



# INTRODUCTION TO HÉROUX-DEVTEK

**MARCH 2020**

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements which are mainly about, but may not be limited to, Héroux-Devtek's future financial performance, expectations, objectives or possible events. The predictive nature of such statements makes them subject to risks, uncertainties and other important factors that could cause the actual performance or events to differ materially from those expressed in or implied by such statements.

Such factors include, but are not limited to: the impact of worldwide general economic conditions; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; financial and operational performance of suppliers and customers; foreign exchange or interest rate fluctuations; and the impact of accounting policies issued by international standard setters. For further details, please see the Risk Management section of the Corporation's MD&A. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements.

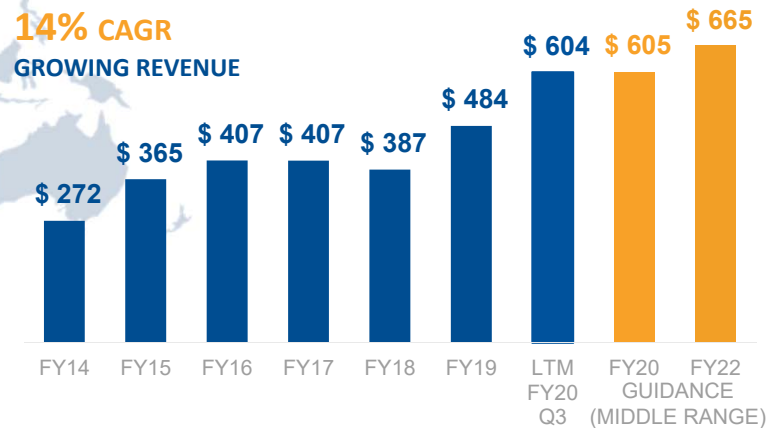
Héroux-Devtek provides such forward-looking statements for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations. The reader is cautioned that such statements may not be appropriate for other purposes.

Although management believes in the expectations conveyed by the forward-looking statements and although they are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

# ABOUT HÉROUX-DEVTEK



**AEROSPACE COMPANY**  
**WORLD'S 3<sup>RD</sup> LARGEST**  
**LANDING GEAR MANUFACTURER**



# HISTORY

1942

Company founded  
Began manufacturing  
of aerospace components



1985

Management buy out  
& Initial public offering



2012

Divestiture of Aerostructures and  
Industrials divisions for \$300M,  
\$5 special dividend



2016

Delivery of first production  
Boeing 777 shipset



2019

Acquisitions of  
Tekalia and Alta Precision



1942

2020

1966

Manufactured the Apollo  
lunar module landing gear



2000

Merged with Devtek  
Corporation



2010

Acquired Eagle Tool &  
Machine Company (Ohio)



2014

Acquired APPH  
(UK and Wichita, KS)



