



# Chart Industries Third Quarter 2018

October 18, 2018

# Forward-Looking Statements



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Certain statements made in this news release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning the Company's plans, objectives, future orders, revenues, margins, earnings or performance, liquidity and cash flow, capital expenditures, business trends, and other information that is not historical in nature. Forward-looking statements may be identified by terminology such as "may," "will," "should," "could," "expects," "anticipates," "believes," "projects," "forecasts," "outlook," "guidance," "continue," or the negative of such terms or comparable terminology.

Forward-looking statements contained in this presentation or in other statements made by the Company are made based on management's expectations and beliefs concerning future events impacting the Company and are subject to uncertainties and factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the Company's control, that could cause the Company's actual results to differ materially from those matters expressed or implied by forward-looking statements. Factors that could cause the Company's actual results to differ materially from those described in the forward-looking statements include: those found in Item 1A (Risk Factors) in the Company's most recent Annual Report on Form 10-K filed with the SEC, which should be reviewed carefully; Chart's ability to close the VRV acquisition, successfully integrate VRV, and achieve anticipated revenue, earnings and accretion; estimated segment revenues, future revenue, earnings, cash flows, and margin targets and run rates; and Chart's ability to close the sale of its oxygen-related products business within the BioMedical segment. The Company undertakes no obligation to update or revise any forward-looking statement.

Chart is a leading diversified global manufacturer of highly engineered equipment for the industrial gas, energy, and biomedical industries. The majority of Chart's products are used throughout the liquid gas supply chain for purification, liquefaction, distribution, storage and end-use applications, a large portion of which are energy-related. Chart has domestic operations located across the United States and an international presence in Asia, Australia, Europe and Latin America. For more information, visit: <http://www.chartindustries.com>.

## 1 Energy & Chemical



- Supply Brazed Aluminum Heat Exchangers (BAHX), Air Cooled Heat Exchangers (ACHX) and Cold Boxes
- Provide integrated systems and aftermarket services for gas processing, LNG and petrochemical applications
- Lead in technological advancements

## 2 Distribution & Storage



- Offer a complete portfolio of cryogenic distribution and storage equipment
- Spearhead innovation in cryogenic packaged gas and MicroBulk systems
- Excel with over 20 years of experience in LNG applications
- Set the standard for storage of biological materials at low temperatures

# Recent Changes to Support Our Strategy

1

Segmentation with  
Global Commercial  
Team

2

Sale of Oxygen-  
Related Products  
Business

3

Acquisition of VRV,  
s.p.a

Building  
Blocks of Our  
Three Year  
Strategy

A

Take Advantage of Favorable Market Trends

B

Deliver Profitable Growth Through Strategic Initiatives

C

Achieve Financial Targets

*Predictable, Disciplined and Profitable Growth*

# 1 Segmentation

Energy & Chemicals

Distribution & Storage  
Western Hemisphere

Distribution & Storage  
Eastern Hemisphere

*Global Key Account Commercial Team*

# 2 Divestiture of Oxygen-Related Products

## Former BioMedical Segment

### CryoBio

Revenue: **\$75-85M**<sup>1</sup>



### Respiratory

Revenue: **\$150-160M**<sup>1</sup>



### CAIRE Description

- Leading global engineered solutions company specializing in oxygen related products across the respiratory industry
  - Stationary
  - Portable
  - Military
  - Onsite generation systems
  - Liquid
  - Spare parts

### Acquiror Description (1)

- NGK Spark Plug Co., Ltd.
  - Manufactures and sells spark plugs and related products for internal-combustion engines, technical ceramics and applicable products
  - ~\$6B market cap

### Transaction Consideration

- \$133.5M all-cash transaction
- Gain on sale to be recorded at close

### Closing

- Expected closing in Q4 2018
- Reporting in discontinued operations in Q3 2018

(1) Fiscal year end at March 31.

1. FY18 Estimate.

# 3 VRV Company Overview

## Business description

- VRV s.p.a. manufactures medium / high pressure and cryogenic equipment for the chemical, petrochemical and power industries
- Founded: 1956
- Headquarters: Ornago, Italy
- Operates in two divisions:
  - Energy & Petrochemical Division: product categories include refining, petrochemical, fertilizer, reaction and drying technology and polysilicon technology
  - Cryogenic Division: products categories include industrial, healthcare, cryobiology, liquefied natural gas (LNG), research & special projects and services & maintenance
- Six manufacturing facilities in Italy, France and India and commercial offices in the Czech Republic, France, Germany, the UK, Saudi Arabia, India (Mumbai), Malaysia, Brazil and North America

