

# 1<sup>st</sup> Quarter 2017 Earnings Release Conference Call

May 3, 2017



# Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the 2017 second quarter and full year. 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 2017 first quarter results, our most recent Annual Report on Form 10-K as filed with the SEC on February 17, 2017 (including those discussed under “Risk Factors” in Part I, Item 1A and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7), 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](http://investor.belden.com).

## Q1 2017 Highlights

- Delivered revenues of \$551.4 million, increasing 140 basis points from the prior-year period
- Generated EBITDA of \$93.0 million, growing 4.4% year-over-year
- Expanded EBITDA margins 50 basis points to 16.9%
- Achieved net income of \$47.8 million, increasing 12.1% from the year-ago period
- Delivered EPS of \$0.92

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

All references to Net Income refer to income from continuing operations attributable to Belden.

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

# Q1 2017 Segment Overview

Broadcast Solutions	Revenue	<b>\$168.6M</b>	    
	EBITDA Margin	<b>15.1%</b>	<p>Camera Mounted Fiber Solutions    Signal Processing &amp; Routing    Monitoring Systems    Automation Playout &amp; Branding Systems    Drop, Headend &amp; Hardline Connectors</p>
Enterprise Solutions	Revenue	<b>\$145.7M</b>	   
	EBITDA Margin	<b>16.5%</b>	<p>Racks &amp; Enclosures    Copper &amp; Fiber Connectivity    Ethernet, Fiber Optic &amp; Coaxial    Precision AV Cable &amp; Connectivity</p>
Industrial Solutions	Revenue	<b>\$146.2M</b>	     
	EBITDA Margin	<b>17.6%</b>	<p>Industrial I/O Connectors    Industrial Cables    IP/Networking Cables    I/O Modules/Active    Distribution Boxes    Customer-Specific Wiring</p>
Network Solutions	Revenue	<b>\$90.9M</b>	    
	EBITDA Margin	<b>19.7%</b>	<p>Switches &amp; Routers    Wireless, Gateways Embedded    Firewalls    Vulnerability &amp; Configuration Management    Network Management Software</p>

# Q1 2017 Financial Summary

	Q1 2017	Q4 2016	Q1 2016
Revenue	\$551.4M	\$608.2M	\$543.8M
Gross profit	\$228.3M	\$264.1M	\$229.8M
Gross profit percentage	41.4%	43.4%	42.3%
EBITDA	\$93.0M	\$122.5M	\$89.1M
EBITDA percentage	16.9%	20.1%	16.4%
Net Income <sup>(1)</sup>	\$47.8M	\$70.3M	\$42.7M
Earnings Per Share <sup>(2)</sup>	\$0.92	\$1.42	\$1.01

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 2017 Segment Results

	Broadcast Solutions	Enterprise Solutions	Industrial Solutions	Network Solutions	Consolidated
<b>Q1 2017</b>					
Revenue	\$168.6M	\$145.7M	\$146.2M	\$90.9M	\$551.4M
EBITDA <sup>(1)</sup>	\$25.4M	\$24.1M	\$25.7M	\$17.9M	\$93.0M
EBITDA Margin	15.1%	16.5%	17.6%	19.7%	16.9%
<b>Q4 2016</b>					
Revenue	\$208.8M	\$150.2M	\$146.7M	\$102.4M	\$608.2M
EBITDA <sup>(1)</sup>	\$48.6M	\$20.7M	\$27.5M	\$26.1M	\$122.5M
EBITDA Margin	23.3%	13.8%	18.8%	25.4%	20.1%
<b>Q1 2016</b>					
Revenue	\$171.3M	\$135.9M	\$141.1M	\$95.5M	\$543.8M
EBITDA <sup>(1)</sup>	\$23.3M	\$23.7M	\$23.0M	\$20.1M	\$89.1M
EBITDA Margin	13.6%	17.5%	16.3%	21.0%	16.4%

Consolidated are adjusted results. See Appendix for reconciliation to comparable GAAP results.

(1) Consolidated results include income / (loss) from our equity method investment.

# Q1 2017 Balance Sheet Highlights

	Q1 2017	Q4 2016	Q1 2016
Cash and cash equivalents	\$816M	\$848M	\$146M
Working Capital Turns	8.1x	15.4x	7.5x
Days sales outstanding	64 days	57 days	60 days
PP&E turns	7.1x	7.9x	6.8x
Total debt principal amount	\$1.66B	\$1.64B	\$1.72B
Net Leverage <sup>(1)</sup>	1.9x	1.8x	3.7x

(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 plus trailing twelve months long-term incentive plan expense for certain acquired companies.