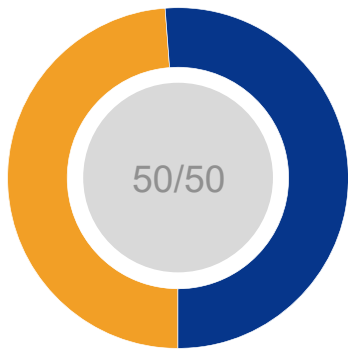
2018

Acquisitions of  
Beaver and CESA

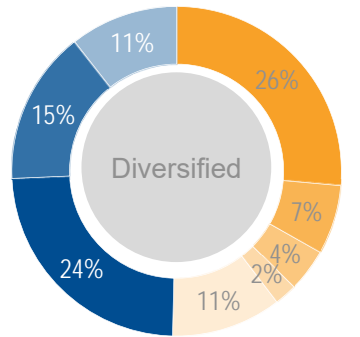


# WELL BALANCED DIVERSIFIED BUSINESS

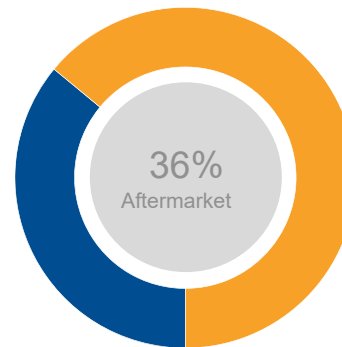
✈️ Covering all aerospace markets



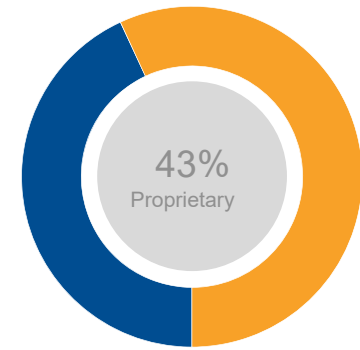
Commercial Defense



Large Jets Bus. Jets  
R.J. Helicopters  
Other Transport  
Fighters Helicopters



Aftermarket OEM



Proprietary Built-to-print

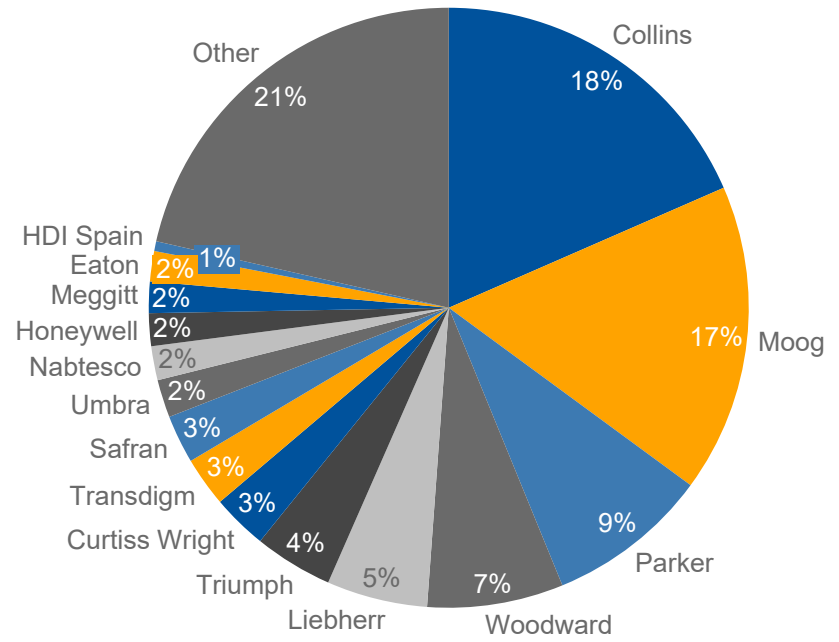
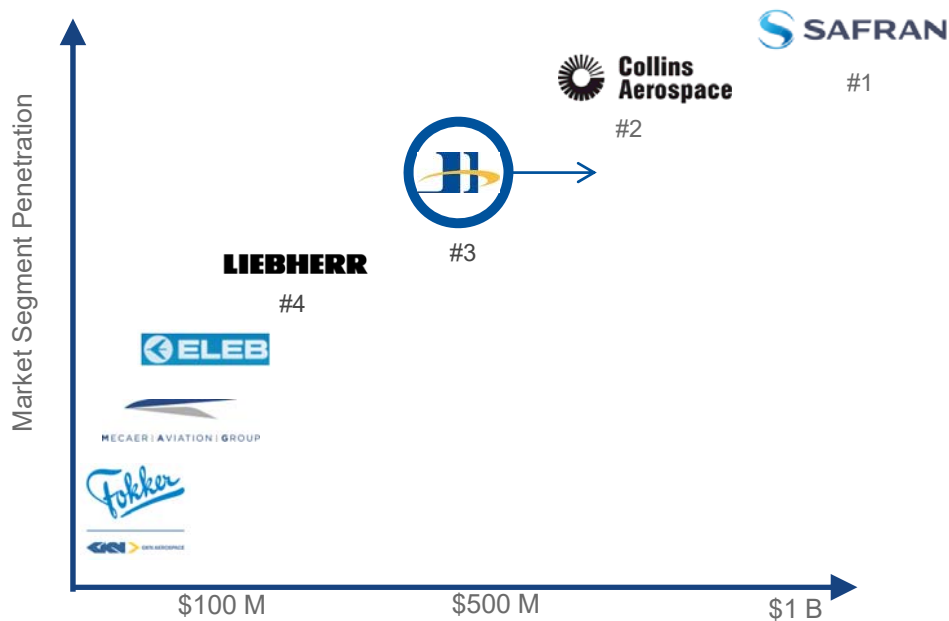
# DIVERSIFIED CUSTOMER BASE