## Products overview



### Energy & Petrochemical

- Hydrotreating / hydrocracking
- Alkylation Equipment
- Styrene
- PE / HDPE / LDPE
- Elastomer
- Ammonia
- Methanol
- Urea
- Polysilicon

### Cryogenics

- Bulk storage
- Engineered-to-order
- Vaporizers
- Trailers and transport
- ISO containers
- Microbulk
- LN2 Dewars
- LOX therapy equipment
- Cryo freezers

# 3 VRV Strategic Rationale



## Cost Synergies

**Expand Chart's Global Footprint**



- Adds D&S Indian, Italian and France manufacturing
- Adds E&C manufacturing in Europe

**Maximize Production Capabilities and Efficiency**



- Additional port access for lead time reduction
- Leverage operational automation in place at VRV
- Supply chain and material handling savings

**Innovation Through Technology**



- Complementary and expanded technology offering
- Cryogenic valve offering

**Pursue New Organic and Inorganic Growth Opportunities**



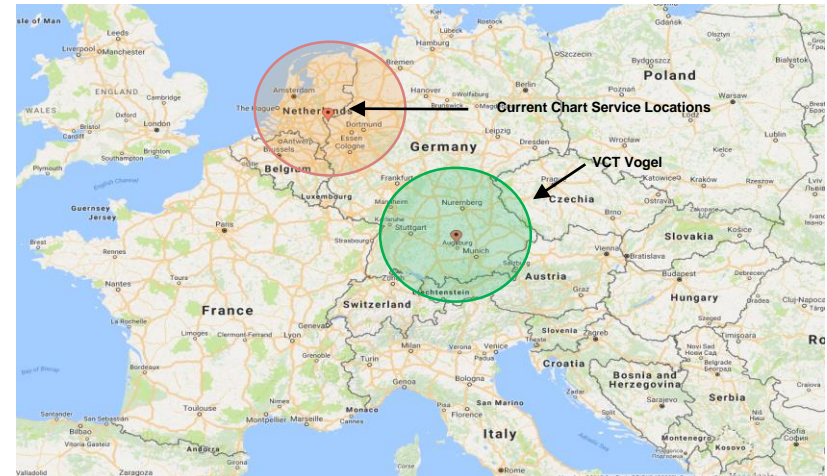
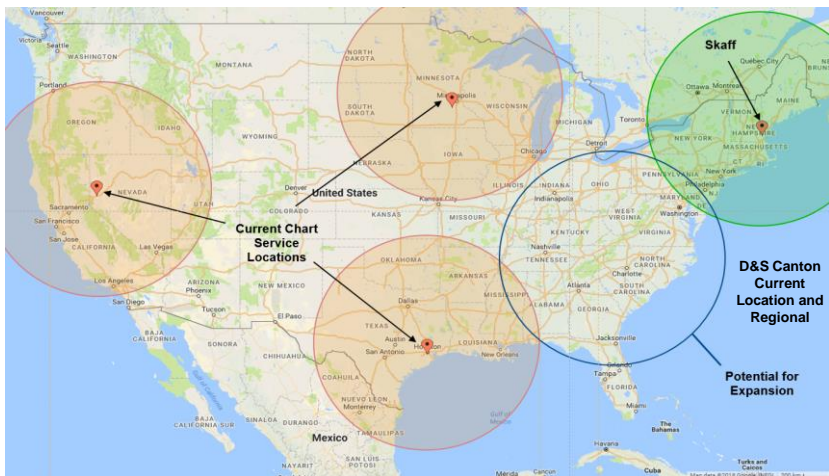
- Expanded service and repair access
- Improved access to high growth markets (India / Middle East)



*Supported by: Chart Business Services, 80/20 Process, Special Operations Task Force*



# 3 Expanding Service & Repair Footprint



- Direct coverage in the northeast United States
- Further expansion of direct service opportunity in the southeast
- Reduced transportation costs

- Service capabilities in southern Germany with reach into Switzerland, Italy, Austria, etc.
- Further expansion opportunities in Europe

# A Take Advantage of Favorable Macro Trends

## Market Dynamics

- Supply / demand for LNG needs in 2022-2023 and shift toward modular facilities
- Increasing regulatory environment
- Pollution and keen environmental awareness, in particular in emerging geographies
- Demand for industrial gases continues to outpace GDP



