



**G L A T F E L T E R**

# **2019 First Quarter Earnings Conference Call**

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NYSE: GLT

# Forward Looking Statements and Use of Non-GAAP Financial Measures

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During the course of this presentation, certain non-U.S. GAAP financial measures will be presented. A reconciliation of these measures to U.S. GAAP financial measures is included in the appendix of this presentation.



# Highlights

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- **Generated Adjusted EPS of \$0.16 and Adjusted EBITDA of \$26 million**
  - EBITDA – in line with expectations
  - Tax rate in the quarter below guidance due to one-time benefits from tax audit closures
- **Strong growth in Airlaid business with revenue up 49% in constant currency**
  - Organic growth of 19% in constant currency, reflecting significant progress with new business in North America
  - Steinfurt acquisition delivered operating profit of \$2.1 million
- **CFBU impacted by weak shipments in wallcover and metalized paper, partially offset by growth in food & beverage business**
  - Raw material and energy prices continue to negatively impact operating income
  - Impact from a fire at a supplier's facility last year continues to hinder operations
- **Corporate costs reduced by \$4.8 million versus Q1 2018**
- **Fox River liability is resolved and approved by court**
  - Paid \$20.5 million for Fox River liability settlement



# Adjusted EPS – Q1 2019 vs. Q1 2018



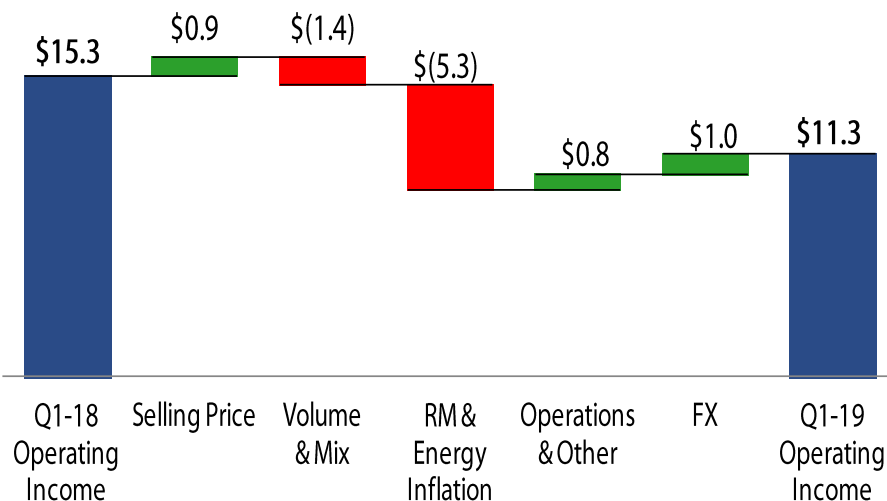
**On a GAAP basis, net income from continuing operations for Q1 2019 was \$4.6 million or \$0.10 per share compared to \$2.3 million or \$0.05 per share in Q1 2018**



# Composite Fibers Q1 2019 Highlights

Dollars in Thousands

	Q1 2018	Q4 2018	Q1 2019
<b>Tons shipped (MT)</b>	<b>36,332</b>	<b>33,338</b>	<b>31,529</b>
<b>Net sales</b>	<b>\$141,598</b>	<b>\$131,163</b>	<b>\$128,717</b>
<b>Operating income</b>	<b>\$15,289</b>	<b>\$8,248</b>	<b>\$11,349</b>
<b>EBITDA</b>	<b>\$22,699</b>	<b>\$14,831</b>	<b>\$18,023</b>
<b>EBITDA margin</b>	<b>16.0%</b>	<b>11.3%</b>	<b>14.0%</b>