# COMPETITIVE LANDSCAPE

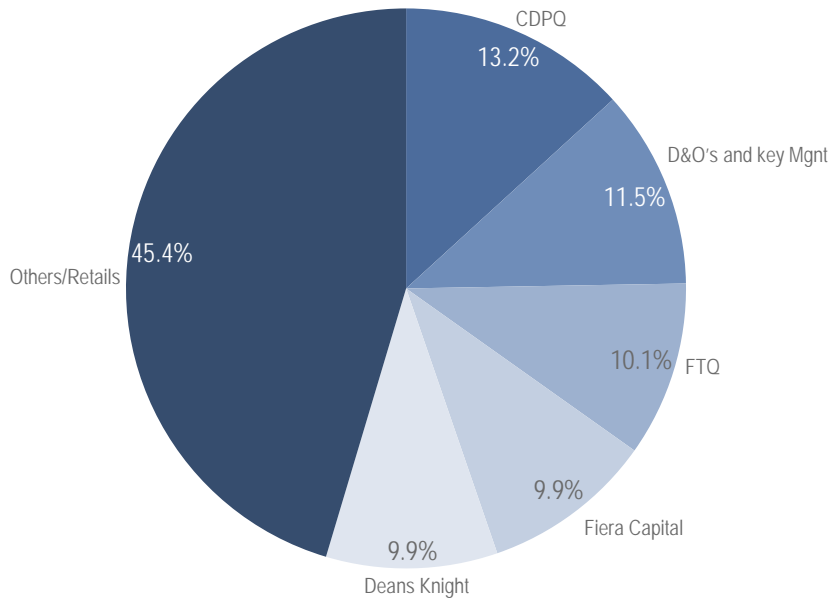
Landing Gear – US\$3.1B

Aerospace Actuation - US\$7.4B



# OWNERSHIP AND HDI PERFORMANCE

## MAJOR SHAREHOLDERS Shares outstanding: 36.4M



## 10-year share price performance (at March 03, 2020)



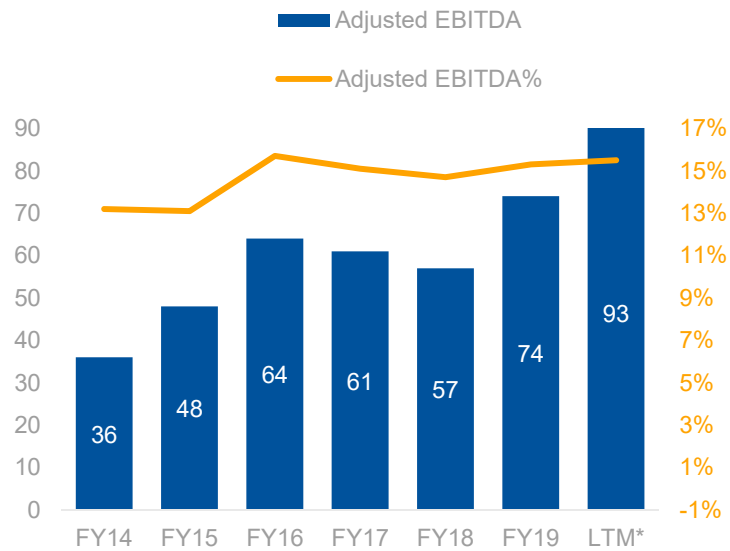
~20% Annualized Return = 5.0x Total Return including special dividend