## Chart Exploitation

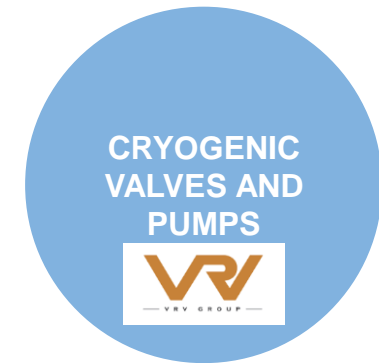
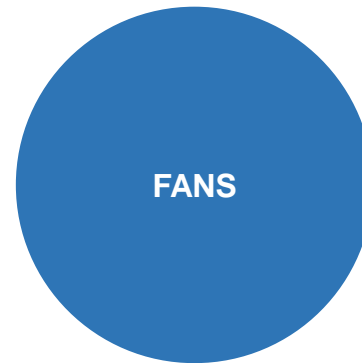
- Chart's **patented IPSMR technology** is key to mid-scale technology
- Chart's and VRV's **customer intimacy drives engineering solutions** ahead of regulatory changes
- Chart and VRV's **combined global manufacturing footprint** allows for cost and price effective solutions for targeted emerging markets

# B Accelerate Growth through Acquisitions

## Acquisition Criteria:

- Strong level of strategic fit
- High degree of leveragability (*specific and attainable synergies*)
- Proven growth and profitability
- Reasonable price expectations
- Management bench strength
- Ownership that's willing to assist in the transition