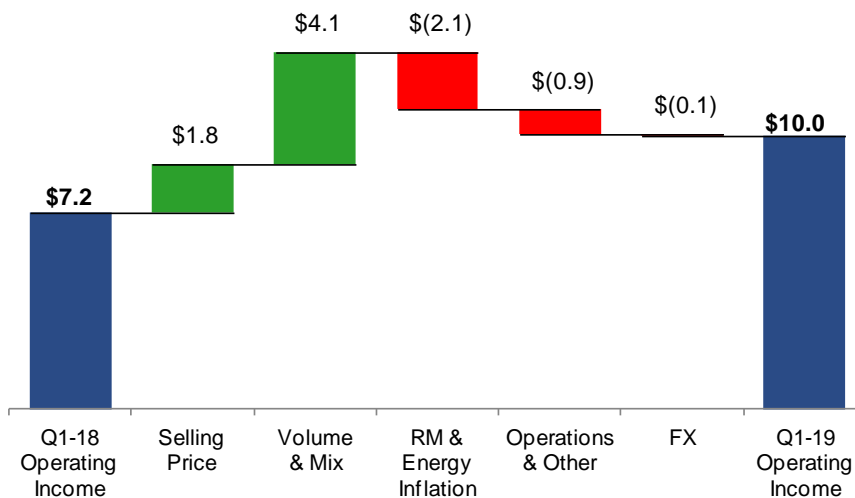
- **Revenue down 3% versus Q1 2018 on constant currency**
  - Volume down 13%
    - Wallcover down 27%
    - Metalized products down 22%
    - Food & beverage up 4%
  - Selling prices increased \$0.9 million versus Q1 2018
- **Raw material and energy costs unfavorable \$5.3 million versus Q1 2018; favorable to Q4'18 by \$2.2 million**
- **Operations favorable \$0.8 million**
  - \$2.3 million cost reduction actions
  - \$0.7 million lower depreciation
  - (\$1.5) million related to machine downtime
  - (\$1.0) million impact of a fire at a fiber supplier
- **Fx favorable \$1.0 million mainly driven by favorable hedging**
- **Outlook (Q2 2019 vs. Q1 2019)**
  - Shipping volumes expected to be 5% higher
  - Selling prices expected to be slightly higher
  - Raw material prices to come down slightly, but expected to be offset by higher energy prices
  - Downtime impact will be similar to the first quarter as we continue to manage inventory levels
- **Expect 2019 volume to be flat to 2018**



# Advanced Airlaid Materials Q1 2019 Highlights

Dollars in Thousands

	Q1 2018	Q4 2018	Q1 2019
<b>Tons shipped (MT)</b>	<b>23,846</b>	<b>32,397</b>	<b>33,177</b>
<b>Net sales</b>	<b>\$69,609</b>	<b>\$98,316</b>	<b>\$100,416</b>
<b>Operating income</b>	<b>\$7,210</b>	<b>\$9,667</b>	<b>\$10,038</b>
<b>EBITDA</b>	<b>\$9,973</b>	<b>\$14,877</b>	<b>\$15,306</b>
<b>EBITDA margin</b>	<b>14.3%</b>	<b>15.1%</b>	<b>15.2%</b>



- **Revenue up 49% versus Q1 2018 on constant currency**
  - Excluding Steinfurt, shipping volume up 13% and net sales up 19% on constant currency basis
    - Strong growth in North America as new products and customers continue to ramp up
    - Strong growth in wipes, table top and hygiene products
- **Higher selling prices reflect the contractual pass through of higher raw material prices**
- **Operating profit improved \$2.8 million**
  - \$2.1 million from Steinfurt
  - Fort Smith investment increased depreciation expense by \$0.9 million
- **Outlook (Q2 2019 vs. Q1 2019)**
  - Shipments expected to increase 5%
  - Selling prices and raw material prices expected to decline slightly
  - Energy prices are expected to increase slightly
- **Outlook 2019**
  - Expect legacy volumes at the higher end of 8%-10% range previously provided
  - Expect Steinfurt operating profit of \$7 million to \$9 million with D&A of \$7 million



# Corporate Costs and Other Financial items

## Details of Other and Unallocated

The following sets forth details of 'Other and Unallocated' amounts presented in the Company's Business Unit Financial Information included in total operating income in the earnings release.

(in millions)	Q1'18	Q1'19
Timberland sales and related costs	\$1.1	\$0.5
Fox River environmental matter	-	\$2.5
Airlaid capacity expansion	(\$3.0)	(\$1.0)
Cost optimization actions	-	(\$3.9)
Strategic initiatives	(\$0.5)	(\$0.1)
Special items excluded from adjusted earnings	(\$2.4)	(\$2.1)
<b>Corporate costs*</b>	<b>(\$12.4)</b>	<b>(\$7.6)</b>
<b>Total corporate costs &amp; other financial items</b>	<b>(\$14.8)</b>	<b>(\$9.6)</b>

- **Corporate costs include \$6.9 million in Q1'18 related to Corporate shared services previously charged to Specialty Papers**
- **Corporate costs lower than Q1'18 by \$4.8 million**
- **Corporate costs to be significantly reduced during 2019**
  - Corporate costs estimated to be approximately \$8 million in Q2'19
  - Rightsizing corporate shared services
  - Corporate costs estimated to be \$35 million in 2019 and \$28 million to \$30 million in 2020
- **Fox River reserves reduced by \$2.5 million after court's approval of consent decree**
- **Qualified pension plan to be terminated effective June 30, 2019**
  - Reduces long term risks
  - Reverts cash from pension asset to the company
  - Replace defined benefit plan with an enhanced defined contribution plan
  - 2019 pension costs are not expected to change materially