# Q1 2017 Cash Flow Highlights

	Q1 2017	Q1 2016
Cash flows from operating activities	\$(12.3)M	\$12.6 M
Less: Net capital expenditures <sup>(1)</sup>	\$10.4M	\$13.4M
Free cash flow <sup>(2)</sup>	\$(22.7)M	\$(0.8)M
Cash used to acquire businesses <sup>(3)</sup>	\$0.0M	\$15.3M
Share repurchases and dividends	\$10.8M	\$2.1M

(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.



# Outlook

## Q2 2017

- Revenue of \$595 - \$615 million
- Earnings Per Share<sup>(1)(2)</sup> of \$1.15 - \$1.25

## 2017 Full Year

- Revenue of \$2.355 - \$2.405 billion
- Earnings Per Share<sup>(1)(2)</sup> of \$4.95 - \$5.20

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

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

# Questions?



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# Appendix

# Statements of Operations

Unaudited

	<b>Three Months Ended</b>	
	<b>April 2, 2017</b>	<b>April 3, 2016</b>
	<b>(In thousands, except per share data)</b>	
Revenues	\$ 551,381	\$ 541,497
Cost of sales	<u>(329,267)</u>	<u>(316,462)</u>
Gross profit	222,114	225,035
Selling, general and administrative expenses	(112,586)	(122,406)
Research and development	(34,522)	(36,133)
Amortization of intangibles	<u>(23,669)</u>	<u>(25,532)</u>
Operating income	51,337	40,964
Interest expense, net	<u>(23,506)</u>	<u>(24,396)</u>
Income before taxes	27,831	16,568
Income tax expense	<u>(2,250)</u>	<u>(210)</u>
Net income	25,581	16,358
Less: Net loss attributable to noncontrolling interest	<u>(106)</u>	<u>(99)</u>
Net income attributable to Belden	25,687	16,457
Less: Preferred stock dividends	8,733	—
Net income attributable to Belden common stockholders	<u>\$ 16,954</u>	<u>\$ 16,457</u>
Weighted average number of common shares and equivalents:		
Basic	42,216	42,008
Diluted	42,675	42,387
Basic income per share attributable to Belden common stockholders:	<u>\$ 0.40</u>	<u>\$ 0.39</u>
Diluted income per share attributable to Belden common stockholders:	<u>\$ 0.40</u>	<u>\$ 0.39</u>
Common stock dividends declared per share	\$ 0.05	\$ 0.05

# Operating Segment Information

Unaudited

	Broadcast Solutions	Enterprise Solutions	Industrial Solutions	Network Solutions	Total Segments
(In thousands, except percentages)					
<b>For the three months ended April 2, 2017</b>					
Segment Revenues	\$ 168,596	\$ 145,682	\$ 146,181	\$ 90,922	\$ 551,381
Segment EBITDA	25,400	24,100	25,733	17,877	93,110
Segment EBITDA margin	15.1 %	16.5 %	17.6 %	19.7 %	16.9 %
Depreciation expense	3,949	2,599	3,206	1,629	11,383
Amortization of intangibles	10,015	424	642	12,588	23,669
Severance, restructuring, and acquisition integration costs	408	4,873	1,121	198	6,600
<b>For the three months ended April 3, 2016</b>					
Segment Revenues	\$ 171,272	\$ 135,892	\$ 141,091	\$ 95,545	\$ 543,800
Segment EBITDA	23,267	23,736	22,987	20,076	90,066
Segment EBITDA margin	13.6 %	17.5 %	16.3 %	21.0 %	16.6 %
Depreciation expense	3,962	3,389	2,718	1,594	11,663
Amortization of intangibles	12,931	429	591	11,581	25,532
Severance, restructuring, and acquisition integration costs	4,378	500	865	2,665	8,408
Purchase accounting effects related to acquisitions	195	—	—	—	195
Deferred gross profit adjustments	614	—	—	1,689	2,303
<b>For the three months ended July 3, 2016</b>					
Segment Revenues	\$ 193,521	\$ 160,401	\$ 147,808	\$ 101,651	\$ 603,381
Segment EBITDA	29,505	29,575	27,064	22,191	108,335
Segment EBITDA margin	15.2 %	18.4 %	18.3 %	21.8 %	18.0 %
Depreciation expense	4,061	3,429	2,709	1,788	11,987
Amortization of intangibles	13,420	432	601	11,810	26,263
Severance, restructuring, and acquisition integration costs	1,319	1,207	2,371	972	5,869
Deferred gross profit adjustments	494	—	—	1,256	1,750
<b>For the three months ended October 2, 2016</b>					
Segment Revenues	\$ 196,173	\$ 156,658	\$ 149,847	\$ 99,790	\$ 602,468
Segment EBITDA	36,545	27,294	23,649	24,448	111,936
Segment EBITDA margin	18.6 %	17.4 %	15.8 %	24.5 %	18.6 %
Depreciation expense	4,063	3,210	2,738	1,592	11,603
Amortization of intangibles	10,955	431	604	11,818	23,808
Severance, restructuring, and acquisition integration costs	174	5,573	4,746	2,302	12,795
Deferred gross profit adjustments	283	—	—	1,076	1,359
<b>For the three months ended December 31, 2016</b>					
Segment Revenues	\$ 208,787	\$ 150,237	\$ 146,730	\$ 102,402	\$ 608,156
Segment EBITDA	48,553	20,693	27,548	26,058	122,852
Segment EBITDA margin	23.3 %	13.8 %	18.8 %	25.4 %	20.2 %
Depreciation expense	4,143	3,198	2,873	1,741	11,955
Amortization of intangibles	9,942	426	598	11,816	22,782
Severance, restructuring, and acquisition integration costs	4,543	4,682	1,941	532	11,698
Purchase accounting effects related to acquisitions	(3,186)	912	—	—	(2,274)
Deferred gross profit adjustments	383	—	—	892	1,275
Patent settlement	(5,554)	—	—	—	(5,554)
Impairment of assets held for sale	—	—	15,731	—	15,731