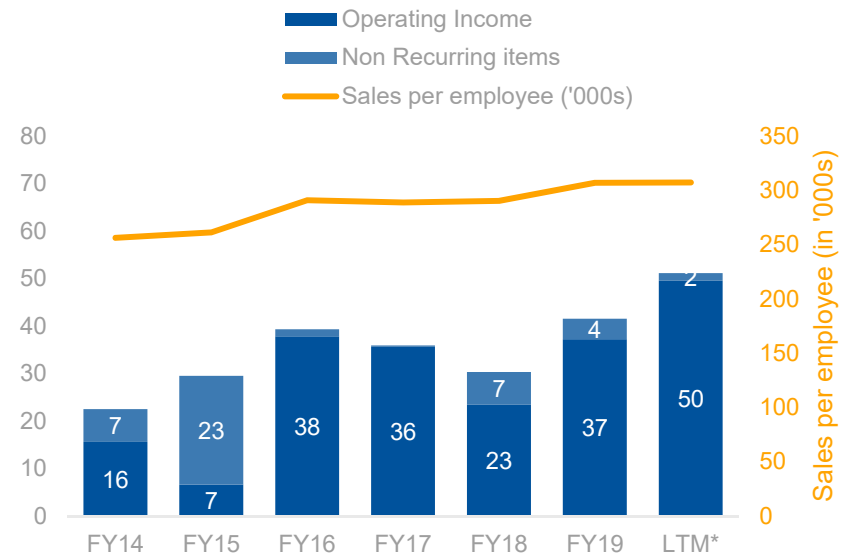
# LONG-TERM RESULTS GROWTH

GROWING ADJUSTED PROFITABILITY (\$M CAD)



\*Last 12 months ending December 31, 2019

GROWING OPERATING (\$M CAD) PROFITABILITY AND PRODUCTIVITY



\*Last 12 months ending December 31, 2019

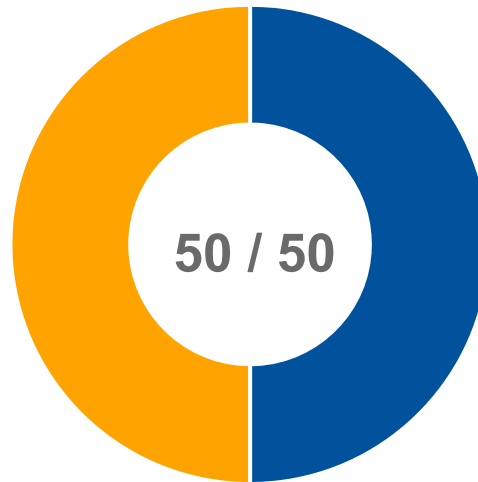
# ACQUISITIONS

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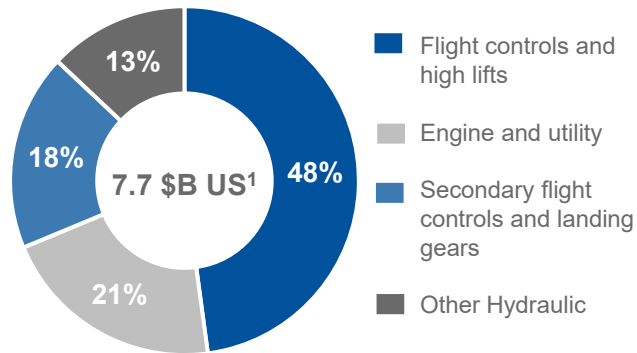
✈ Access to additional capabilities, capacity and new markets



DEFENCE / COMMERCIAL



## ENTRY INTO THE ACTUATION MARKET



- Cross selling to HRX customer base
- Procurement and manufacturing synergies
- F-18 critical components / less CAPEX required
- Investments in technology / improved competitiveness



### PRODUCTS AND SYSTEMS

- Landing Gear Systems
- Cargo Door and Ramp Systems
- Flight Controls
- Actuation Systems
- Hydraulic Systems

### TECHNOLOGIES

- Hydraulic
- Electromechanical
- Pneumatic

<sup>1</sup> Seventh review of the aerospace actuation market from Counterpoint (2018)

## ADDITIONAL LANDING GEAR CAPABILITIES



- One stop surface treatment operation
- Rarefied expertise
- De-risked landing gear operations



Critical Plating at Tekalia



- Landing gear components
- Access to new programs
- Strong backlog



Embraer E-2 Jet



Airbus A220



# RECENT DEVELOPMENTS

## SIGNIFICANT PROGRESS OVER THE LAST 24 MONTHS



**BOEING F/A-18 E/F  
SUPER HORNET  
AND EA-18  
GROWLER**  
2018 Award



**BOEING  
ADVANCED F-15**  
2019 Award



**BOEING MQ-25  
UNMANNED  
AERIAL REFUELING  
PROGRAM**  
2019 Award

### AAR Contract Award For USAF in 2018



**KC-135R  
REFUELING TANKER**



**C-130 HERCULES**

## LOOKING AHEAD: ORGANIC GROWTH



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**BOEING 777/777X PROGRAM**  
2013 Award  
2016 First Deliveries  
2020 First flight 777X



