



# Experience **Our Evolution** Electrical Products Group Conference

May 22, 2018





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).

- Hubbell Overview
  - Markets
  - Business Model
  
- Key Themes for 2018
  - Price | Cost
  - Aclara
  - Supply Chain Optimization
  - Free Cash Flow
  
- 2018 Expectations
  
- Outlook for 2020

# Hubbell Overview



## Hubbell Incorporated 2017 Net Sales of \$3.7 Billion

### Electrical Segment Net Sales of \$2.5+ Billion

### Power Segment Net Sales of \$1.1+ Billion

Construction & Energy  
Net Sales \$800 Million

Commercial & Industrial  
Net Sales \$800 Million

Lighting  
Net Sales \$950 Million

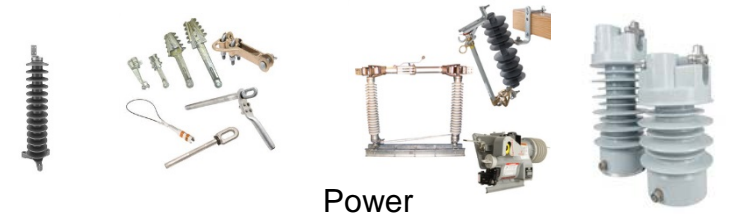
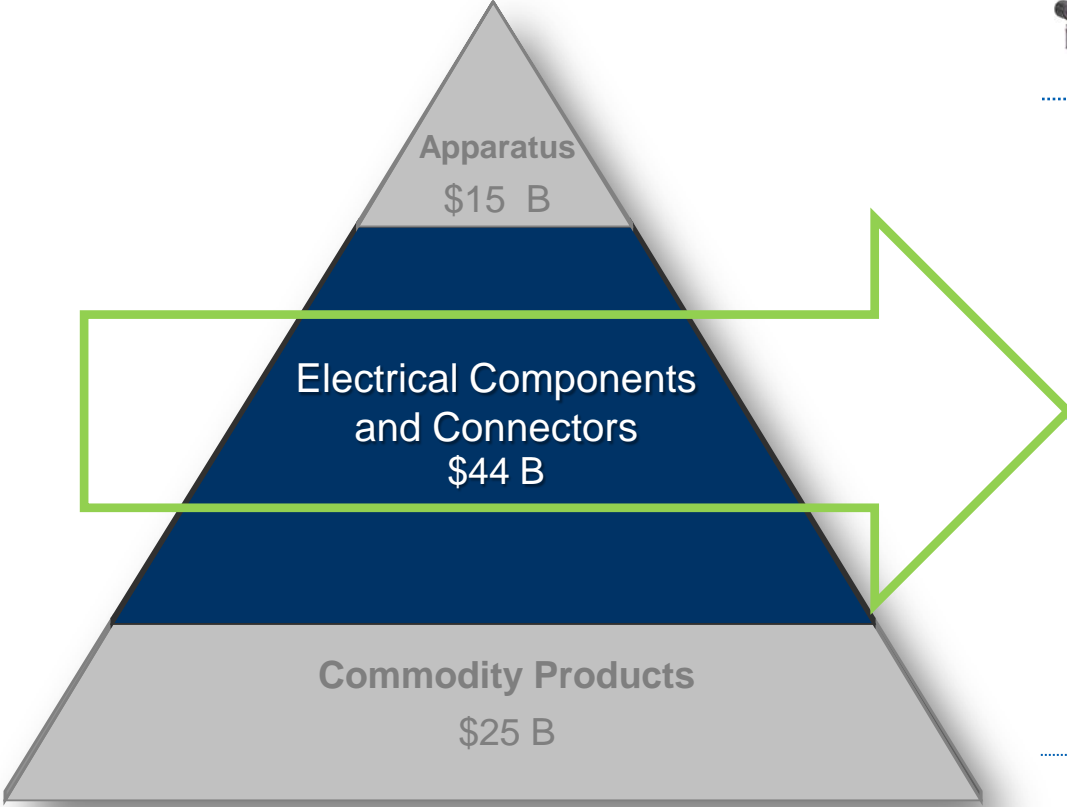
Power

Well-known, high-quality brands

# Overview – U.S Market



2018E \$84 billion



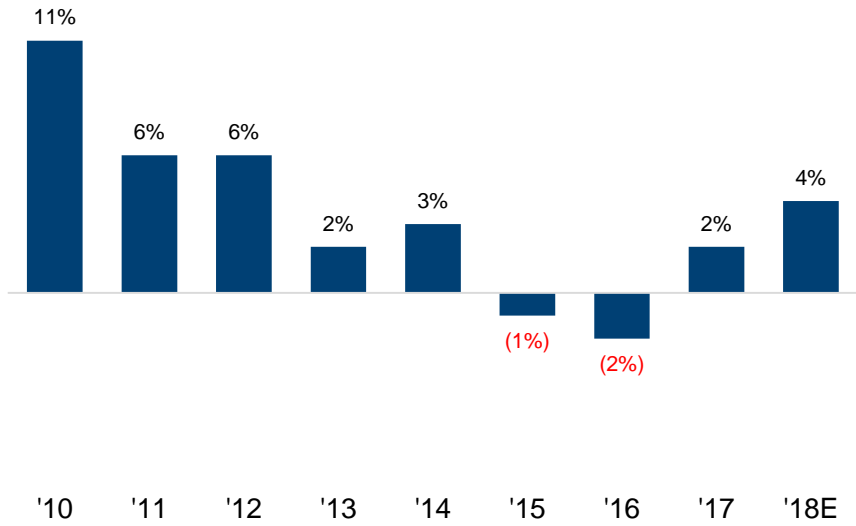
Sources: Electrical Wholesaling, Market Planning Guide (11/17), NAED PAR Report (2017, based on 2016 results)