# Operating Segment Reconciliation to Consolidated Results

Unaudited

	Three Months Ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
	(In thousands)	
Total Segment Revenues	\$ 551,381	\$ 543,800
Deferred revenue adjustments	—	(2,303)
Consolidated Revenues	<u>\$ 551,381</u>	<u>\$ 541,497</u>
Total Segment EBITDA	\$ 93,110	\$ 90,066
Income (loss) from equity method investment	1,007	(170)
Eliminations	(1,128)	(831)
Consolidated Adjusted EBITDA (1)	<u>\$ 92,989</u>	<u>\$ 89,065</u>
Amortization of intangibles	(23,669)	(25,532)
Depreciation expense	(11,383)	(11,663)
Severance, restructuring, and acquisition integration costs	(6,600)	(8,408)
Deferred gross profit adjustments	—	(2,303)
Purchase accounting effects related to acquisitions	—	(195)
Consolidated operating income	51,337	40,964
Interest expense, net	(23,506)	(24,396)
Consolidated income from continuing operations before taxes	<u>\$ 27,831</u>	<u>\$ 16,568</u>

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

# Balance Sheet

	April 2, 2017 (Unaudited)	December 31, 2016
	(In thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 815,924	\$ 848,116
Receivables, net	381,704	388,059
Inventories, net	218,404	190,408
Other current assets	36,475	29,176
Assets held for sale	25,916	23,193
Total current assets	1,478,423	1,478,952
Property, plant and equipment, less accumulated depreciation	311,393	309,291
Goodwill	1,389,264	1,385,995
Intangible assets, less accumulated amortization	538,382	560,082
Deferred income taxes	34,445	33,706
Other long-lived assets	35,734	38,777
	<u>\$ 3,787,641</u>	<u>\$ 3,806,803</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 264,079	\$ 258,203
Accrued liabilities	255,970	310,340
Liabilities held for sale	1,661	1,736
Total current liabilities	521,710	570,279
Long-term debt	1,641,929	1,620,161
Postretirement benefits	105,877	104,050
Deferred income taxes	15,549	14,276
Other long-term liabilities	36,455	36,720
Stockholders' equity:		
Preferred stock	1	1
Common stock	503	503
Additional paid-in capital	1,115,683	1,116,090
Retained earnings	798,642	783,812
Accumulated other comprehensive loss	(48,478)	(39,067)
Treasury stock	(401,071)	(401,026)
Total Belden stockholders' equity	1,465,280	1,460,313
Noncontrolling interest	841	1,004
Total stockholders' equity	1,466,121	1,461,317
	<u>\$ 3,787,641</u>	<u>\$ 3,806,803</u>



# Cash Flow Statement

Unaudited

	Three Months Ended	
	April 2, 2017	April 3, 2016
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 25,581	\$ 16,358
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	35,052	37,195
Share-based compensation	3,930	4,100
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	9,416	45,098
Inventories	(27,245)	(16,625)
Accounts payable	3,400	(17,187)
Accrued liabilities	(53,733)	(52,607)
Accrued taxes	(2,387)	(6,328)
Other assets	(5,794)	(1,226)
Other liabilities	(483)	3,834
Net cash provided by (used for) operating activities	(12,263)	12,612
Cash flows from investing activities:		
Capital expenditures	(10,399)	(13,431)
Cash used to acquire businesses, net of cash acquired	—	(15,348)
Proceeds from disposal of tangible assets	—	10
Net cash used for investing activities	(10,399)	(28,769)
Cash flows from financing activities:		
Cash dividends paid	(10,842)	(2,101)
Withholding tax payments for share-based payment awards, net of proceeds from the exercise of stock options	(4,382)	(2,833)
Debt issuance costs paid	(4)	—
Payments under borrowing arrangements	—	(50,625)
Net cash used for financing activities	(15,228)	(55,559)
Effect of foreign currency exchange rate changes on cash and cash equivalents	5,698	1,229
Decrease in cash and cash equivalents	(32,192)	(70,487)
Cash and cash equivalents, beginning of period	848,116	216,751
Cash and cash equivalents, end of period	\$ 815,924	\$ 146,264

