

1st Quarter 2019 Earnings Release Conference Call

May 1, 2019

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the second quarter and full-year 2019. Forward-looking statements include projections of sales, earnings, general economic conditions, market conditions, working capital, market shares, free cash flow, pricing levels, and effective tax rates. Belden undertakes no obligation to update any such statements to reflect later developments, except as required by law. Information on factors that could cause actual results to vary materially from those discussed today is available in the press release announcing 2019 first quarter results, our most recent Annual Report on Form 10-K as filed with the SEC on February 20, 2019 (including those discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 2 and under “Risk Factors” in Part I, Item 1A), and our subsequent filings with the Securities and Exchange Commission.

Non-GAAP Measures

On this call we will discuss some non-GAAP measures (denoted by footnote) in discussing Belden’s performance, and the reconciliation of those measures to the most comparable GAAP measures is contained within this presentation or available at our investor relations website, investor.belden.com.









Q1 2019 Highlights

- Revenues of \$587.2M, compared to the guidance range of \$564M to \$594M
- EPS of \$0.99, compared to the guidance range of \$0.80 to \$1.00
- Free cash flow improved \$30M year-over-year, with trailing-twelve-months free cash flow increasing from \$115M a year ago to \$223M
- Completed two broadband fiber acquisitions subsequent to quarter-end for a combined purchase price of \$50M
- Updated full-year 2019 revenue guidance from \$2.495 - \$2.595 billion to \$2.520 - \$2.595 billion and EPS guidance from \$5.50 - \$6.15 to \$5.65 - \$6.15

Adjusted results. See Appendix for reconciliation to comparable GAAP results..

All references to Earnings Per Share refer to adjusted net income per diluted share attributable to Belden common stockholders

Q1 2019 Segment Overview

Enterprise Solutions	Revenue	\$326.5 M	<h3>Key Markets</h3> <ul style="list-style-type: none">  Smart Buildings  Final Mile Broadband  Live Media Production
	<i>Organic Growth % (Y/Y)</i>	+0.3%*	
	EBITDA Margin	12.1%	
Industrial Solutions	Revenue	\$260.7M	<ul style="list-style-type: none">  Discrete Manufacturing  Process Facilities  Transportation  Energy  Cybersecurity
	<i>Organic Growth % (Y/Y)</i>	+6.0%	
	EBITDA Margin	18.2%	

* Adjusted for the impact of the non-recurring revenue recognition timing in Q1 2018

Q1 2019 Financial Summary

	Q1 2019	Q4 2018	Q1 2018
Revenue	\$587.2M	\$654.1M	\$607.4M
Gross profit	\$226.2M	\$265.6M	\$242.6M
Gross profit percentage	38.5%	40.6%	39.9%
EBITDA	\$87.1M	\$121.6M	\$103.3M
EBITDA percentage	14.8%	18.6%	17.0%
Net Income ⁽¹⁾	\$48.1M	\$77.7M	\$57.5M
Earnings Per Share ⁽²⁾	\$0.99	\$1.66	\$1.16

Adjusted results. See Appendix for reconciliation to comparable GAAP results.

(1) All references to Net Income refer to adjusted net income attributable to Belden

(2) All references to Earnings Per Share refer to adjusted net income per diluted share attributable to Belden common stockholders

Q1 2019 Segment Results

	Enterprise Solutions	Industrial Solutions	Consolidated
Q1 2019			
Revenue	\$326.5M	\$260.7M	\$587.2M
EBITDA ⁽¹⁾	\$39.6M	\$47.5M	\$87.0M
EBITDA Margin	12.1%	18.2%	14.8%
Q4 2018			
Revenue	\$379.4M	\$274.7M	\$654.1M
EBITDA ⁽¹⁾	\$67.7M	\$54.3M	\$121.6M
EBITDA Margin	17.8%	19.8%	18.6%
Q1 2018			
Revenue	\$351.0M	\$256.4M	\$607.4M
EBITDA ⁽¹⁾	\$57.5M	\$46.4M	\$103.9M
EBITDA Margin	16.4%	18.1%	17.1%

Adjusted results. See Appendix for reconciliation to comparable GAAP results.