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**SIKORSKY CH53-K\***  
2007 award  
New Platform  
Entry into service 2018



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**SAAB GRIPEN E\***  
2016 Award  
New Platform  
Entry into service 2020



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**DASSAULT FALCON 6X\***  
2015 Award  
New Platform  
Entry into service 2022

\* Proprietary programs



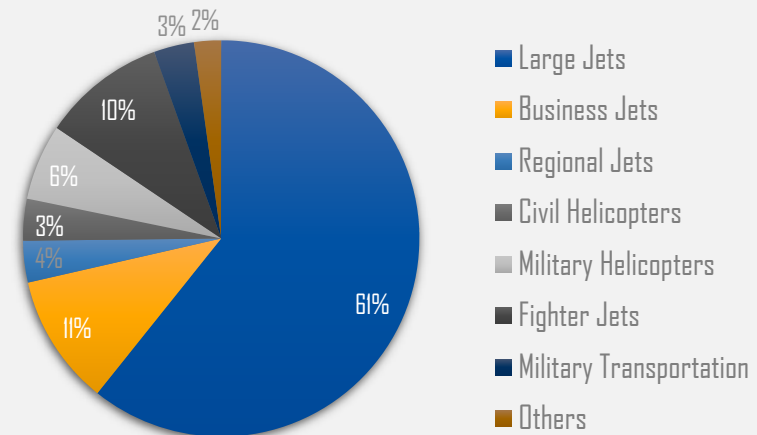


# OUR MARKET

## SOLID INDUSTRY FUNDAMENTALS AND LONG-TERM GROWTH

- ✈️ **\$180B - \$200B** annual aircraft sales
  - 75% commercial
  - 25% defence
- ✈️ **Large jet market is growing**
  - Dominated by Boeing and Airbus
  - Market expected to grow by 33% over the next 20 years
- ✈️ **Business jet market is recovering**
  - Large cabin aircraft buoyed by economic stability
  - 1.5% CAGR over the next five years
- ✈️ **Defence sales are growing**
  - Geopolitical situation
  - 35% of the U.S. defence budget of \$718B is dedicated to aircraft fleet

### Total Defence and Commercial Aircrafts



Teal Group Corporation, World Military and Civil Aircraft Briefing, March 2019

# HÉROUX-DEVTEK

## FY 2019 REVENUE MIX

### ✈ Large Jets

- Boeing 787, 777, 777x
- Airbus A220, A320, A330, A340, A350

### ✈ Business Jets

- Learjet 40/45, 70/75
- Embraer Legacy, Praetor
- Dassault Falcon 6X

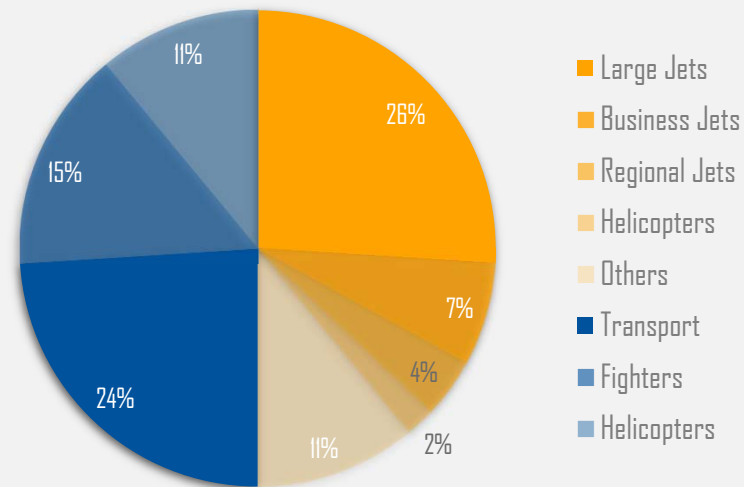
### ✈ Regional Jets

- Embraer E2 Jet
- Saab 340, 2000
- Sukhoi Superjet

### ✈ Civil Helicopters

- Bell platforms
- Sikorsky S92
- Airbus H-175
- Leonardo AW609

### DEFENCE / COMMERCIAL



# HÉROUX-DEVTEK

## FY 2019 REVENUE MIX

### ✈ Military Transport Aircrafts

- A400M
- Boeing KC-135R
- Embraer KC-390
- Lockheed C-130
- Leonardo C-27J
- Airbus C235, C295