## Prioritize Key Market Opportunities:

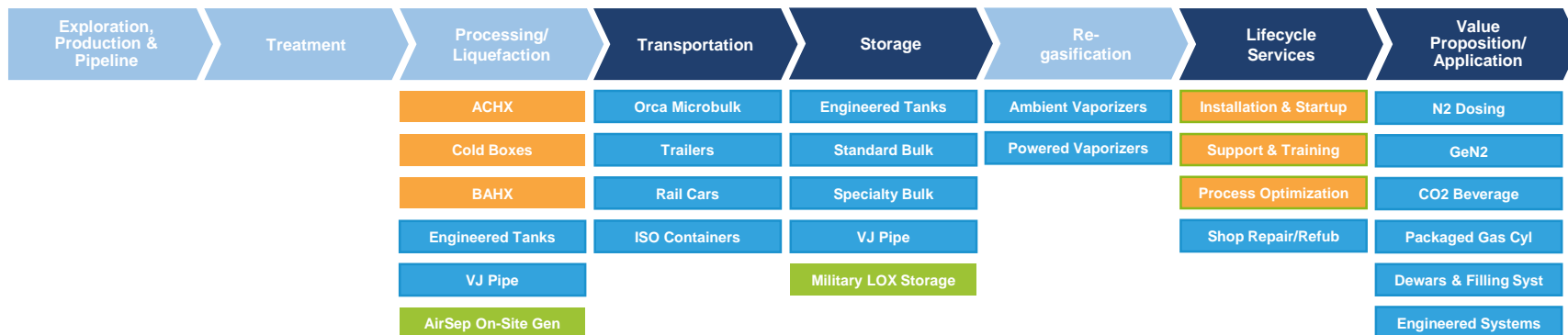


# Previous Gas to Liquids Offerings

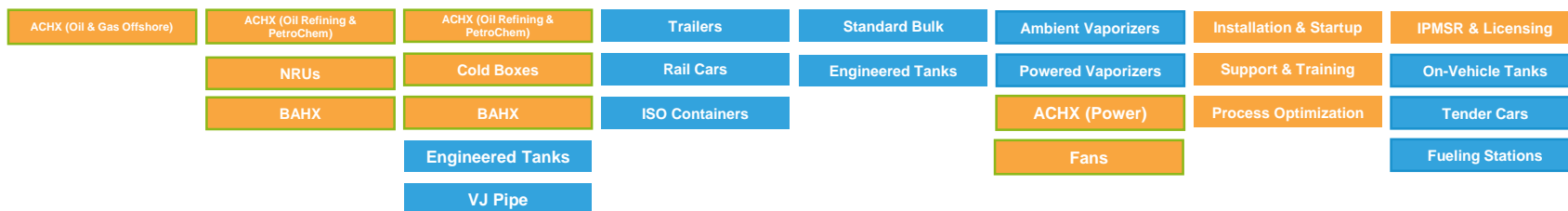


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Industrial Gas



Energy



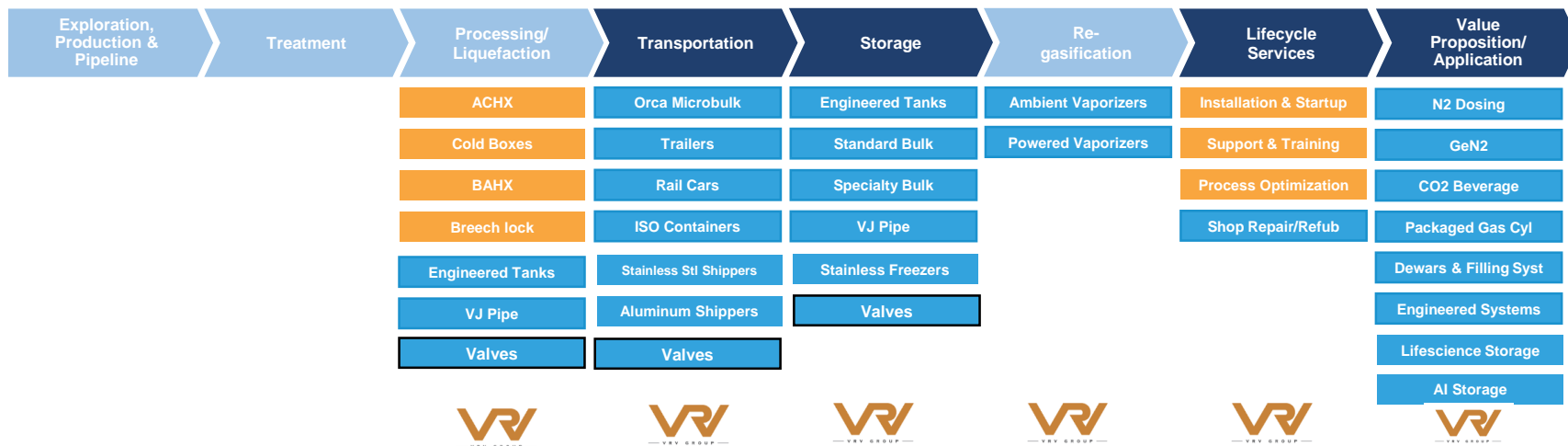
Medical



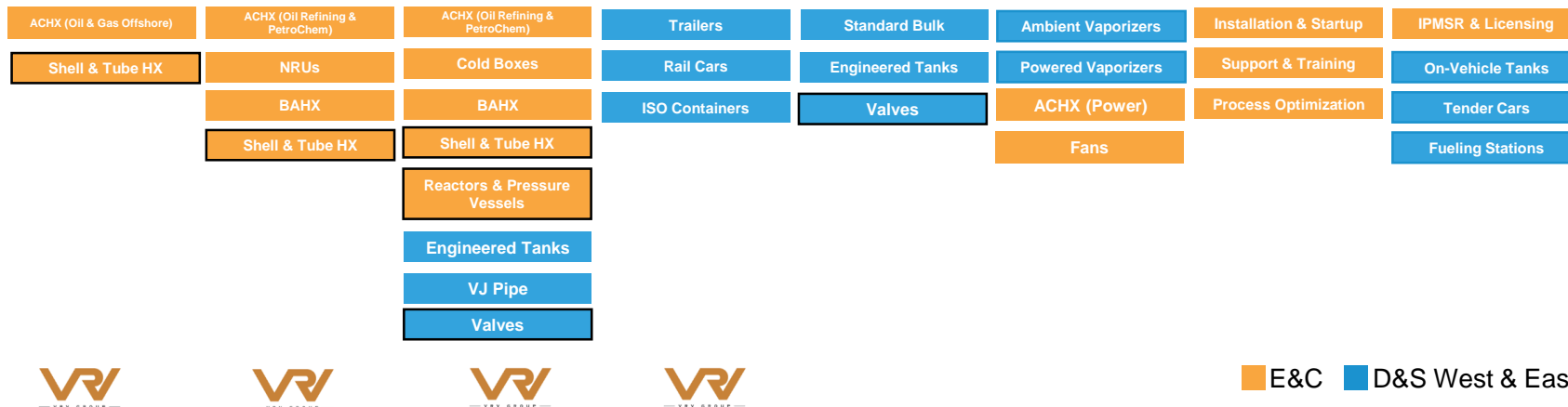
E&C D&S BioMed

# Current Focused Gas to Liquids Offerings

Industrial Gas



Energy



 E&C  D&S West & East

New with VRV acquisition

# Chart Significant LNG Opportunities



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Project Opportunity	Chart Customer	Operator	Country	Capacity	Scope of Supply
PA ssLNG	Confidential	Confidential	USA	50,000 gpd	C50N Cold box, BAHX, ACHX
FL ssLNG Expansion	EPC TBD	Confidential	USA	250,000 gpd	C250N, Cold boxes, BAHX, ACHX
MA ssLNG	Confidential	Confidential	USA	250,000 gpd	C250N, Cold boxes, BAHX, ACHX
Driftwood LNG	Bechtel	Tellurian	USA	26 MTPA	IPSMR®, Cold boxes, BAHX, ACHX
Calcasieu Pass	GE	Venture Global	USA	10 MTPA	9 Trains - 2xCold Boxes/train, BAHX
Corpus Christi TX - Stage 3	KBR/Siemens	Cheniere	USA	9.5 MTPA	IPSMR®, Cold boxes, BAHX, ACHX
Gimi (FLNG #3)	Black & Veatch	Golar	W. Africa	3.75 MTPA	4x Cold Boxes, BAHX
PA MultiTrain LNG	EPC TBD	Confidential	USA	3 MM gpd	IPSMR®, Cold boxes, BAHX, ACHX
Magnolia LNG	Magnolia	Magnolia	USA	8 MTPA	Cold Boxes, BAHX, Core-in-kettles
FL ssLNG	EPC TBD	Confidential	USA	500,000 gpd	C500 IPSMR®, Cold boxes, BAHX, ACHX, Tanks