(1) Consolidated results include income / (loss) from our equity method investment, Non-operating pension costs and Eliminations

Q1 2019 Balance Sheet Highlights

	Q1 2019	Q4 2018	Q1 2018
Cash and Cash Equivalents	\$339M	\$421M	\$363M
Working Capital Turns	5.8x	9.5x	5.7x
Days Sales Outstanding	62	65	66
Inventory Turns	4.4x	5.0x	4.6x
PP&E Turns	6.3x	7.2x	6.9x
Total Debt Principal Amount	\$1.46B	\$1.49B	\$1.69B
Net Leverage ⁽¹⁾	2.4x	2.2x	2.9x

(1) Net leverage is calculated as (A) total debt less cash and cash equivalents divided by (B) trailing twelve months Adjusted EBITDA plus trailing twelve months stock based compensation expense.

Q1 2019 Cash Flow Highlights

	Q1 2019	Q1 2018	TTM Q1 2019	TTM Q1 2018
Cash flows from operating activities	\$(46.1)M	\$(83.9)M	\$327.0M	\$183.7M
Less: Net capital expenditures ⁽¹⁾	\$23.6M	\$15.9M	\$104.0M	\$68.7M
Free cash flow ⁽²⁾	\$(69.6)M	\$(99.7)M	\$223.0M	\$115.0M
Cash used to acquire businesses ⁽³⁾⁽⁴⁾	\$0.0M	\$95.4M	\$8.5M	\$262.3M
Dividends / Share Repurchases	\$10.7M	\$86.1M	\$142.8M	\$143.6M

(1) Capital expenditures, net of proceeds from the disposal of tangible assets. See Appendix for reconciliation.

(2) Free cash flow is not a term defined by generally accepted accounting principles (GAAP) and our definition may or may not be used consistently with other companies that define this term. See Appendix for reconciliation to comparable GAAP results.

(3) Net of cash acquired.

(4) Q1 2018 Includes a \$19.3 million payoff of debt acquired from the acquisition of Snell Advanced Media ("SAM").

Outlook

Q2 2019

- Revenue of \$630 - \$660 million
- Earnings Per Share⁽¹⁾⁽²⁾ of \$1.30 - \$1.50

Full Year 2019

- Revenue of \$2.520 - \$2.595 billion
- Earnings Per Share⁽¹⁾⁽²⁾ of \$5.65 - \$6.15

Full Year 2019 Assumptions

- Interest expense of \$58 million
- Tax rate of 20%
- No impact of potential share repurchases

(1) Adjusted Outlook. See Appendix for reconciliation to comparable GAAP outlook.

(2) All references to Earnings Per Share refer to adjusted net income from continuing operations per diluted share attributable to Belden common stockholders.

Questions?

Appendix

Statement of Operations

Unaudited

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands, except per share data)	
Revenues	\$ 587,175	\$ 605,565
Cost of sales	(362,447)	(374,971)
Gross profit	224,728	230,594
Selling, general and administrative expenses	(122,788)	(124,872)
Research and development expenses	(34,154)	(37,101)
Amortization of intangibles	(23,341)	(24,418)
Operating income	44,445	44,203
Interest expense, net	(14,193)	(16,978)
Non-operating pension benefit (cost)	547	(275)
Loss on debt extinguishment	—	(19,960)
Income before taxes	30,799	6,990
Income tax expense	(5,621)	(4,420)
Net income	25,178	2,570
Less: Net loss attributable to noncontrolling interest	(24)	(48)
Net income attributable to Belden	25,202	2,618
Less: Preferred stock dividends	8,733	8,733
Net income (loss) attributable to Belden common stockholders	\$ 16,469	\$ (6,115)
Weighted average number of common shares and equivalents:		
Basic	39,420	41,633
Diluted	39,660	41,633
Basic income (loss) per share attributable to Belden common stockholders:	\$ 0.42	\$ (0.15)
Diluted income (loss) per share attributable to Belden common stockholders:	\$ 0.42	\$ (0.15)
Common stock dividends declared per share	\$ 0.05	\$ 0.05