Leading position with room to grow

# Markets – Core Industrial

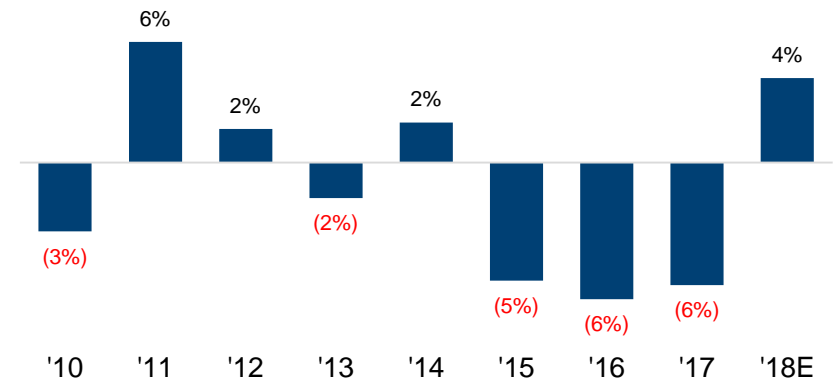
~15% of Hubbell Net Sales

## Light Industrial



IP, Durable Goods  
(IHS, 5/18, Index, Annual % Change)

## Heavy Industrial



Industrial Production, Electrical Equipment  
(IHS, 5/18, Index, Annual % Change)

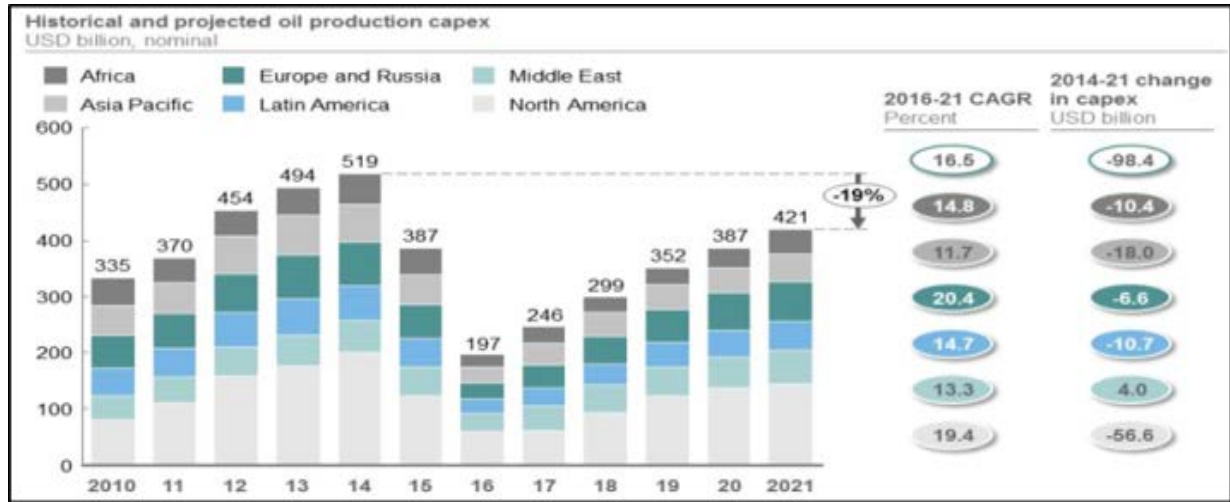
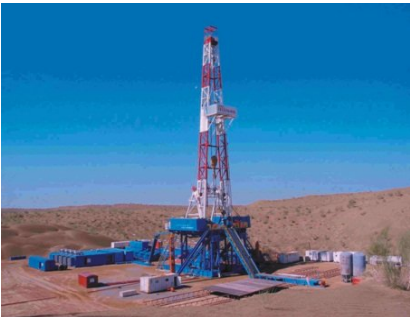