Notes: \* Corporate costs are primarily comprised of legal fees, professional services fees and employee costs. The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Cash flow

- **Lower cash flow from continuing operations in Q1'19 – cash usage of \$24.1 million**
  - Normal seasonal working capital use in the first quarter, as well as planning for a potential hard Brexit
  - Fox River liability settlement of \$20.5 million paid in Jan'19
- **Capital expenditures in Q1'19 were \$14.2 million lower than Q1'18**
  - Q1'18 includes \$11.3 million for airlaid capacity expansion
- **Expect total capital expenditures to be \$23 million to \$28 million in 2019**
- **Depreciation and amortization expense for 2019 estimated to be \$52 million**

(in millions)	Q1'18	Q1'19
Adjusted EBITDA	\$21.1	\$25.6
Change in working capital (*)	(17.5)	(21.5)
Taxes paid	(3.0)	(3.0)
Interest paid	0.0	(6.0)
Other	(7.8)	(19.2)
<b>Cash Flow from continuing Operations</b>	<b>(7.1)</b>	<b>(24.1)</b>
Less: Capital expenditures	(20.1)	(5.9)
<b>Free Cash Flow</b>	<b>(27.2)</b>	<b>(30.0)</b>
Adjustment for major capital projects	11.3	0.0
<b>Adjusted Free Cash Flow</b>	<b>(\$15.9)</b>	<b>(\$30.0)</b>

Notes:

(\*) - Working capital is defined as accounts receivable plus inventories less accounts payable.

In Q1'2018, all interest paid, which related primarily to the revolving credit facility, was attributed to discontinued operation; hence, continuing operations had zero interest paid. The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Balance Sheet and Liquidity

- **Renewed 5-year revolving credit facility**
- **Redeemed 5<sup>3</sup>/<sub>8</sub>% Notes on February 28, 2019 which will reduce interest expense by \$6 million in 2019**
- **Paid \$20.5 million in January 2019 related to Fox River settlement**
- **Temporary uptick in leverage driven by Fox River payment and working capital use**
  - Liquidity based on leverage covenant of 4.5x which drops to 4.0x at December 31, 2019
- **Expect liquidity to improve in 2019**
  - Profit growth from business units
  - Reduction in corporate shared services costs
  - Lower capital expenditures

(in millions)	31-Dec-17	31-Dec-18	31-Mar-19
<b>Cash</b>	<b>\$116.2</b>	<b>\$142.7</b>	<b>\$76.7</b>
<b>Debt</b>			
Current portion of long term debt	11.3	10.8	19.9
5 <sup>3</sup> / <sub>8</sub> % Notes, due October 2020	250.0	250.0	-
Term Loans 1.3% - 2.4% due 2022 - 2025	50.8	37.7	272.3
Revolving credit agreement	171.2	114.5	101.1
Unamortized deferred financing costs	(1.9)	(1.3)	(2.8)
<b>Total Debt</b>	<b>\$481.4</b>	<b>\$411.7</b>	<b>\$390.4</b>
<b>Net Debt</b>	<b>\$365.2</b>	<b>\$269.1</b>	<b>\$313.8</b>
<b>Shareholders' Equity</b>	<b>\$708.9</b>	<b>\$538.9</b>	<b>\$536.2</b>
<b>TTM Adj. EBITDA</b>	<b>\$152.7</b>	<b>\$88.6</b>	<b>\$88.8</b>
<b>Leverage*</b>	<b>2.4</b>	<b>3.0</b>	<b>3.5</b>
<b>Available Liquidity</b>	<b>\$183.7</b>	<b>\$152.9</b>	<b>\$94.5</b>

Notes: (\*) -For leverage calculation, 2017 EBITDA reflects EBITDA at that point of time including discontinued operations, 2018 EBITDA includes full year of Steinfurt financials and TTM 3/31/2019 EBITDA includes add back of Q2'18 and Q3'18 Steinfurt financials

The above calculation is not intended to be used for purposes of calculating debt covenant compliance.

