



Wabtec 1st Quarter 2020

Financial Results & Company Highlights

May 4, 2020



Forward looking statements & non-GAAP financial information

This communication contains “forward-looking” statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements regarding the acquisition by Wabtec of GE Transportation (the “GE Transportation merger”), statements regarding Wabtec’s expectations about future sales and earnings and statements about the impact of evolving global conditions on Wabtec’s business. All statements, other than historical facts, including statements synergies from the GE Transportation merger; statements regarding Wabtec’s plans, objectives, expectations and intentions; and statements regarding macro-economic conditions and evolving production and demand conditions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue,” “target” or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) unexpected costs, charges or expenses resulting from the GE Transportation merger; (2) uncertainty of Wabtec’s expected financial performance; (3) failure to realize the anticipated benefits of the GE Transportation merger, including as a result of integrating GE Transportation into Wabtec; (4) Wabtec’s ability to implement its business strategy; (5) difficulties and delays in achieving revenue and cost synergies; (6) inability to retain and hire key personnel; (7) evolving legal, regulatory and tax regimes; (8) changes in general economic and/or industry specific conditions, including the impacts of tax and tariff programs, industry consolidation and changes in the financial condition or operating strategies of our customers; (9) changes in the expected timing of projects; (10) a decrease in freight or passenger rail traffic; (11) an increase in manufacturing costs; (12) actions by third parties, including government agencies; (13) the severity and duration of the evolving COVID-19 pandemic and the resulting impact on the global economy and, in particular, our customers, suppliers and end-markets; and (14) other risk factors as detailed from time to time in Wabtec’s reports filed with the SEC, including Wabtec’s annual report on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive. Any forward-looking statements speak only as of the date of this communication. Wabtec does not undertake any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

This presentation as well as Wabtec’s earnings release and 2020 financial guidance mention certain non-GAAP financial performance measures, including adjusted gross profit, [adjusted operating expenses,] adjusted income from operations, [adjusted interest and other expense, adjusted operating margin, adjusted income tax expense, adjusted effective tax rate, adjusted net income,] adjusted earnings per diluted share, EBITDA and adjusted EBITDA, and net debt. Wabtec defines EBITDA as [income from operations plus depreciation and amortization] [earnings before interest, taxes, depreciation and amortization]. While Wabtec believes these are useful supplemental measures for investors, they are not presented in accordance with GAAP. Investors should not consider non-GAAP measures in isolation or as a substitute for net income, cash flows from operations, or any other items calculated in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation have inherent material limitations as performance measures because they add back certain expenses incurred by the company to GAAP financial measures, resulting in those expenses not being taken into account in the applicable non-GAAP financial measure. Because not all companies use identical calculations, Wabtec’s presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. Included in this presentation are reconciliation tables that provide details about how adjusted results relate to GAAP results.

This presentation also presents a leverage ratio of [Debt to EBITDA][Net Debt to Adjusted EBITDA] for purposes of tracking compliance with the covenants in Wabtec’s Credit Agreement, which requires Wabtec to comply with a leverage ratio based on substantially similar performance metrics. Management uses this specific performance metric to measure Wabtec’s reduction in debt and other balance sheet liabilities and to assist in the appropriate allocation of capital. Net debt is defined as total debt less unrestricted cash and cash equivalents. See the reconciliations included in the Appendix for this presentation for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

Response to COVID-19

1.

Protect health & safety of employees

- Taking significant measures to protect our employees

2.

Maintain operational capabilities

- Rail transportation deemed essential service
- Majority of Wabtec manufacturing sites remained open and operational throughout crisis
- Monitoring customer / supplier operations for disruptions

3.

Managing cash & preserving financial strength

- Total available liquidity at end of 1Q20 was ~\$1.2B
- Took actions post quarter to further enhance liquidity
- Actions to reduce working capital

4.

Delivering synergies & taking further cost actions

- Reducing capex by >40%; shrinking operational footprint and reducing headcount

1Q results and segment dynamics

1Q 2020 Results

- Solid quarterly results in rapidly evolving / challenging market
- 1Q '20 sales: \$1.9B
- GAAP Income from Ops: 11.3% / Adjusted Income from Ops: 15.7%
- GAAP EPS: \$0.58 / Adjusted EPS: \$0.97
- Ending backlog: \$21.5B ... down ~4% sequentially

Freight

- Expect North American carload volume traffic to be significantly pressured in 2Q
- Installed base to drive demand in eventual recovery
- Multi-year backlog provides visibility in evolving demand environment

Transit

- Shelter measures impacting some near-term service levels
- Majority of Wabtec locations are continuing to operate
- Long-term market drivers
- Multi-year backlog contributes to visibility

Well positioned to navigate through the challenging environment

1Q 2020 performance

	<u>Reported</u>	<u>Adjusted</u>	<u>YoY⁽¹⁾</u>
Sales	\$1,930M		21%**
EBITDA	\$317M	\$334M	32%*
Income from ops	\$217M	\$303M	30%*
Profit margin	11.3%	15.7%	1.1 pts*
Net Income	\$111M	\$186M	16%*
EPS⁽²⁾	\$0.58	\$0.97	(20)%*
Cash from ops	\$(82M)		
Backlog	\$21.5B		

(1) Year-over-year comparison shown is shown as (*) for Adjusted, and (**) for Reported.