Industrial recovery underway

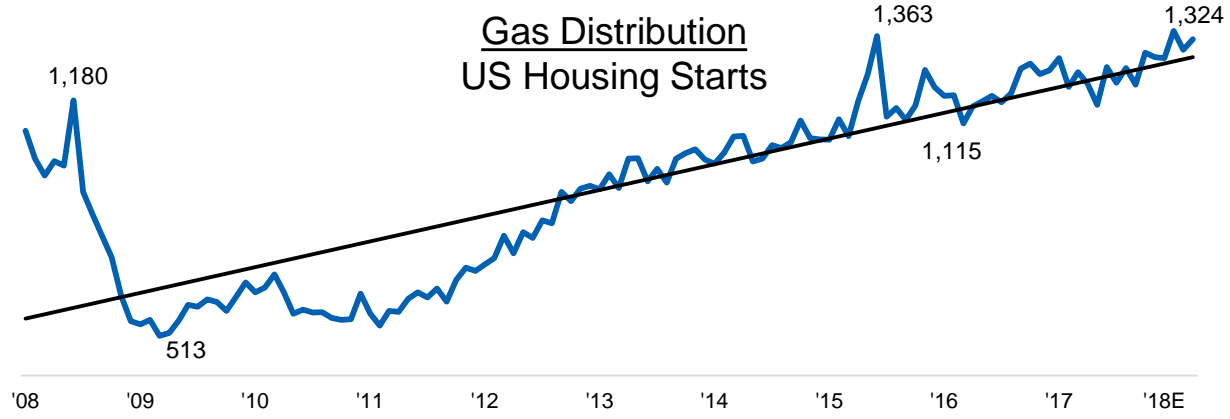


# Markets – Oil & Gas

~10% of Hubbell Net Sales



Source: McKinsey Energy Insights, August 2016



US Census 4/18

Favorable conditions for growth

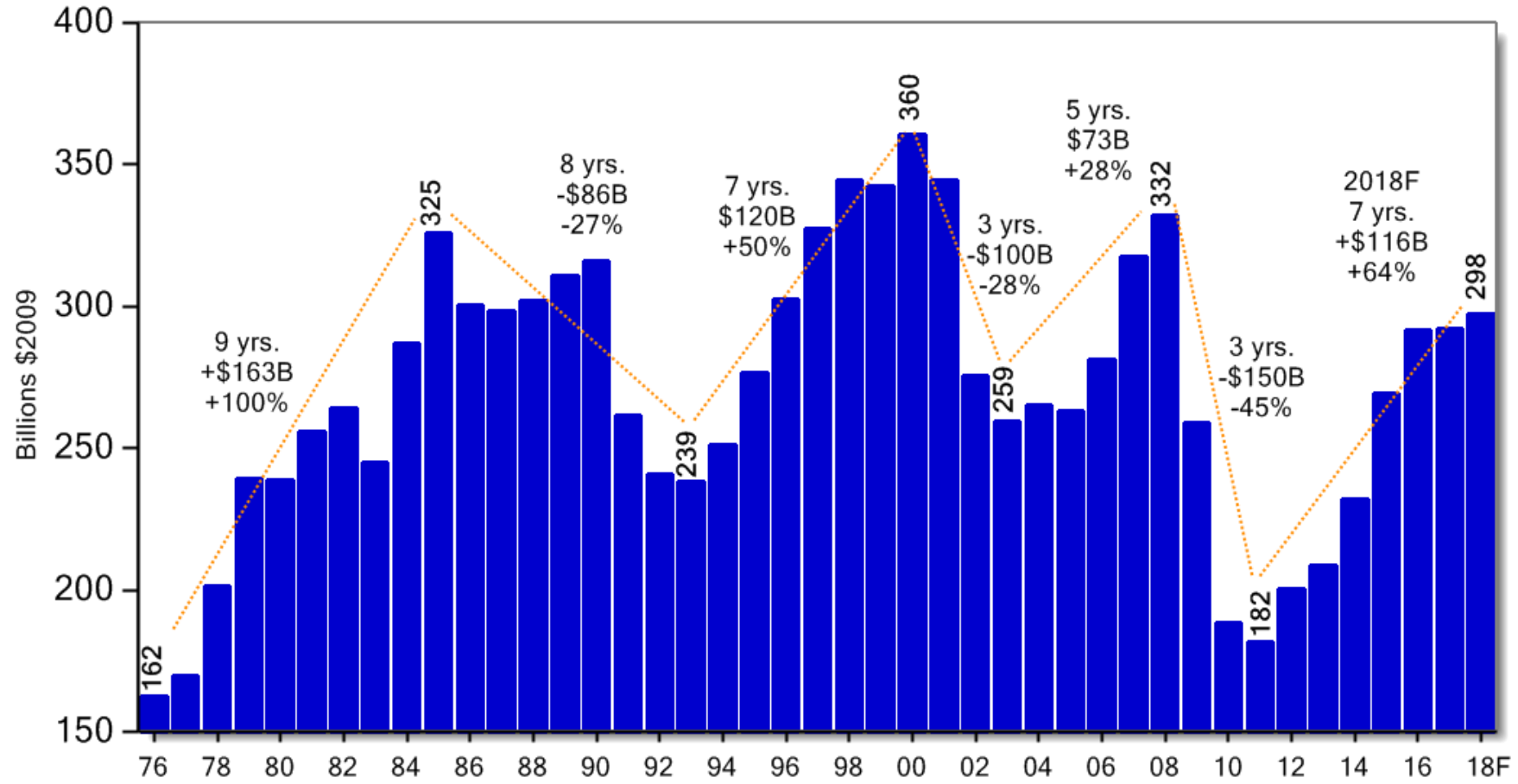


# Markets – Non Residential

~40% of Hubbell Net Sales

## NR Private Investment Spending, Buildings & Other

Total NR Structures less Mining & Petroleum, Power & Communications



Well below prior peaks

# Business Model – Performance Drivers

## Growth and Investment

### Service and Innovation



### Acquisitions (2012 – 2017)

- 27 acquisitions
- \$890M invested
- ~9X EBITDA

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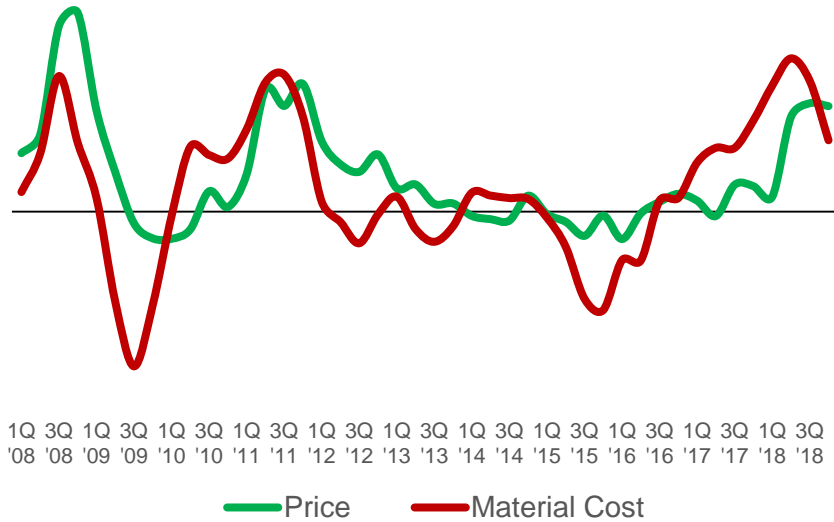
Outgrow end markets with superior service and acquisitions