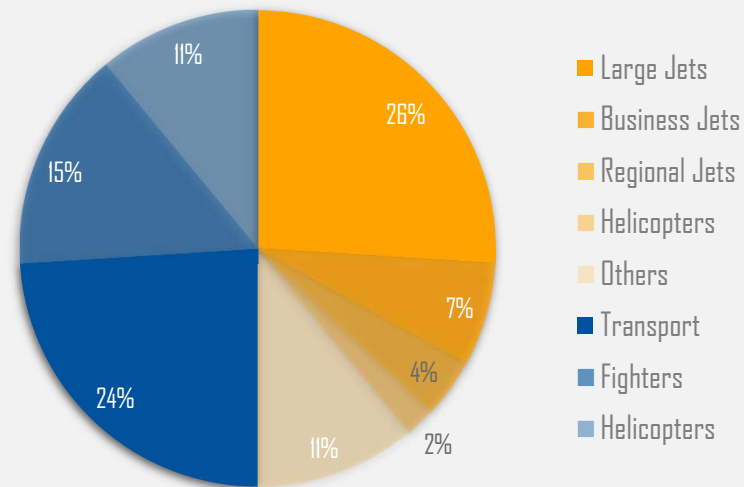
### ✈ Fighter Jets

- Lockheed F-35
- Boeing F-18 and F-15
- Saab Gripen E
- Eurofighter
- BAE Hawk

### ✈ Military Helicopters

- Boeing CH-47
- Lockheed CH-53K and H60
- Leonardo AW-101, AW-159

### DEFENCE / COMMERCIAL





# FINANCIAL INFORMATION

## Q3 YTD FY 2020 RESULTS



Sales up 37%

- 9% from organic growth
- 28% from acquisitions



Operating income up from 6.8% to 7.7% of sales



Adjusted EBITDA<sup>(1)</sup> grew from 14.8% to 15.1% of sales

- + Contributions from CESA & Beaver
- - Higher manufacturing costs

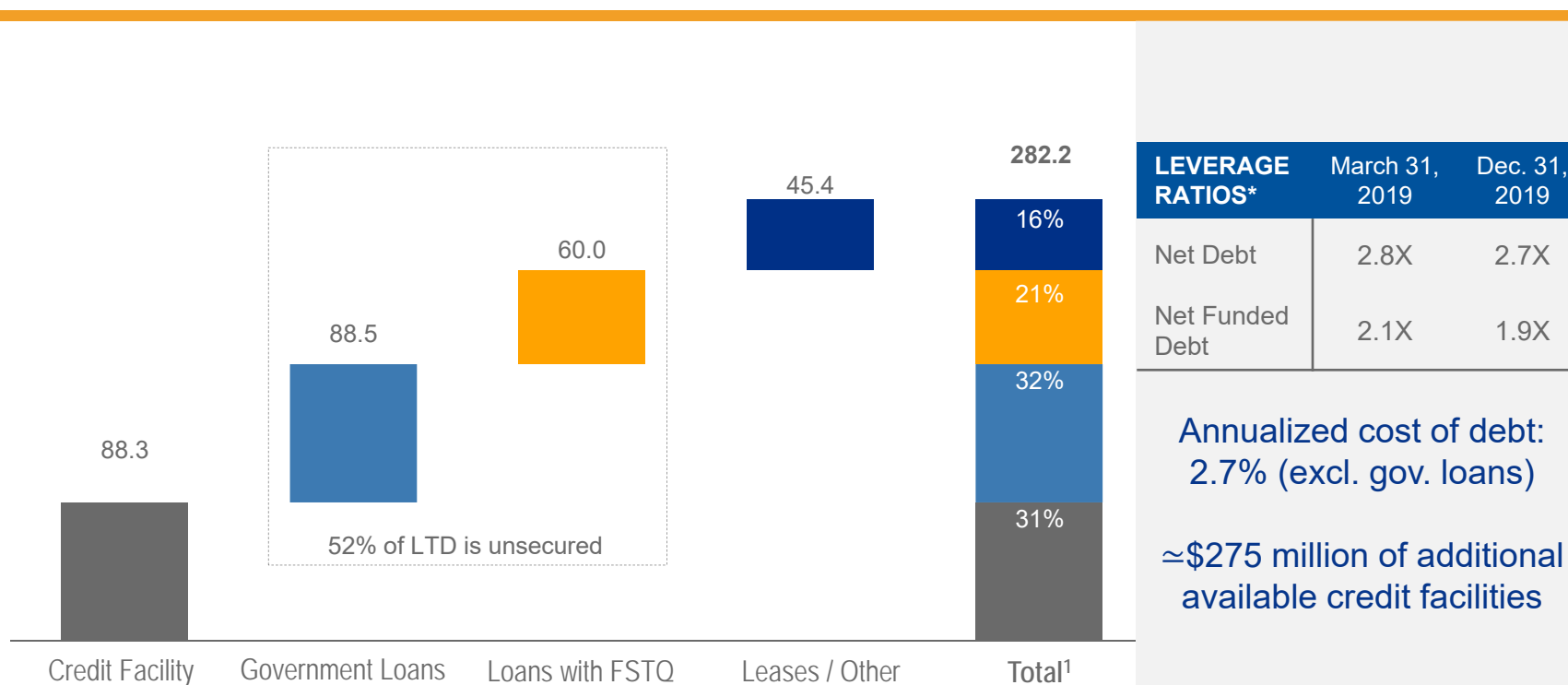
<sup>(1)</sup> Non-IFRS financial measure. Please refer to the “Non-IFRS financial measures” section at the end of this document for further details