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# Effective Tax Rate

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- Estimated tax rate for 2019 of approximately 38% on adjusted earnings
  - Glatfelter utilizing NOL's in U.S.
  - When using NOL's cannot take 50% deduction or use foreign tax credits to reduce GILTI
  - Tax rate in the first quarter below initial guidance due to one-time benefits from tax audit closures
- Drivers of tax rate
  - U.S. tax on foreign earnings (Global Intangible Low Taxed Income – GILTI)
  - Glatfelter currently generating a loss in U.S. and cannot recognize tax benefit
- Expect tax rate to begin to improve in 2020 as NOL's are fully utilized and U.S. earnings improve
  - Estimated tax rate for 2020 of approximately 35%
  - Estimated tax rate for 2021 of approximately 30%



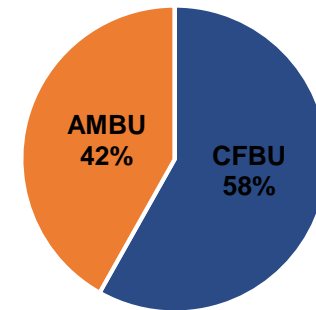
# 2019 Growth Drivers

- **Advanced Airlaid Materials**
  - Expect legacy volumes to grow 10%
  - Steinfurt acquisition operating profit of \$7 million - \$9 million
  - Focus on operational excellence and productivity
- **Composite Fibers**
  - Price increase realization of ~ \$7 million
  - Focus on operational excellence and productivity
  - Reduce headcount by ~ 50 and continued focus on cost control
- Achieve corporate costs reduction of \$14 million - \$16 million by the end of 2020
- Reduce interest expense by \$6 million

## Financial Highlights

(Proforma TTM 3/31/19)

Sales: \$932 million



Adjusted EBITDA

\$88.8 million

9.5%

# Appendix

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# Earnings Statement

<b>Q1'19 vs Q1'18 (in millions of dollars)</b>	<b>Q1'18</b>	<b>Q1'19</b>	
Sales	\$211.2	\$229.1	● Volume +8% Constant Fx +14%
Cost of sales	\$173.5	\$192.8	● RM & Energy prices up \$7.4m Depreciation increase up \$1.5m
SG&A	\$29.9	\$24.6	
Operating income from continuing operations	\$7.7	\$11.7	● AMBU \$10.0 CFBU \$11.3 Corporate costs (\$7.6) Special items (\$2.1) \$11.7m
Interest expense, net	\$3.4	\$4.2	● \$1.0 million debt refinancing fee in Q1'19
Non-service components of net periodic benefit cost	(\$0.2)	\$0.6	
Non-operating expense / (income)	\$0.5	\$0.4	
Income tax expense	\$1.8	\$1.9	
<i>Tax rate</i>	43.8%	28.7%	
Income from continuing operations	\$2.3	\$4.6	
Discontinued operations	\$3.5	\$0.7	
Net Income	\$5.7	\$5.3	
Adjusted EPS from continuing operations	\$0.09	\$0.16	

Note - The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Capital Expenditures

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## Capital Expenditures Estimate

(in millions)	2017A	2018A	2019E
<b>Normal Capital Expenditures</b>	\$35	\$29	\$23 - \$28
<b>Major Projects</b>			
Capacity expansion (AMBU)	\$46	\$13	\$0
<b>Total</b>	<b>\$81</b>	<b>\$42</b>	<b>\$23 - \$28</b>

- **Expect total capital expenditures to be \$23 million to \$28 million in 2019**
- **Depreciation and amortization expense for 2019 estimated to be \$52 million**
- **Advanced Airlaid Materials capacity expansion project completed in 2018**
  - Commercial shipments started in Q1'18

*Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.*



# Financial Overview

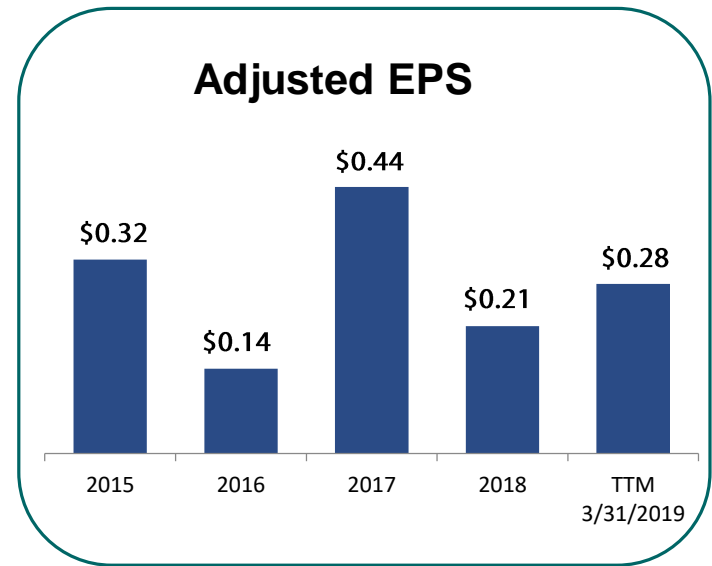
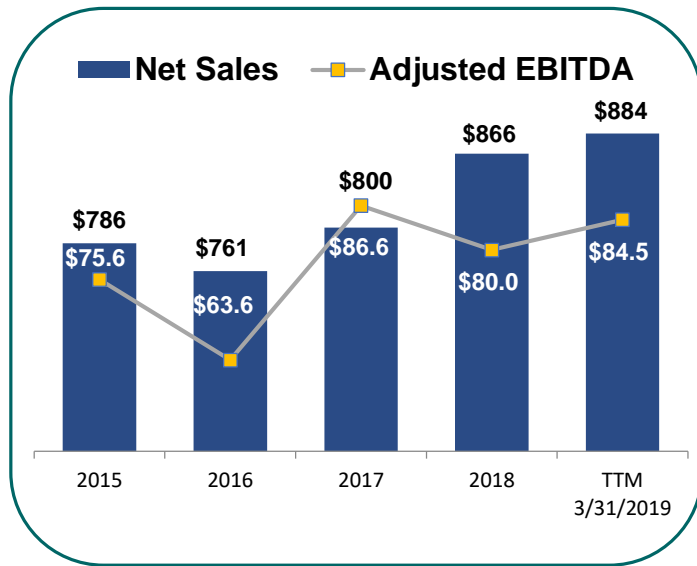
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(in millions)	Q1'18	Q1'19
Net Sales	\$211.2	\$229.1
Adjusted operating income	\$10.1	\$13.7
Adjusted EBITDA	\$21.1	\$25.6
Free Cash Flow	(\$27.2)	(\$30.0)
Adjusted Free Cash Flow	(\$15.9)	(\$30.0)

(in millions)	Dec 31 2018	Mar 31 2019
Net Debt	\$269.1	\$313.8
Cash	\$142.7	\$76.7



# Earnings Trends



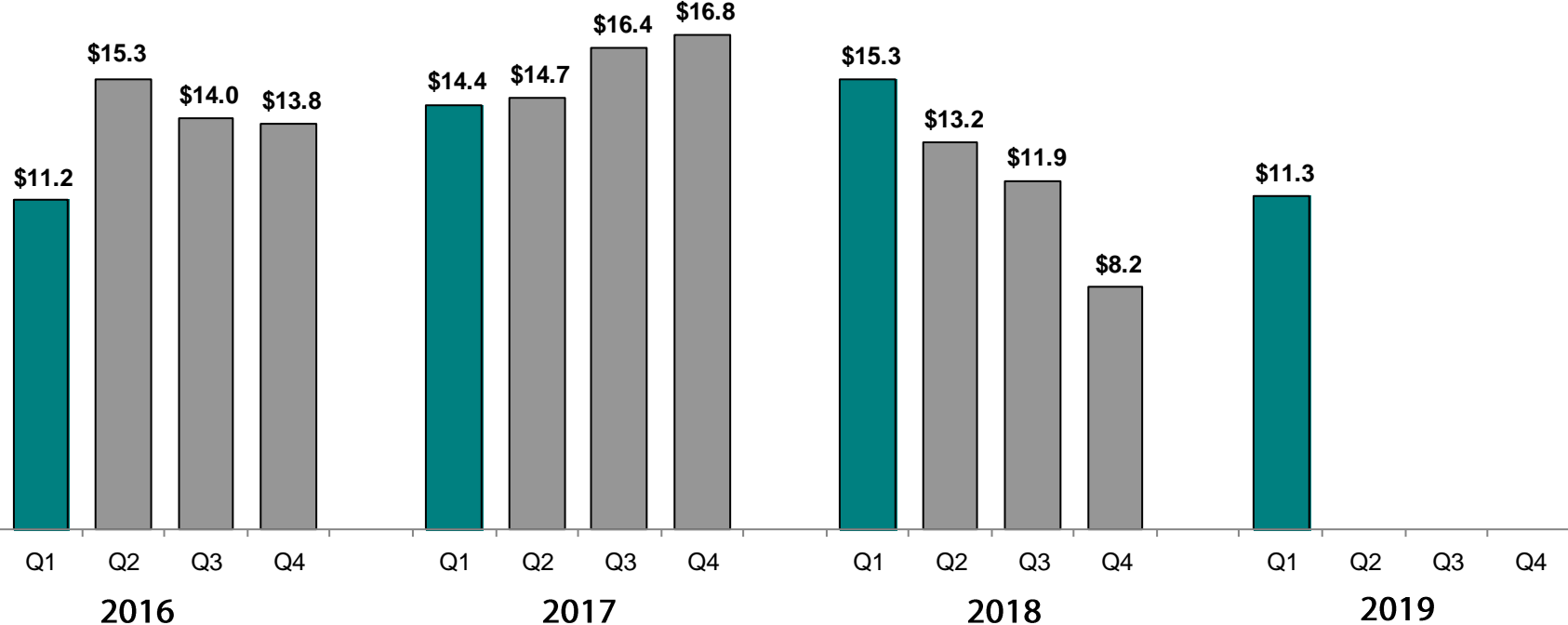
Note: Results are from continuing operations with an assumed tax rate of 40% for 2015 – 2017 ; Net sales and Adjusted EBITDA in millions