# Business Model – Performance Drivers

## Margin Drivers

### Price / Material Cost (YOY)

Excluding Lighting

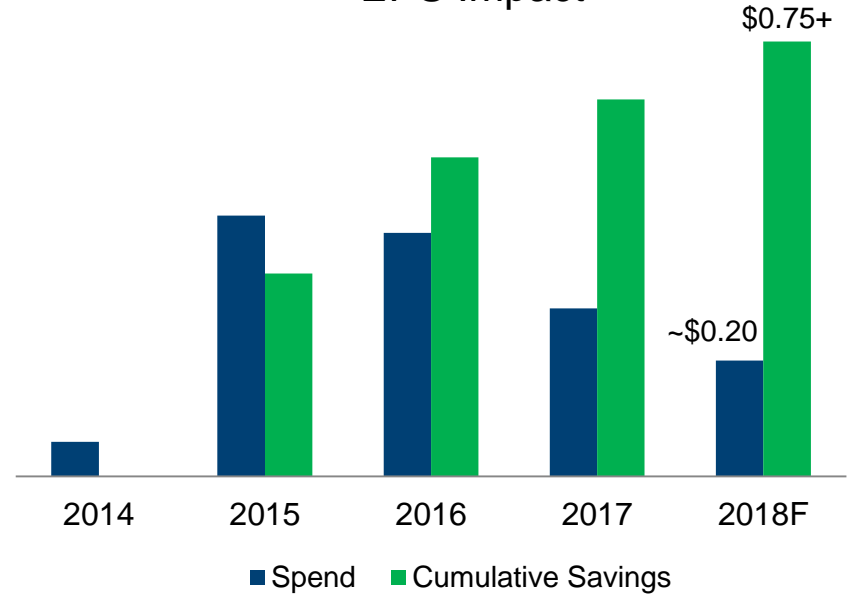


**3-6 month lag** between material inflation and price capture

Target productivity **neutral** to cost increases

### Restructuring

EPS Impact



**28** facilities exited

Annual run-rate spend of **~\$0.20**

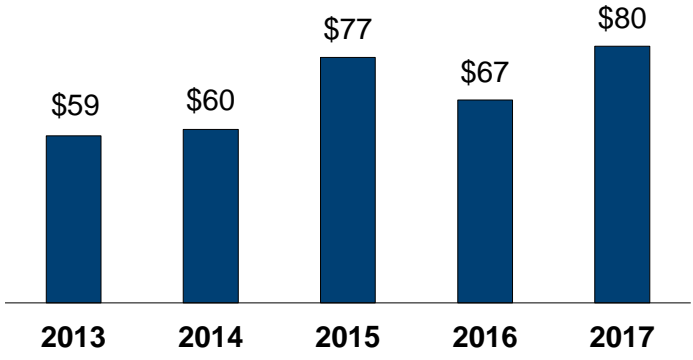
Price follows material cost increases; Cost actions yield savings