Gandria (FLNG #2)	Black & Veatch	Golar	W. Africa	3.75 MTPA	4x Cold Boxes, BAHX
Pointe LNG	EPC TBD	Pointe LNG	USA	6 MTPA	IPSMR®, Cold boxes, BAHX, ACHX
SE Asia LNG	EPC TBD	Confidential	SE Asia	3 MTPA	IPSMR®, Cold boxes, BAHX, ACHX
SE Asia Expansion	EPC TBD	Confidential	SE Asia	8 MTPA	IPSMR®+, Cold boxes, BAHX, ACHX

# Third Quarter 2018 Financial Results



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## Sales & Revenue<sup>1</sup>

(\$USD Million)

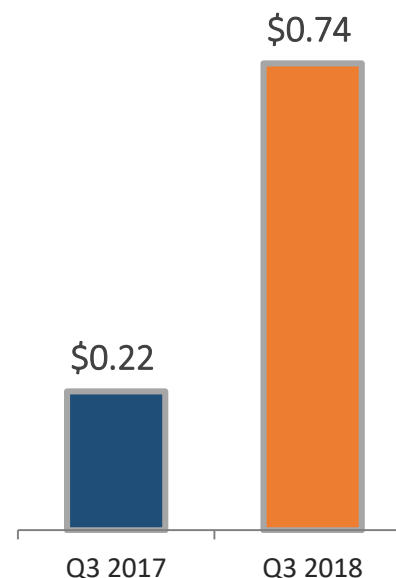
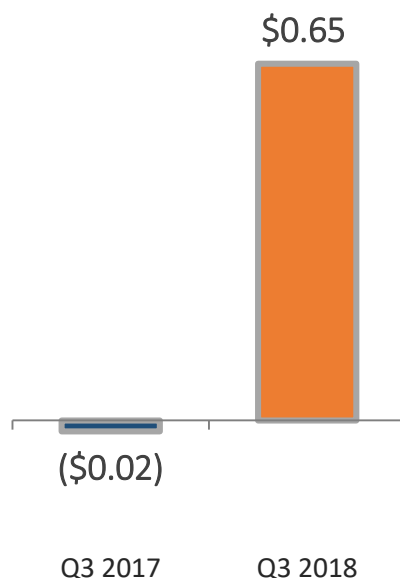
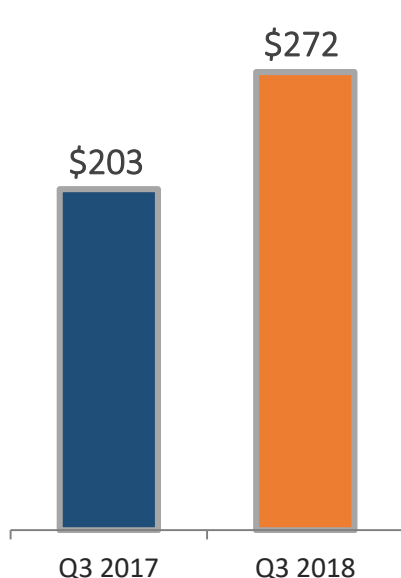
**\$272**

## Earnings Per Share<sup>1</sup>

**\$0.65**

## Adjusted Earnings Per Share<sup>1,2</sup>

**\$0.74**



## Q3 Highlights

- Sales increase of 34.3% over the third quarter of 2017, 16.0% excluding Hudson Products
- Reported earnings per diluted share increased \$0.67 compared to the third quarter 2017, and adjusted EPS grew \$0.52 in the same comparative period
- Orders of \$264 million increased compared to \$217 million in the third quarter of 2017, and increased 3.3% organically

1. All results reflect continuing operations

2. Adjusted earnings per share is a non-GAAP measure, see reconciliation to the comparable GAAP measure on page 5.

# 2018 YTD Financial Results



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## Sales & Revenue<sup>1</sup>

(\$USD Million)