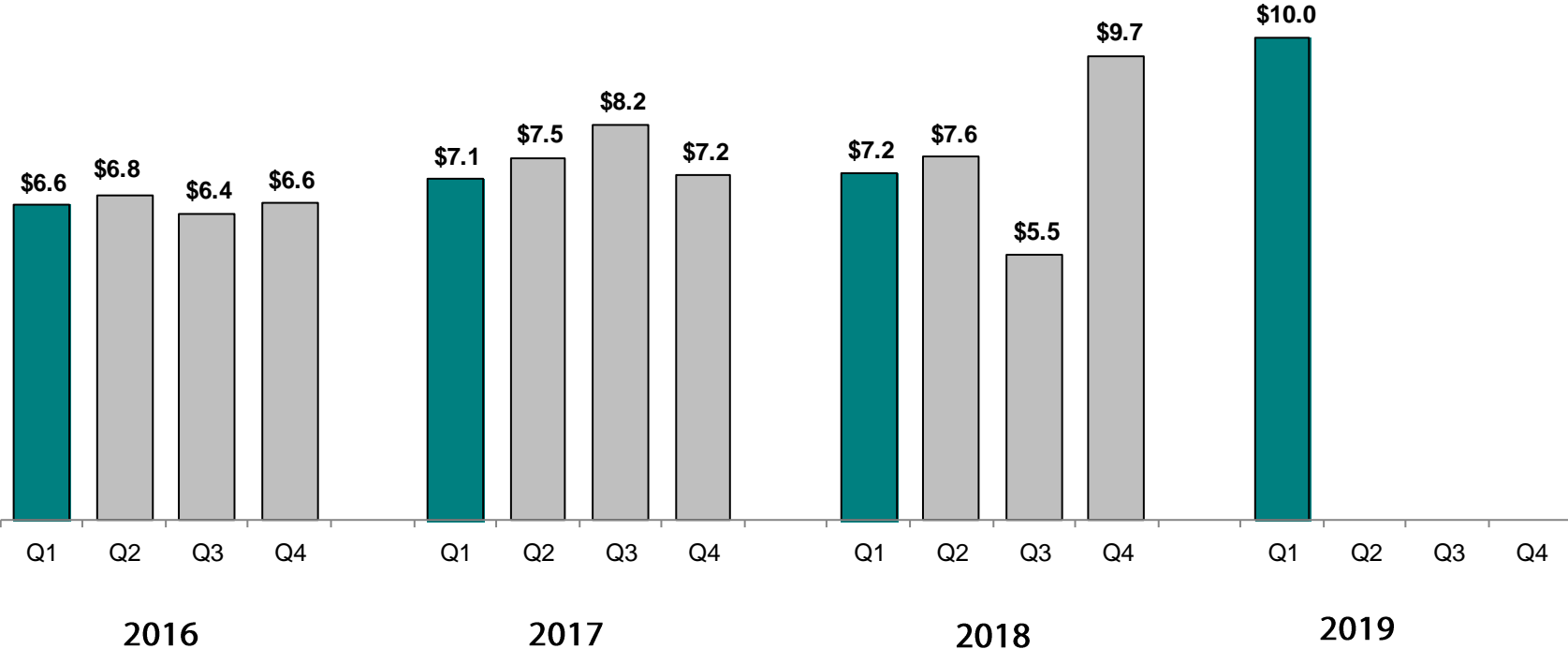
# Composite Fibers Operating Income

\$'s in millions



# Advanced Airlaid Materials Operating Income

\$'s in millions



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA and Adjusted Operating Income for continuing operations