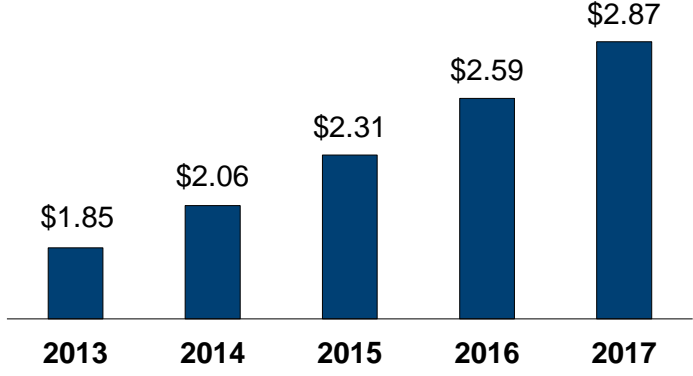
# Business Model – Performance Drivers

## Capital Allocation

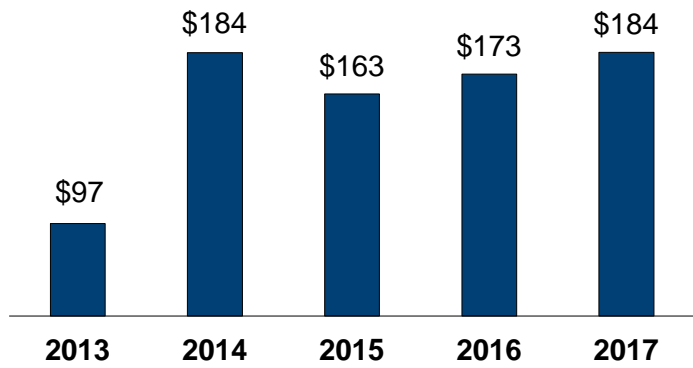
Capital Expenditures  
*(Millions)*



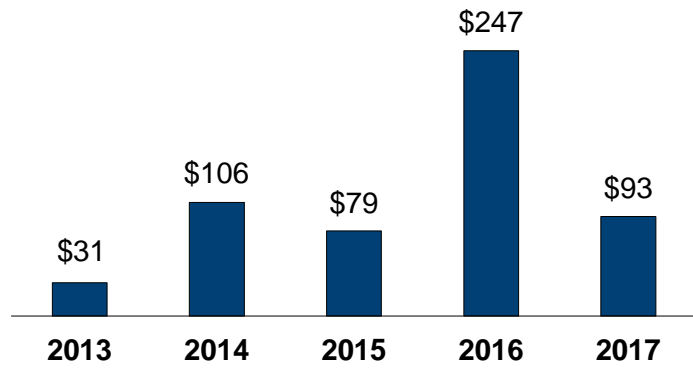
Dividends Declared  
*(per common share)*



Acquisition Spend  
*(Millions)*



Share Repurchases  
*(Millions)*

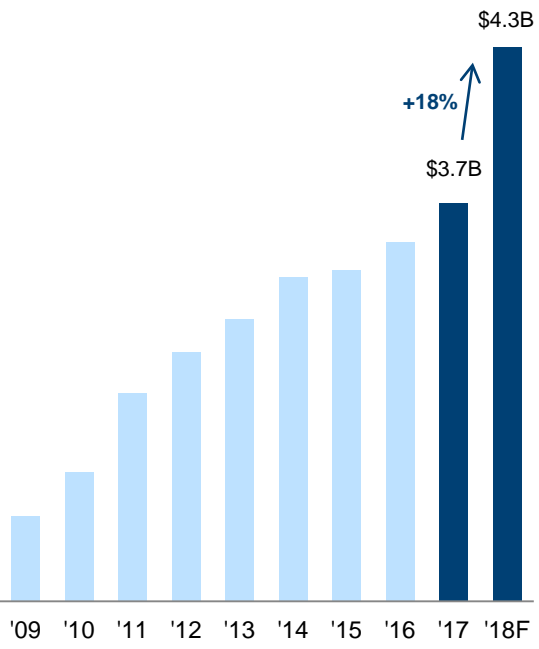


Focus on investing and shareholder return

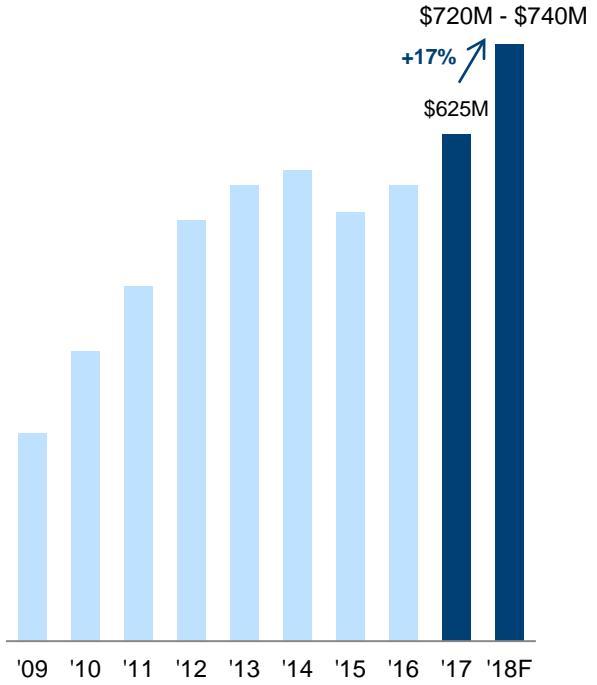
# Hubbell Overview – Financial



## Sales

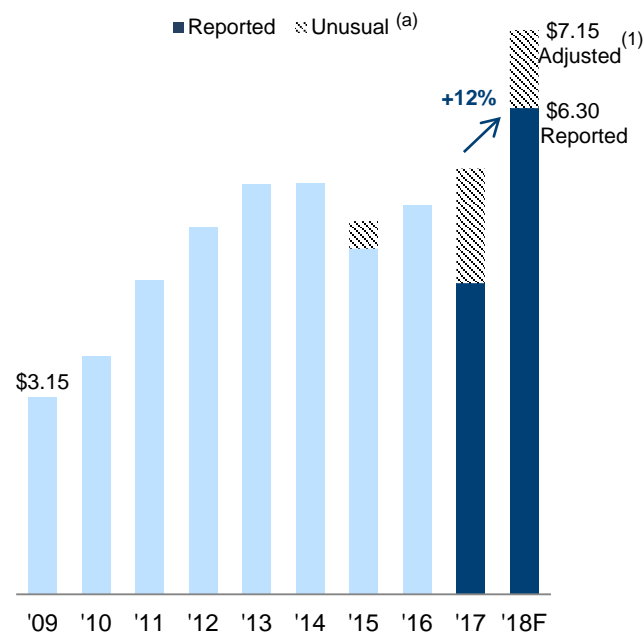


## Adjusted EBITDA <sup>(1)</sup>



## Diluted EPS

(key adjustments noted)



a) Reflects Common Stock reclassification costs in 2015; U.S. tax reform related expenses, refinancing costs, and Aclara transaction costs in 2017; and Aclara transaction and acquisition-related costs in 2018F.

