39</b>	<b>\$ 1.13</b>	<b>23 %</b>

(2) Free cash flow is a non-GAAP measure and defined as cash flow from operations less capital expenditures. Management believes that free cash flow provides useful information regarding Hubbell's ability to generate cash without reliance on external financing. In addition, management uses free cash flow to evaluate the resources available for investments in the business, strategic acquisitions and further strengthening the balance sheet.

**Reconciliation of Free Cash Flow to the most directly comparable GAAP measure (millions):**

Hubbell Incorporated	Three Months Ended March 31,	
	2018	2017
Net Cash Provided By (Used In) Operating Activities	\$ (0.4)	\$ 62.9
Capital Expenditures	(22.0)	(13.6)
Free Cash Flow	\$ (22.4)	\$ 49.3

(3) Includes unamortized discount and unamortized debt issuance costs.

(4) Net debt, defined as total debt less cash and investments, is a non-GAAP measure. Management believes that net debt to total capital is a useful measure regarding Hubbell's financial leverage for evaluating the Company's ability to meet its funding needs.

**Reconciliation of Net Debt to the most directly comparable GAAP measure (millions):**

Hubbell Incorporated	March 31, 2018	December 31, 2017
Total Debt [a]	\$ 2,080.7	\$ 1,055.2
Total Hubbell Shareholders' Equity	1,662.0	1,634.2
Total Capitalization	\$ 3,742.7	\$ 2,689.4
Cash and Investments [b]	\$ 288.3	\$ 447.2
Net Debt [a] - [b]	\$ 1,792.4	\$ 608.0
Net Debt to Total Capital	48%	23%



## Reconciliation of Total Depreciation and Amortization:

Hubbell Incorporated	Three Months Ended March 31,	
	2018	2017
Legacy Depreciation	\$ 14.2	\$ 13.8
Legacy Intangible Asset Amortization	9.2	8.5
Legacy Other Amortization	2.2	1.9
Aclara Depreciation	1.2	—
Aclara Intangible Asset Amortization	13.2	—
Total Depreciation and Amortization	\$ 40.0	\$ 24.2