<i>In millions</i>	Q1 2018	Q1 2019
Net Income	\$ 5.7	\$ 5.3
Adjust: Income from discontinued ops	(3.5)	(0.7)
Add: Taxes	1.8	1.9
Add: Depreciation and Amortization	11.3	12.8
Add: Net Interest Expense	3.4	4.2
EBITDA	\$ 18.8	\$ 23.5
<u>Adjustments / Exclusions:</u>		
Gains on Timberland Sales and Transaction Related Costs	(1.1)	(0.5)
Airlaid Capacity Expansion	3.0	1.0
Cost optimization actions	-	3.9
Costs related to strategic initiatives	0.5	0.1
Fox River environmental matter	-	(2.5)
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 21.1</b>	<b>\$ 25.6</b>
Depreciation and Amortization	(11.3)	(12.8)
Other (Income)/Expense	0.3	1.0
<b>Adjusted Operating Income from continuing operations</b>	<b>\$ 10.1</b>	<b>\$ 13.7</b>

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA for continuing operations

<i>In millions</i>	2015	2016	2017	2018	TTM 3/31/2019
<b>Net Income (Loss)</b>	<b>\$ 64.6</b>	<b>\$ 21.6</b>	<b>\$ 7.9</b>	<b>\$(177.6)</b>	<b>\$ (178.0)</b>
Adjust: (Income) loss from discontinued ops	(34.2)	(35.7)	(13.5)	177.2	179.9
Add: Taxes from continuing operations	0.2	(28.4)	25.1	7.7	7.8
Add: Depreciation and Amortization	37.3	39.5	42.1	47.5	49.0
Add: Net Interest Expense	14.8	13.6	13.1	15.0	15.9
EBITDA from continuing operations	<b>\$ 82.7</b>	<b>\$ 10.6</b>	<b>\$ 74.6</b>	<b>\$ 69.8</b>	<b>\$ 74.6</b>
<u>Adjustments / Exclusions:</u>					
Pension settlement charge	-	7.3	-	-	-
Gains on Timberland Sales and Transaction Related Costs	(20.9)	-	(0.2)	(3.2)	(2.6)
Asset impairment charge	1.2	-	-	-	-
Airlaid Capacity Expansion	0.0	2.7	10.9	7.1	5.1
Cost optimization actions (net of asset write off)	2.3	3.1	1.3	0.4	4.4
Costs related to strategic initiatives	0.2	-	-	5.9	5.5
Fox River environmental matter	10.0	40.0	-	-	(2.5)
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 75.6</b>	<b>\$ 63.6</b>	<b>\$ 86.6</b>	<b>\$ 80.0</b>	<b>\$ 84.5</b>

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA used for leverage calculation

<i>In millions</i>	2017	Pro forma 2018	Pro forma TTM 3/31/2019
<b>Net Income (Loss)</b>	<b>\$ 7.9</b>	<b>\$ (177.6)</b>	<b>\$ (178.0)</b>
Adjust: (Income) loss from discontinued ops	-	177.2	179.9
Add: Taxes from continuing operations	31.4	7.7	7.8
Add: Depreciation and Amortization	76.0	47.5	49.0
Add: Net Interest Expense	17.5	15.0	15.9
EBITDA	\$ 132.9	\$ 69.8	\$ 74.6
EBITDA from Steinfurt operations	-	8.6	4.4
<u>Adjustments / Exclusions:</u>			
Gains on Timberland Sales and Transaction Related Costs	(0.2)	(3.2)	(2.6)
Airlaid Capacity Expansion	10.9	7.1	5.1
Specialty Paper Environmental Compliance	3.6	-	-
Cost optimization actions (net of asset write off)	5.5	0.4	4.4
Costs related to strategic initiatives	-	5.9	5.5
Fox River environmental matter	-	-	(2.5)
<b>Adjusted EBITDA</b>	<b>\$ 152.7 (*)</b>	<b>\$ 88.6 (*)</b>	<b>\$ 88.8 (*)</b>

Notes: (\*) -For leverage calculation, historical periods reflects EBITDA at that point of time including discontinued operations in 2017;2018 EBITDA and TTM 3/31 EBITDA includes applicable Steinfurt financials add back  
 Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Reconciliation of Non-GAAP measures