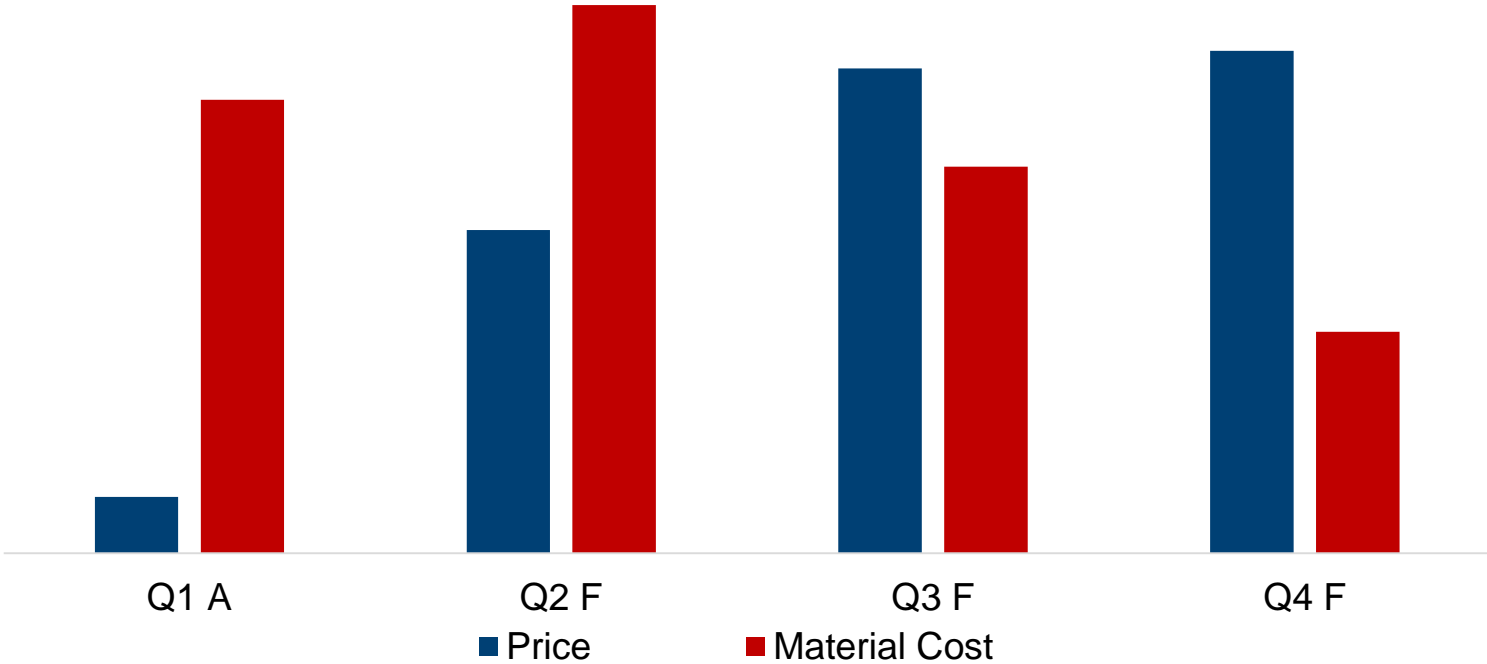
Industrial recession behind us; growth ahead

# Key Themes for 2018





## Price / Material Cost Excluding Lighting



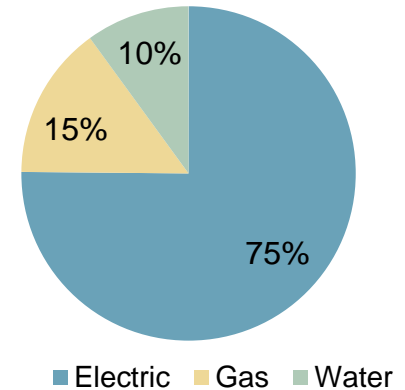
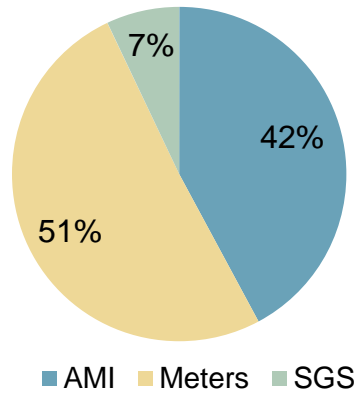
Will exit the year price | cost POSITIVE



\$3 Billion qualified pipeline  
\$1 Billion backlog  
~30% MRO  
Mid-teens EBITDA margins