Operating Segment Information

Unaudited

	<u>Enterprise Solutions</u>	<u>Industrial Solutions</u>	<u>Total Segments</u>
	(In thousands, except percentages)		
<u>For the three months ended March 31, 2019</u>			
Segment Revenues	\$ 326,527	\$ 260,648	\$ 587,175
Segment EBITDA	39,558	47,459	87,017
Segment EBITDA margin	12.1%	18.2%	14.8%
Depreciation expense	7,734	4,989	12,723
Amortization of intangibles	10,170	13,171	23,341
Amortization of software development intangible assets	914	23	937
Severance, restructuring, and acquisition integration costs	3,775	—	3,775
Purchase accounting effects of acquisitions	1,313	—	1,313
<u>For the three months ended April 1, 2018</u>			
Segment Revenues	\$ 350,990	\$ 256,433	\$ 607,423
Segment EBITDA	57,452	46,426	103,878
Segment EBITDA margin	16.4%	18.1%	17.1%
Depreciation expense	7,220	4,645	11,865
Amortization of intangibles	11,170	13,248	24,418
Amortization of software development intangible assets	236	—	236
Severance, restructuring, and acquisition integration costs	14,534	5,860	20,394
Purchase accounting effects of acquisitions	502	—	502
Deferred revenue adjustments	1,858	—	1,858

Operating Segment Reconciliation to Consolidated Results

Unaudited

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Total Segment Revenues	\$ 587,175	\$ 607,423
Deferred revenue adjustments	—	(1,858)
Consolidated Revenues	<u>\$ 587,175</u>	<u>\$ 605,565</u>
Total Segment EBITDA	\$ 87,017	\$ 103,878
Eliminations	(483)	(308)
Total non-operating pension benefit (cost)	547	(275)
Consolidated Adjusted EBITDA (1)	87,081	103,295
Amortization of intangibles	(23,341)	(24,418)
Interest expense, net	(14,193)	(16,978)
Depreciation expense	(12,723)	(11,865)
Severance, restructuring, and acquisition integration costs	(3,775)	(20,394)
Purchase accounting effects related to acquisitions	(1,313)	(502)
Amortization of software development intangible assets	(937)	(236)
Loss on debt extinguishment	—	(19,960)
Deferred revenue adjustments	—	(1,858)
Loss on sale of assets	—	(94)
Consolidated income before taxes	<u>\$ 30,799</u>	<u>\$ 6,990</u>

(1) Consolidated Adjusted EBITDA is a non-GAAP measure. See Reconciliation of Non-GAAP Measures for additional information.

Balance Sheet

	March 31, 2019	December 31, 2018
	(Unaudited)	
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 338,982	\$ 420,610
Receivables, net	404,609	465,939
Inventories, net	326,770	316,418
Other current assets	59,381	55,757
Total current assets	1,129,742	1,258,724
Property, plant and equipment, less accumulated depreciation	371,881	365,970
Operating lease right-of-use assets	85,327	—
Goodwill	1,563,827	1,557,653
Intangible assets, less accumulated amortization	495,322	511,093
Deferred income taxes	79,254	56,018
Other long-lived assets	32,605	29,863
	<u>\$ 3,757,958</u>	<u>\$ 3,779,321</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 256,939	\$ 352,646
Accrued liabilities	315,117	364,276
Total current liabilities	572,056	716,922
Long-term debt	1,440,492	1,463,200
Postretirement benefits	131,607	132,791
Deferred income taxes	63,385	39,943
Long-term operating lease liabilities	79,091	—
Other long-term liabilities	39,998	38,877
Stockholders' equity:		
Preferred stock	1	1
Common stock	503	503
Additional paid-in capital	1,138,987	1,139,395
Retained earnings	936,479	922,000
Accumulated other comprehensive loss	(45,898)	(74,907)
Treasury stock	(599,161)	(599,845)
Total Belden stockholders' equity	1,430,911	1,387,147
Noncontrolling interest	418	441
Total stockholders' equity	1,431,329	1,387,588
	<u>\$ 3,757,958</u>	<u>\$ 3,779,321</u>