# Q1 2017 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 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 operating 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	
	April 2, 2017	April 3, 2016
	(In thousands, except percentages and per share amounts)	
GAAP revenues	\$ 551,381	\$ 541,497
Deferred revenue adjustments	—	2,303
Adjusted revenues	<u>\$ 551,381</u>	<u>\$ 543,800</u>
GAAP gross profit	\$ 222,114	\$ 225,035
Severance, restructuring, and acquisition integration costs	5,928	2,092
Deferred gross profit adjustments	—	2,303
Purchase accounting effects related to acquisitions	—	195
Accelerated depreciation	266	206
Adjusted gross profit	<u>\$ 228,308</u>	<u>\$ 229,831</u>
GAAP gross profit margin	40.3 %	41.6 %
Adjusted gross profit margin	41.4 %	42.3 %
GAAP selling, general and administrative expenses	\$ (112,586)	\$ (122,406)
Severance, restructuring, and acquisition integration costs	728	6,055
Adjusted selling, general and administrative expenses	<u>\$ (111,858)</u>	<u>\$ (116,351)</u>
GAAP research and development	\$ (34,522)	\$ (36,133)
Severance, restructuring, and acquisition integration costs	(56)	261
Adjusted research and development	<u>\$ (34,578)</u>	<u>\$ (35,872)</u>
GAAP net income attributable to Belden	\$ 25,687	\$ 16,457
Interest expense, net	23,506	24,396
Income tax expense	2,250	210
Noncontrolling interest	(106)	(99)
Total non-operating adjustments	<u>25,650</u>	<u>24,507</u>
Amortization of intangible assets	23,669	25,532
Severance, restructuring, and integration costs	6,600	8,408
Deferred gross profit adjustments	—	2,303
Accelerated depreciation	266	206
Purchase accounting effects related to acquisitions	—	195
Total operating income adjustments	<u>30,535</u>	<u>36,644</u>
Depreciation expense	11,117	11,457
Adjusted EBITDA	<u>\$ 92,989</u>	<u>\$ 89,065</u>
GAAP net income margin	4.7 %	3.0 %
Adjusted EBITDA margin	16.9 %	16.4 %
GAAP net income	\$ 25,581	\$ 16,358
Operating income adjustments from above	30,535	36,644
Tax effect of adjustments	(8,376)	(10,427)
Adjusted net income	<u>\$ 47,740</u>	<u>\$ 42,575</u>
GAAP net income	\$ 25,581	\$ 16,358
Less: Net loss attributable to noncontrolling interest	(106)	(99)
Less: Preferred stock dividends	8,733	—
GAAP net income attributable to Belden common stockholders	<u>\$ 16,954</u>	<u>\$ 16,457</u>
Adjusted net income	\$ 47,740	\$ 42,575
Less: Net loss attributable to noncontrolling interest	(106)	(99)
Less: Amortization expense attributable to noncontrolling interest, net of tax	15	16
Less: Preferred stock dividends	8,733	—
Adjusted net income attributable to Belden common stockholders	<u>\$ 39,098</u>	<u>\$ 42,658</u>
GAAP income per diluted share attributable to Belden common stockholders	\$ 0.40	\$ 0.39
Adjusted income per diluted share attributable to Belden common stockholders	\$ 0.92	\$ 1.01
GAAP and adjusted diluted weighted average shares	42,675	42,387

# 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.

	<b>Three Months Ended</b>	
	<b>April 2, 2017</b>	<b>April 3, 2016</b>
	<b>(In thousands)</b>	
GAAP net cash provided by (used for) operating activities	\$ (12,263)	\$ 12,612
Capital expenditures, net of proceeds from the disposal of tangible assets	<u>(10,399)</u>	<u>(13,421)</u>
Non-GAAP free cash flow	<u>\$ (22,662)</u>	<u>\$ (809)</u>

# Reconciliation of Non-GAAP Measures

## Q2 and Full-Year 2017 Earnings Guidance

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.

	<b>Year Ended December 31, 2017</b>	<b>Three Months Ended July 2, 2017</b>
Adjusted income per diluted share attributable to Belden common stockholders	\$4.95 - \$5.20	\$1.15 - \$1.25
Amortization of intangible assets	\$(1.37)	\$(0.36)
Severance, restructuring, and acquisition integration costs	\$(0.27)	\$(0.09)
GAAP income per diluted share attributable to Belden common stockholders	<u>\$3.31 - \$3.56</u>	<u>\$0.70 - \$0.80</u>