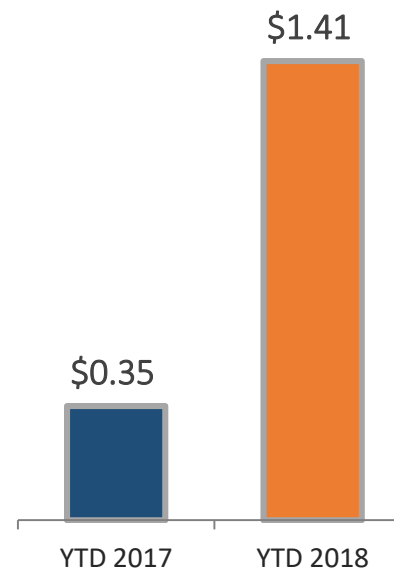
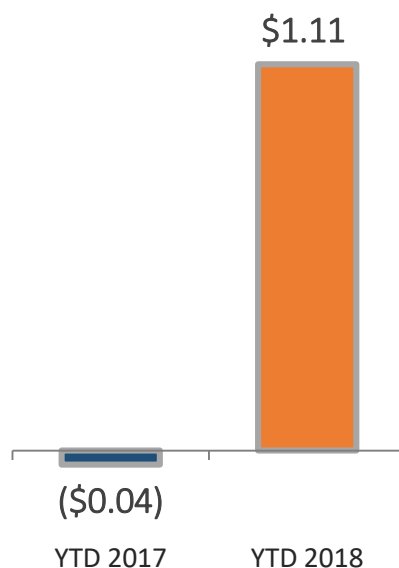
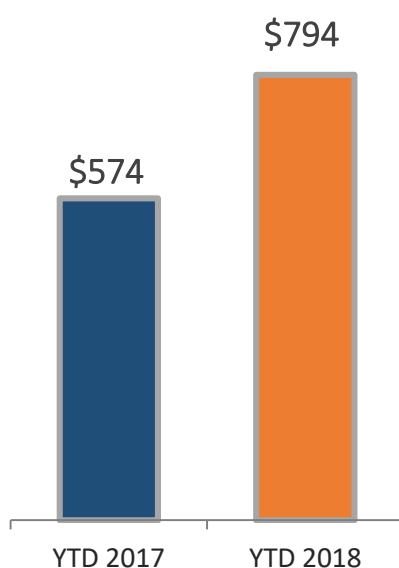
**\$794**

## Earnings Per Share<sup>1</sup>

**\$1.11**

## Adjusted Earnings Per Share<sup>1,2</sup>

**\$1.41**



## YTD Q3 2018 Highlights

- Sales increase of 38.5% over YTD third quarter of 2017, 16.2% excluding Hudson Products
- Reported earnings per diluted share increased \$1.15 compared to the first three quarters of 2017, and adjusted EPS grew \$1.06 in the same comparative period
- Orders of \$869 million increased compared to \$613 million in the first three quarters of 2017, and increased 14.4% organically

1. All results reflect continuing operations

2. Adjusted earnings per share is a non-GAAP measure, see reconciliation to the comparable GAAP measure on page 5.



# 2017 Results – Continuing Operations Segments



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Energy & Chemicals <i>SM</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
Sales	\$39.9	\$40.0	\$46.6	\$99.1	\$225.6
Gross Margin	8.4	5.4	8.6	22.7	45.1
GM %	21.1%	13.5%	18.5%	22.9%	20.0%
SG&A	7.8	7.4	7.4	11.7	34.3
% / Sales	19.5%	18.5%	15.9%	11.8%	15.2%
<b>Operating Income</b>	<b>\$(0.2)</b>	<b>\$(2.5)</b>	<b>\$0.3</b>	<b>\$7.5</b>	<b>\$5.1</b>
% / Sales	-0.5%	-6.3%	0.6%	7.6%	2.3%

Distribution & Storage Western Hemisphere <i>SM</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
Sales	\$91.1	\$104.9	\$99.6	\$105.7	\$401.3
Gross Margin	32.2	36.1	37.0	36.6	141.9
GM %	35.3%	34.4%	37.1%	34.6%	35.4%
SG&A	13.9	12.5	13.0	12.4	51.8
% / Sales	15.3%	11.9%	13.1%	11.7%	12.9%
<b>Operating Income</b>	<b>\$17.0</b>	<b>\$22.2</b>	<b>\$23.1</b>	<b>\$23.2</b>	<b>\$85.5</b>
% / Sales	18.7%	21.2%	23.2%	21.9%	21.3%