### HIGHLIGHTS

(\$M except per share data)	nine months ended December 31		Variance
	2019	2018	%
Sales	446.2	326.0	36.9
Gross profit %	16.4%	16.4%	0 bpc
Operating income	34.4	22.1	55.8
Operating income (%)	7.7%	6.8%	90 bpc
Adjusted EBITDA <sup>(1)</sup>	67.6	48.3	39.9
Adjusted EBITDA <sup>(1)</sup> %	15.1%	14.8%	30 bpc
Net income	21.5	14.2	50.7
Adjusted net income <sup>(1)</sup>	22.0	17.6	25.1
EPS	0.60	0.39	53.8
Adjusted EPS <sup>(1)</sup>	0.61	0.48	27.1

**LTM sales of \$604.1M with adjusted EBITDA of \$93.5M or 15.5%.**

## LONG-TERM DEBT PROFILE AS AT DECEMBER 31, 2019



LEVERAGE RATIOS*	March 31, 2019	Dec. 31, 2019
Net Debt	2.8X	2.7X
Net Funded Debt	2.1X	1.9X

Annualized cost of debt:  
2.7% (excl. gov. loans)

≈\$275 million of additional available credit facilities

<sup>(1)</sup> Represent total debt excluding deferred financing costs

\* Calculated as LTD over LTM EBITDA. Net funded debt excludes government loans.

## STRONG CASH FLOW AND DELEVERAGING

### ✈ Strong cash flow generation / Deleveraging ability

(\$M)	FISCAL YEAR			
	2017	2018	2019	2020 (LTM DEC)
Sales	406.5	386.6	483.9	604.1
Cash flows related to operating activities	56.2	56.1	69.9	63.0
Cash flows related to operating activities %	13.8%	14.5%	14.4%	10.4%
Additions to PP&E	(19.4)	(10.1)	(13.3)	(17.8)
Increase/decrease in intangibles	(3.8)	4.8	1.5	1.2
Free Cash Flow <sup>(1)</sup>	33.0	50.8	58.1	45.3
Free Cash Flow <sup>(1)</sup> %	8.1%	13.1%	12.0%	7.5%

**Average Free Cash Flow<sup>(1)</sup>: 9.0%<sup>(2)</sup> of sales**


<sup>(1)</sup> Non-IFRS financial measure. Please refer to the "Non-IFRS financial measures" section at the end of this document for further details.

<sup>(2)</sup> From fiscal year 2017 to December 31, 2019.