## Adjusted EPS for continuing operations

<i>In millions</i>	2015	2016	2017	2018	TTM 3/31/2019
<b>Net Income (Loss)</b>	\$ 64.6	\$ 21.6	\$ 7.9	\$ (177.6)	\$ (178.0)
Adjust: (Income) loss from discontinued ops, net of tax	(34.2)	(35.7)	(13.5)	177.2	179.9
<b>Income (loss) from continuing operations</b>	<b>30.4</b>	<b>(14.2)</b>	<b>(5.6)</b>	<b>(0.4)</b>	<b>1.9</b>
<u>Adjustments / Exclusions:</u>					
Pension settlement charge	-	7.3	-	-	-
Gains on Timberland Sales and Transaction Related Costs	(20.9)	-	(0.2)	(3.2)	(2.6)
Asset impairment charge	1.2	-	-	-	-
Airlaid Capacity Expansion	0.0	2.7	10.9	7.1	5.1
Debt refinancing fees	-	-	-	-	1.0
Cost optimization actions	2.3	3.1	2.6	0.4	4.4
Costs related to strategic initiatives	0.2	-	-	5.9	5.5
Fox River environmental matter	10.0	40.0	-	-	(2.5)
Income Tax impact on adjustments	1.3	(19.4)	18.8	(0.5)	(0.2)
Total adjustments	(5.8)	33.6	32.0	9.6	10.7
<b>Adjusted income from continuing operations</b>	<b>24.6</b>	<b>19.4</b>	<b>26.4</b>	<b>9.2</b>	<b>12.6</b>
Normalizing tax rate to 40% provision (2015 - 2017)	10.4	13.1	6.8	-	-
<b>Adjusted earnings for continuing operations</b>	<b>\$ 14.1</b>	<b>\$ 6.4</b>	<b>\$ 19.6</b>	<b>\$ 9.2</b>	<b>\$ 12.6</b>
<b>Adjusted EPS for continuing operations</b>	<b>\$ 0.32</b>	<b>\$ 0.14</b>	<b>\$ 0.44</b>	<b>\$ 0.21</b>	<b>\$ 0.28</b>
<i>Weighted average shares</i>	43,942	44,129	44,439	43,768	44,335

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Reconciliation of Non-GAAP measures

## Adjusted EPS for continuing operations

<i>In millions</i>	Q1'18	Q1'19
<b>Net Income</b>	\$ 5.7	\$ 5.3
Adjust: Income from discontinued ops, net of tax	(3.5)	(0.7)
<b>Income from continuing operations</b>	<b>2.3</b>	<b>4.6</b>
<u>Adjustments / Exclusions:</u>		
Gains on Timberland Sales and Transaction Related Costs	(1.1)	(0.5)
Airlaid Capacity Expansion	3.0	1.0
Fox River environmental matter	-	(2.5)
Cost optimization actions	-	3.9
Debt refinancing fees	-	1.0
Costs related to strategic initiatives	0.5	0.1
Income Tax impact on adjustments	(0.7)	(0.4)
Total adjustments	1.6	2.7
<b>Adjusted income from continuing operations</b>	<b>\$ 3.9</b>	<b>\$ 7.3</b>
<b>Adjusted EPS for continuing operations</b>	<b>\$ 0.09</b>	<b>\$ 0.16</b>
<i>Weighted average shares - QTD</i>	44,567	44,279

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA for continuing operations

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<i>In thousands</i>	<b>Q1'18</b>	<b>Q4'18</b>	<b>Q1'19</b>
Composite Fibers Operating Profit	\$15,289	\$8,248	\$11,349
Addback: Depreciation & Amortization	7,411	6,583	6,674
Composite Fibers EBITDA	<u>\$22,699</u>	<u>\$14,831</u>	<u>\$18,023</u>
Advanced Airlaid Materials Operating Profit	\$7,210	\$9,667	\$10,038
Addback: Depreciation & Amortization	2,763	5,211	5,268
Advanced Airlaid Materials EBITDA	<u>\$9,973</u>	<u>\$14,877</u>	<u>\$15,306</u>

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.





# Reconciliation of Non-GAAP measures

## Net Debt and Leverage

<b>Net debt &amp; Leverage</b>	<b>December 31</b>	<b>December 31</b>	<b>March 31</b>
<i>In millions</i>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Current Portion of Long-Term Debt	\$11.3	\$10.8	\$19.9
Long-Term Debt	470.1	401.0	370.6
Total Debt	481.4	411.7	390.4
Less: Cash	(116.2)	(142.7)	(76.7)
Net Debt	\$365.2	\$269.1	\$313.8
Net Debt	\$365.2	\$269.1	\$313.8
Divided by: TTM Adjusted EBITDA	152.7	88.6	88.8
Leverage*	2.4x	3.0x	3.5x

Notes: \* For leverage calculation, the TTM EBITDA reflects EBITDA at that point of time including discontinued operations  
The above calculation is not intended to be used for purposes of calculating debt covenant compliance.

The sum of individual amounts set forth above may not agree to the column totals due to rounding.