% of FYE 9/30/17

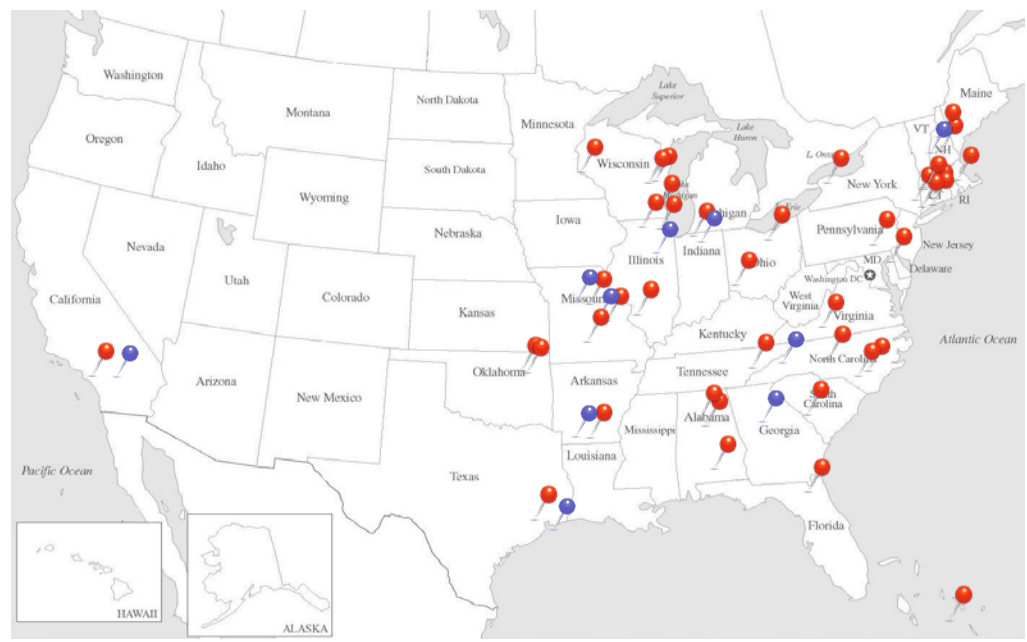
## 2017 Sales of \$500 Million



## Electric Market Drivers

- Aging infrastructure
- O&M expense
- Reliability | Optimization
- Capacity management
- Distributed energy

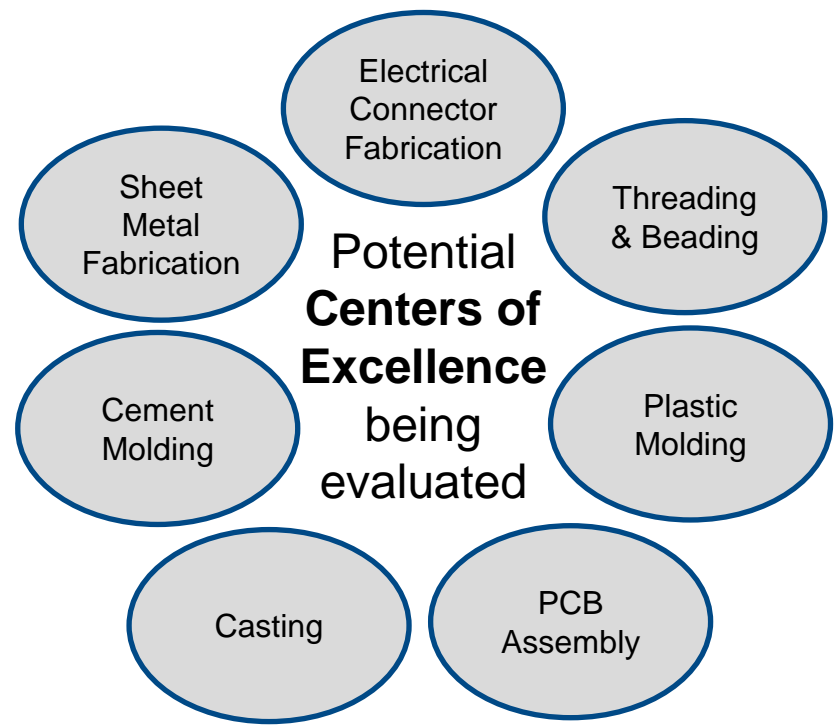
# 2018 Key Themes – Supply Chain Optimization



= Mfg. = Whs.

*77 Facilities Worldwide (49 U.S.)*

*10M Square Feet (7M Owned)*



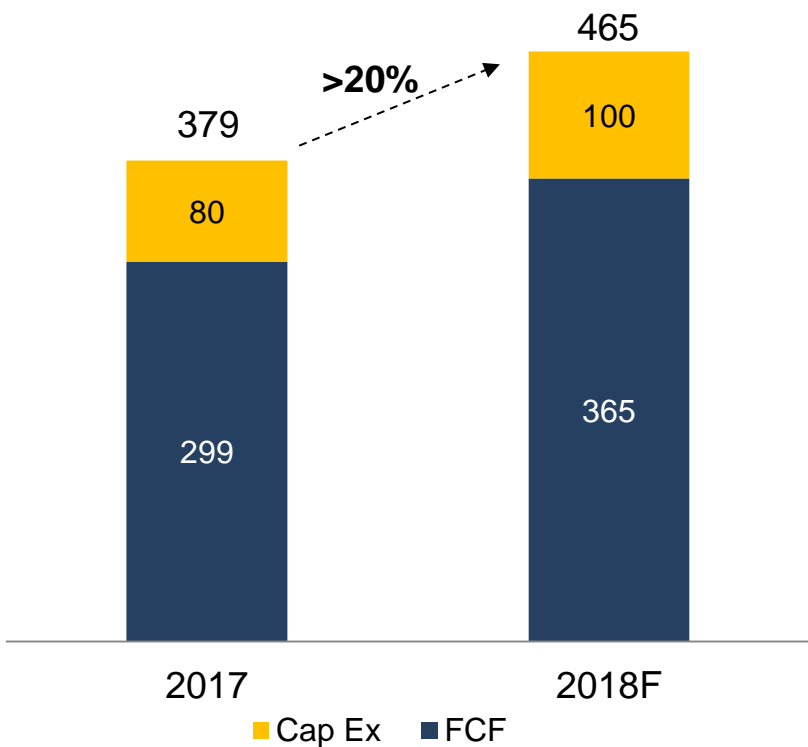
Opportunity for operational improvement, cost reduction