Cash Flow Statement

Unaudited

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 25,178	\$ 2,570
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	37,001	36,519
Share-based compensation	2,216	3,126
Loss on debt extinguishment	—	19,960
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	61,388	18,921
Inventories	(9,485)	(16,737)
Accounts payable	(97,450)	(90,662)
Accrued liabilities	(70,925)	(48,611)
Income taxes	609	(785)
Other assets	650	(10,602)
Other liabilities	4,758	2,441
Net cash used for operating activities	<u>(46,060)</u>	<u>(83,860)</u>
Cash flows from investing activities:		
Capital expenditures	(23,595)	(15,900)
Cash used to acquire businesses, net of cash acquired	—	(76,084)
Proceeds from disposal of tangible assets	10	25
Proceeds from disposal of business	—	39,100
Net cash used for investing activities	<u>(23,585)</u>	<u>(52,859)</u>
Cash flows from financing activities:		
Cash dividends paid	(10,725)	(10,790)
Withholding tax payments for share-based payment awards	(1,940)	(1,503)
Other	(70)	—
Payments under borrowing arrangements	—	(401,234)
Payments under share repurchase program	—	(75,270)
Debt issuance costs paid	—	(7,059)
Borrowings under credit arrangements	—	431,270
Net cash used for financing activities	<u>(12,735)</u>	<u>(64,586)</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	752	3,060
Decrease in cash and cash equivalents	(81,628)	(198,245)
Cash and cash equivalents, beginning of period	420,610	561,108
Cash and cash equivalents, end of period	<u>\$ 338,982</u>	<u>\$ 362,863</u>

Q1 2019 GAAP to Non-GAAP Reconciliation

Unaudited

In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value and transaction costs; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; gains (losses) on debt extinguishment; certain revenues and gains (losses) from patent settlements; discontinued operations; and other costs. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. As an example, we adjust for the purchase accounting effect of recording deferred revenue at fair value in order to reflect the revenues that would have otherwise been recorded by acquired businesses had they remained as independent entities. We believe this presentation is useful in evaluating the underlying performance of acquired companies. Similarly, we adjust for other acquisition-related expenses, such as amortization of intangibles and other impacts of fair value adjustments because they generally are not related to the acquired business' core business performance. As an additional example, we exclude the costs of restructuring programs, which can occur from time to time for our current businesses and/or recently acquired businesses. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight.

Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States.

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands, except percentages and per share amounts)	
GAAP revenues	\$ 587,175	\$ 605,565
Deferred revenue adjustments	—	1,858
Adjusted revenues	<u>\$ 587,175</u>	<u>\$ 607,423</u>
GAAP gross profit	\$ 224,728	\$ 230,594
Severance, restructuring, and acquisition integration costs	562	9,431
Deferred revenue adjustments	—	1,858
Purchase accounting effects related to acquisitions	—	502
Amortization of software development intangible assets	937	236
Adjusted gross profit	<u>\$ 226,227</u>	<u>\$ 242,621</u>
GAAP gross profit margin	38.3%	38.1%
Adjusted gross profit margin	38.5%	39.9%
GAAP selling, general and administrative expenses	\$ (122,788)	\$ (124,872)
Severance, restructuring, and acquisition integration costs	2,776	9,402
Purchase accounting effects related to acquisitions	1,313	—
Loss on sale of assets	—	94
Adjusted selling, general and administrative expenses	<u>\$ (118,699)</u>	<u>\$ (115,376)</u>
GAAP research and development expenses	\$ (34,154)	\$ (37,101)
Severance, restructuring, and acquisition integration costs	437	1,561
Adjusted research and development expenses	<u>\$ (33,717)</u>	<u>\$ (35,540)</u>
GAAP net income	\$ 25,178	\$ 2,570
Interest expense, net	14,193	16,978
Income tax expense	5,621	4,420
Loss on debt extinguishment	—	19,960
Total non-operating adjustments	19,814	41,358
Amortization of intangible assets	23,341	24,418
Severance, restructuring, and acquisition integration costs	3,775	20,394
Purchase accounting effects related to acquisitions	1,313	502
Amortization of software development intangible assets	937	236
Deferred revenue adjustments	—	1,858
Loss on sale of assets	—	94
Total operating income adjustments	29,366	47,502
Depreciation expense	12,723	11,865
Adjusted EBITDA	<u>\$ 87,081</u>	<u>\$ 103,295</u>
GAAP net income margin	4.3%	0.4%
Adjusted EBITDA margin	14.8%	17.0%

Q1 2019 GAAP to Non-GAAP Reconciliation (continued)

Unaudited

In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value and transaction costs; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; gains (losses) on debt extinguishment; certain revenues and gains (losses) from patent settlements; discontinued operations; and other costs. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. As an example, we adjust for the purchase accounting effect of recording deferred revenue at fair value in order to reflect the revenues that would have otherwise been recorded by acquired businesses had they remained as independent entities. We believe this presentation is useful in evaluating the underlying performance of acquired companies. Similarly, we adjust for other acquisition-related expenses, such as amortization of intangibles and other impacts of fair value adjustments because they generally are not related to the acquired business' core business performance. As an additional example, we exclude the costs of restructuring programs, which can occur from time to time for our current businesses and/or recently acquired businesses. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight.

Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States.

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands, except percentages and per share amounts)	
GAAP net income attributable to Belden	\$ 25,202	\$ 2,618
Operating income adjustments from above	29,366	47,502
Loss on debt extinguishment	—	19,960
Tax effect of adjustments above	(6,419)	(12,112)
Impact of Tax Cuts and Jobs Act enactment	—	(473)
Amortization expense attributable to noncontrolling interest, net of tax	—	(17)
Adjusted net income attributable to Belden	<u>\$ 48,149</u>	<u>\$ 57,478</u>
GAAP net income attributable to Belden	\$ 25,202	\$ 2,618
Less: Preferred stock dividends	<u>8,733</u>	<u>8,733</u>
GAAP net income (loss) attributable to Belden common stockholders	<u>\$ 16,469</u>	<u>\$ (6,115)</u>
Adjusted net income attributable to Belden	\$ 48,149	\$ 57,478
Less: Preferred stock dividends	<u>8,733</u>	<u>8,733</u>
Adjusted net income attributable to Belden common stockholders	<u>\$ 39,416</u>	<u>\$ 48,745</u>
GAAP income (loss) per diluted share attributable to Belden common stockholders	\$ 0.42	\$ (0.15)
Adjusted income per diluted share attributable to Belden common stockholders	\$ 0.99	\$ 1.16
GAAP diluted weighted average shares	39,660	41,633
Adjustment for anti-dilutive shares that are dilutive under adjusted measures	—	377
Adjusted diluted weighted average shares	<u>39,660</u>	<u>42,010</u>

Free Cash Flow GAAP to Non-GAAP Reconciliation

Unaudited

We define free cash flow, which is a non-GAAP financial measure, as net cash from operating activities adjusted for capital expenditures net of the proceeds from the disposal of tangible assets. We believe free cash flow provides useful information to investors regarding our ability to generate cash from business operations that is available for acquisitions and other investments, service of debt principal, dividends and share repurchases. We use free cash flow, as defined, as one financial measure to monitor and evaluate performance and liquidity. Non-GAAP financial measures should be considered only in conjunction with financial measures reported according to accounting principles generally accepted in the United States. Our definition of free cash flow may differ from definitions used by other companies.

	Three Months Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
GAAP net cash used for operating activities	\$ (46,060)	\$ (83,860)
Capital expenditures, net of proceeds from the disposal of tangible assets	(23,585)	(15,875)
Non-GAAP free cash flow	<u>\$ (69,645)</u>	<u>\$ (99,735)</u>

Reconciliation of Non-GAAP Measures

2019 Earnings Guidance

Unaudited

Our guidance for income per diluted share attributable to Belden common stockholders is based upon information currently available regarding events and conditions that will impact our future operating results. In particular, our results are subject to the factors listed under "Forward-Looking Statements" in this release. In addition, our actual results are likely to be impacted by other additional events for which information is not available, such as asset impairments, purchase accounting effects related to acquisitions, severance, restructuring, and acquisition integration costs, gains (losses) recognized on the disposal of tangible assets, gains (losses) on debt extinguishment, discontinued operations, and other gains (losses) related to events or conditions that are not yet known.

	Year Ended December 31, 2019	Three Months Ended June 30, 2019
Adjusted income per diluted share attributable to Belden common stockholders	\$5.65 - \$6.15	\$1.30 - \$1.50
Amortization of intangible assets	(1.56)	(0.44)
Severance, restructuring, and acquisition integration costs	(0.17)	(0.07)
Purchase accounting effects of acquisitions	(0.06)	(0.04)
GAAP income per diluted share attributable to Belden common stockholders	\$3.86 - \$4.36	\$0.75 - \$0.95