Distribution & Storage Eastern Hemisphere <i>SM</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
Sales	\$45.2	\$58.3	\$63.2	\$65.5	\$232.2
Gross Margin	9.1	11.6	13.7	13.8	48.2
GM %	20.1%	19.9%	21.7%	21.1%	20.8%
SG&A	6.4	7.8	7.8	11.3	33.3
% / Sales	14.2%	13.4%	12.3%	17.3%	14.3%
<b>Operating Income</b>	<b>\$2.5</b>	<b>\$3.7</b>	<b>\$5.6</b>	<b>\$2.1</b>	<b>\$13.9</b>
% / Sales	5.5%	6.3%	8.9%	3.2%	6.0%

# 2018 Results – Continuing Operations Segments



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Energy & Chemicals <i>\$M</i>	Q1 2018	Q2 2018	Q3 2018	YTD 2018
<i>Sales</i>	\$89.9	\$100.8	\$98.1	\$288.8
<i>Gross Margin</i>	19.4	21.3	26.9	67.6
<i>GM %</i>	21.6%	21.1%	27.4%	23.4%
<i>SG&amp;A</i>	12.6	11.7	11.3	35.6
<i>% / Sales</i>	14.0%	11.6%	11.5%	12.3%
<b><i>Operating Income</i></b>	<b>\$2.8</b>	<b>\$5.9</b>	<b>\$12.1</b>	<b>\$20.8</b>
<i>% / Sales</i>	3.1%	5.9%	12.3%	7.2%

Distribution & Storage Western Hemisphere <i>\$M</i>	Q1 2018	Q2 2018	Q3 2018	YTD 2018
<i>Sales</i>	\$100.6	\$117.6	\$119.0	\$337.2
<i>Gross Margin</i>	36.1	38.2	44.7	119.0
<i>GM %</i>	35.9%	32.5%	37.6%	35.3%
<i>SG&amp;A</i>	12.7	13.4	11.6	37.7
<i>% / Sales</i>	12.6%	11.4%	9.7%	11.2%
<b><i>Operating Income</i></b>	<b>\$22.2</b>	<b>\$23.6</b>	<b>\$31.9</b>	<b>\$77.7</b>
<i>% / Sales</i>	22.1%	20.1%	26.8%	23.0%

Distribution & Storage Eastern Hemisphere <i>\$M</i>	Q1 2018	Q2 2018	Q3 2018	YTD 2018
<i>Sales</i>	\$55.1	\$62.4	\$56.8	\$174.3
<i>Gross Margin</i>	11.8	14.1	11.2	37.1
<i>GM %</i>	21.4%	22.6%	19.7%	21.3%
<i>SG&amp;A</i>	7.8	7.3	7.7	22.8
<i>% / Sales</i>	14.2%	11.7%	13.6%	13.1%
<b><i>Operating Income</i></b>	<b>\$3.6</b>	<b>\$6.6</b>	<b>\$3.3</b>	<b>\$13.5</b>
<i>% / Sales</i>	6.5%	10.6%	5.8%	7.7%

# Financial Results – Continuing Operations Consolidated



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Chart Industries - Consolidated \$M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
<i>Sales</i>	\$171.0	\$199.8	\$202.7	\$269.4	<b>\$842.9</b>
<i>Gross Margin</i>	48.3	52.3	57.9	73.1	<b>231.6</b>
<i>GM %</i>	28.2%	26.2%	28.6%	27.1%	<b>27.5%</b>
<i>SG&amp;A</i>	44.1	41.7	48.1	49.4	<b>183.3</b>
<i>% / Sales</i>	25.8%	20.9%	23.7%	18.3%	<b>21.7%</b>
<b><i>Operating Income</i></b>	<b>\$1.8</b>	<b>\$8.6</b>	<b>\$7.2</b>	<b>\$18.6</b>	<b>\$36.2</b>
<i>% / Sales</i>	1.1%	4.3%	3.6%	6.9%	<b>4.3%</b>

Chart Industries - Consolidated \$M	Q1 2018	Q2 2018	Q3 2018	YTD 2018	YTD 2017
<i>Sales</i>	\$244.1	\$277.9	\$272.2	<b>\$794.2</b>	\$573.5
<i>Gross Margin</i>	66.9	72.8	82.3	<b>222.0</b>	158.5
<i>GM %</i>	27.4%	26.2%	30.2%	<b>28.0%</b>	27.6%
<i>SG&amp;A</i>	46.6	48.1	45.8	<b>140.5</b>	133.9
<i>% / Sales</i>	19.1%	17.3%	16.8%	<b>17.7%</b>	23.3%
<b><i>Operating Income</i></b>	<b>\$14.7</b>	<b>\$19.6</b>	<b>\$31.5</b>	<b>\$65.8</b>	\$17.6
<i>% / Sales</i>	6.0%	7.1%	11.6%	<b>8.3%</b>	3.1%