# 2018 Key Themes – Free Cash Flow



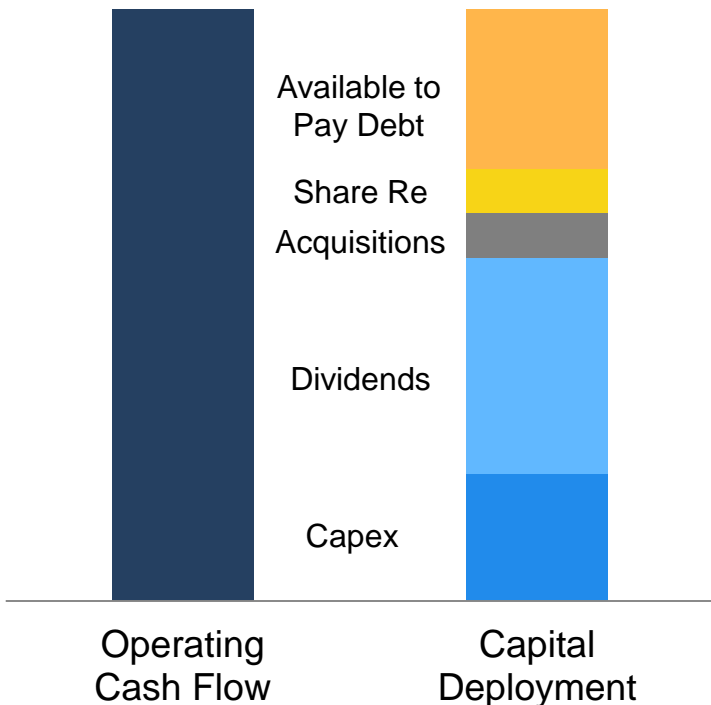
## Key Components of Cash Flow

(\$ millions)



## Capital Deployment

(\$ millions)



FCF %  
Net Income  
Attributable to  
Hubbell

100%\*

~105%

\* Based on net income excluding impact of U.S. Tax Reform; reported metric was 123%

# Targeting 110% FCF / NI Run-Rate

# 2018 Guidance and Outlook

- 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

# Outlook for 2020





<b>Financial Model</b>	<b>Target</b>	<b>2020 Outlook</b>
Sales Growth	2x market	~ \$4.75 B
Low Capital Intensity	~ 2.0% of sales	~ \$110M
Reported Margins	~15% OP Margins	~ \$715M OP
Free Cash Flow	> Net Income	~\$500M +
Dividends	40% - 50% Net Income	~ \$3.85 per share

Continued focus on executing 2020 vision

## 2018

- + End markets
- + Cost savings realization
- + Aclara integration
- + Cash conversion
- + Lighting operations
- Price | Cost timing

## Future

- + End markets
- + Footprint rationalization
- + Aclara contributions
- + Capital deployment
- + Technology | IOT



(1) 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, and adjusted earnings per diluted share 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 recognized in the Power segment,
- 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.

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.

Operating income and operating income as a percentage of net sales in 2017 and prior years are updated from previously reported amounts to reflect the requirement to retrospectively apply Accounting Standards Update No. 2017-07 ("ASU 2017-07"), Improving the Presentation of Net Periodic Pension Cost and Net periodic Postretirement Benefit Cost, which was adopted by Hubbell effective January 1, 2018.

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.

## Non-GAAP Reconciliation of Free Cash Flow

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Cash provided by Operating Activities	339.4	411.0	379.0
Less: Capital Expenditures	<u>(77.1)</u>	<u>(67.2)</u>	<u>(79.7)</u>
Free Cash Flow	262.3	343.8	299.3

## Non-GAAP Reconciliation of Adjusted EBITDA

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Income	282.1	297.8	249.9
Loss on Extinguishment of Debt	-	-	10.1
Aclara Transaction Costs in S&A Expense	-	-	6.7
Reclassification Costs	19.7	-	-
Other (Income) Expense, Net and Interest Income	4.8	16.0	20.6
Provision for Income Taxes	136.5	132.6	193.2
Depreciation and Amortization	85.2	92.3	99.8
Interest Expense	<u>31.0</u>	<u>43.4</u>	<u>44.9</u>
<b>Subtotal</b>	<b>277.2</b>	<b>284.3</b>	<b>375.3</b>
<b>Adjusted EBITDA</b>	<b>559.3</b>	<b>582.1</b>	<b>625.2</b>

## Non-GAAP reconciliation of Adjusted Earnings per Diluted Share

	<b>December 31, 2017</b>	
Net income attributable to Hubbell (GAAP measure)	\$	243.1
Income tax expense associated with U.S. Tax Reform		56.5
Loss on extinguishment of debt, net of tax		6.3
Aclara transaction costs, net of tax		6.0
Adjusted Net Income	<u>\$</u>	<u>311.9</u>
Numerator:		
Net income attributable to Hubbell (GAAP measure)	\$	243.1
Less: Earnings allocated to participating securities		(0.8)
Net income available to common shareholders (GAAP measure) [a]	<u>\$</u>	<u>242.3</u>
Adjusted Net Income	\$	311.9
Less: Earnings allocated to participating securities		(1.1)
Adjusted net income available to common shareholders [b]	<u>\$</u>	<u>310.8</u>
Denominator:		
Average number of common shares outstanding [c]		54.8
Potential dilutive shares		0.3
Average number of diluted shares outstanding [d]		<u>55.1</u>
Earnings per share (GAAP measure):		
Basic [a] / [c]	\$	4.42
Diluted [a] / [d]	\$	4.39
Adjusted earnings per diluted share [b] / [d]	\$	5.64