## HISTORICAL PERFORMANCE

 Operating income up from 6.0% to 7.7% of sales

 Adjusted EBITDA<sup>(1)</sup> grew from 14.7% to 15.3% of sales

- + Contributions from CESA and Beaver
- + Improved absorption of manufacturing costs

<sup>(1)</sup> Non-IFRS financial measure. Please refer to the “Non-IFRS financial measures” section at the end of this document for further details

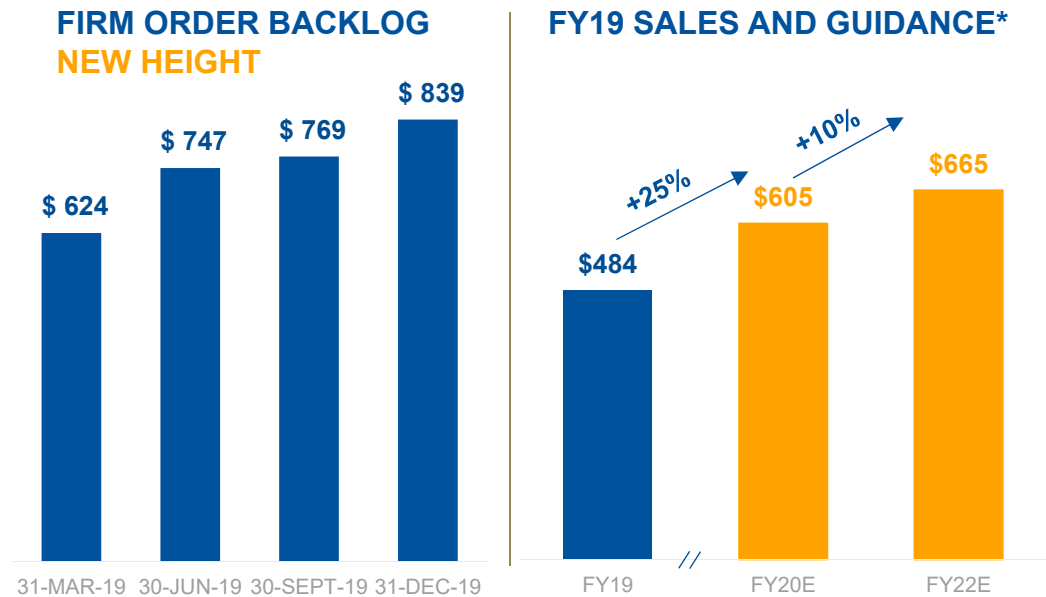
HIGHLIGHTS			
(\$M except per share data)	Fiscal years ended March 31		Variance
	2019	2018	%
Sales	483.9	386.6	25.2
Gross profit %	17.2%	15.9%	130 bps
Operating income	37.2	23.4	59.3
Operating income (%)	7.7%	6.0%	170 bps
Adjusted EBITDA <sup>(1)</sup>	74.2	56.9	30.4
Adjusted EBITDA <sup>(1)</sup> %	15.3%	14.7%	60 bps
Net income	26.2	13.7	91.6
Adjusted net income <sup>(1)</sup>	30.4	24.2	25.4
EPS	0.73	0.38	92.1
Adjusted EPS <sup>(1)</sup>	0.84	0.67	25.4

# CONCLUSION

## READY FOR SUSTAINABLE GROWTH

✈ Héroux-Devtek is in the strongest position it has ever been.

- Acquisitions of CESA, Beaver, Tekalia and Alta Precision
- Cross-selling opportunities
- Long-term contracts with a diversified customer base
- Industrialization of recently awarded contracts
- Growing backlog of firm orders



\*FIGURES ARE MIDDLE RANGE OF GUIDANCE

## NON-IFRS FINANCIAL MEASURES

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The information included in this presentation contains certain financial measures that are not prescribed by International Financial Reporting Standards (“IFRS”) and are not likely to be comparable to similar measures presented by other issuers.

- ➔ **EBITDA** - Earnings before financial expenses, income tax expense and amortization expense.
- ➔ **Adjusted EBITDA** - EBITDA as defined above excluding non-recurring items.
- ➔ **Adjusted Operating income** – Operating income excluding non-recurring items.
- ➔ **Adjusted net income** - Net income excluding non-recurring items net of taxes.
- ➔ **Adjusted earnings per share** - Diluted earnings per share calculated on the basis of adjusted net income.
- ➔ **Free cash flow** - Cash flows related to operating activities, less additions to property, plant and equipment and net increase in finite-life intangible assets.

Refer to the Corporation’s MD&A for further details



# THANK YOU

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