## Prior Guidance (Q2 2018)<sup>1</sup>

**Sales**  
**\$1.20B - \$1.25B**  
*7-9% organic growth*

**Adjusted EPS**  
**\$1.85 - \$2.05**  
*Inclusive of ~\$0.15 impact from U.S. tax reform*  
*Assumes 27% full year tax rate*

**Capital Expenditures**  
**\$35M - \$45M**  
*Inclusive of ~\$11M for finalization of La Crosse, WI capacity expansion*

## Prior Guidance, Q2 2018, Continuing Ops<sup>2</sup>

**Sales**  
**\$1.04B - \$1.09B**

**Adjusted EPS**  
**\$1.64 - \$1.84**

**Capital Expenditures**  
**\$34M - \$44M**  
*Inclusive of ~\$11M for finalization of La Crosse, WI capacity expansion*

## FY 2018 Guidance<sup>2</sup>

**Sales**  
**\$1.06B - \$1.10B**

**Adjusted EPS**  
**\$1.90 - \$2.00**

**Capital Expenditures**  
**\$35M - \$40M**  
*Inclusive of ~\$11M for finalization of La Crosse, WI capacity expansion*

1. The Company's prior guidance assumed continued ownership of all assets for the entire calendar year.
2. The Company's current guidance reflects continuing operations only, and prior guidance restated to reflect continuing operations only.

## Full Year 2019

### Sales

**\$1.24B - \$1.30B**

*16-%18% growth*

*6%-7% organic growth*

### Adjusted EPS

**\$2.40 - \$2.75**

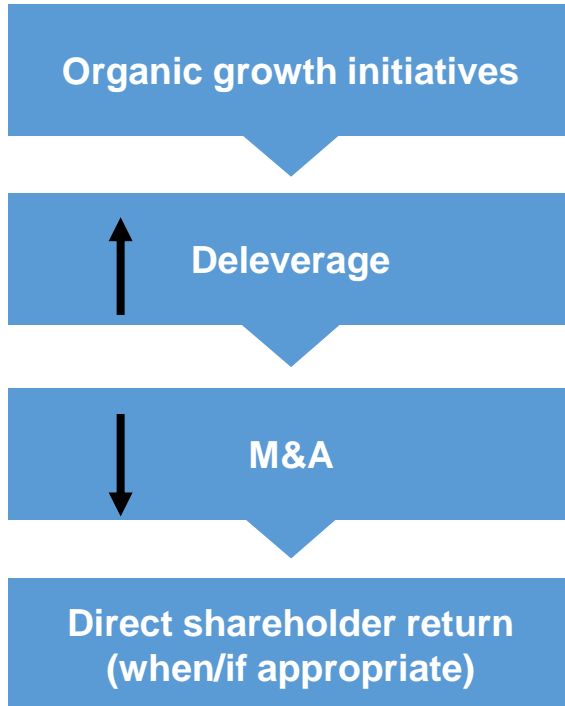
*Assumes 22% to 23% full year tax rate*

*Excludes any large LNG related revenue*

*Includes Full Year of VRV, s.p.a. and Excludes CAIRE*

### Capital Expenditures

**\$30M - \$40M**



- Expect \$250M Free Cash Flow<sup>1</sup> over the next 3 years
- Long-term leverage target of 2x – 3x
- Capital allocated to position the company for growth and maintain a strong balance sheet

***Focused on long-term shareholder value creation***

1) "Free Cash Flow" is not a measure of financial performance under U.S. GAAP and should not be considered as an alternative to net cash provided by (used in) operating activities in accordance with U.S. GAAP. The Company believes this figure is of interest to investors and facilitates useful period to period comparisons of the Company's operating results.

# Strategic Realignment Supports Achieving 2021 Financial Targets



**40**<sub>+</sub>%

Revenue Growth to \$1.7B

**~700**<sub>bps</sub>

Operating Margin Expansion to ~17%

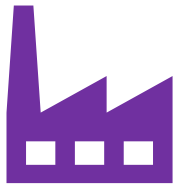
**21**%

of Sales from Aftermarket from 13%



- **Leading Positions Across the Portfolio**
- **Well-Balanced Portfolio of Long-Cycle and Short-Cycle Products**
- **Consistent Growth in Operating Income, EPS and FCF**

***Predictable, Disciplined and Profitable Growth***



Leading diversified industrial global manufacturer with **diverse and broad product offering**



Operate in attractive, growing **markets**



Innovative technical **expertise and reputation**



Cross-operating segment **scale and collaboration**



Longstanding **relationships** with industry leading and global customers





[www.chartindustries.com](http://www.chartindustries.com)