(2) 1st quarter 2020 fully diluted share count was 191.4 million versus 1st quarter 2019 fully diluted share count of 132.5 million

Highlights

- Sales growth driven by GE Transportation, organic growth in Digital Electronics and Freight Services, offset by lower Transit sales due to COVID-19
- Synergy, cost actions and improved Transit operating performance drove solid profit margin expansion
- Cash flow performance in-line considering seasonality and previous period restructuring, litigation and transaction charges paid in 1Q20
- Visibility from multi-year backlog

Segment performance

Freight

	<u>Reported</u>	<u>Adjusted⁽¹⁾</u>	<u>YoY⁽³⁾</u>
Sales	\$1,301M		42%**
Income from ops	\$162M	\$241M	28%*
Profit margin %	12.4%	18.5%	(2.1) pts*
Backlog	\$18.1B		

Transit

	<u>Reported</u>	<u>Adjusted⁽²⁾</u>	<u>YoY⁽³⁾</u>
Sales	\$629M		(7%)**
Income from ops	\$69M	\$75M	14.0%*
Profit margin %	10.9%	11.9%	2.2 pts*
Backlog	\$3.4B		

Strong execution in weaker demand environment



- (1) Freight Segment income from operations was adjusted by the following expenses: \$15 million for restructuring and transaction and \$64 million for amortization expenses.
 (2) Transit Segment income from operations was adjusted by \$1 million for restructuring expenses and \$5 million for amortization expenses.
 (3) Year-over-year comparison shown is shown as (*) for Adjusted, and (**) for Reported.

Financial position

	<u>1Q20</u>	<u>4Q19</u>
Cash	\$616M	\$604M
Total Debt	\$4.75B	\$4.43B
Net Debt/Adj EBITDA	2.6X	2.6X
Total Liquidity⁽¹⁾	~\$1.2B	~\$1.6B

(1) Total liquidity at end of 1Q20 includes \$616 million in cash and cash equivalents plus \$598 million availability under current credit facilities. Total liquidity at end of 4Q19 includes \$604 million in cash and cash equivalents plus \$938 million under credit facilities.

1Q20 GAAP Cash Flow From Operations

- Core 1Q20 cash performance of (\$82M) in-line with usual seasonality
- Includes ~\$80M negative impact of prior year restructuring, litigation and transaction charges paid during the quarter

Strong financial position

- Stress tested balance sheet and liquidity
- Remain under leverage covenant of 3.25x and interest coverage of 3.0x
- Additional \$600M / 364-day credit facility closed post quarter; LIBOR +200 bps; enhances current strong liquidity position

Decisive actions to strengthen the financial position



Prudent cost actions

- Swiftly aligning operating costs with volume realities
- Committed to deliver synergy targets; driving reduction in SG&A
- Eliminated discretionary spend; suspended merit increases; hiring freeze since Jan 1



Managing cash flow

- Reducing working capital in-line with volumes
- Targeting >40% reduction in capex versus prior guidance of \$200M
- Capital allocation prioritized on business & balance sheet strength
- Strong cash conversion



Strong financial position

- Executing on plan to preserve financial flexibility
- Strong liquidity position
- No major debt maturities till June 2021

Summary

Company **performed well in 1Q** despite unprecedented market conditions ... leveraging **significant installed base, scale and diversity of business**

Prudently **managing cost and cash** amidst volume environment ... tightly managing structural costs

Strong financial position ... taking action to **further enhance liquidity** and **strengthen balance sheet**

Proven leadership team delivering strong financial performance **through challenging conditions**

Strong company fundamentals are a testament to Wabtec's long-term strength



Wabtec
CORPORATION

Appendix

Income statement

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)
(UNAUDITED)

Appendix A (1 of 2)

	For the Three Months <u>2020</u>	For the Three Months <u>2019</u>
Net sales	\$ 1,929.9	\$ 1,593.6
Cost of sales	<u>(1,351.2)</u>	<u>(1,204.6)</u>
Gross profit	578.7	389.0
<i>Gross profit as a % of Net Sales</i>	30.0%	24.4%
Selling, general and administrative expenses	(243.4)	(259.8)
Engineering expenses	(49.0)	(34.5)
Amortization expense	<u>(69.0)</u>	<u>(27.4)</u>
Total operating expenses	(361.4)	(321.7)
<i>Operating expenses as a % of Net Sales</i>	18.7%	20.2%
Income from operations	217.3	67.3
<i>Income from operations as a % of Net Sales</i>	11.3%	4.2%
Interest expense, net	(53.3)	(44.6)
Other income (expense), net	<u>(14.8)</u>	<u>(8.2)</u>
Income from operations before income taxes	149.2	14.5
Income tax expense	(38.0)	(18.5)
<i>Effective tax rate</i>	25.5%	127.6%
Net income (loss)	111.2	(4.0)
Less: Net loss (gain) attributable to noncontrolling interest	<u>0.4</u>	<u>(0.5)</u>
Net income (loss) attributable to Wabtec shareholders	<u>\$ 111.6</u>	<u>\$ (4.5)</u>
Earnings Per Common Share		
Basic		
Net income (loss) attributable to Wabtec shareholders	<u>\$ 0.58</u>	<u>\$ (0.04)</u>
Diluted		
Net income (loss) attributable to Wabtec shareholders	<u>\$ 0.58</u>	<u>\$ (0.04)</u>
Basic	<u>190.8</u>	<u>121.2</u>
Diluted	<u>191.4</u>	<u>121.2</u>

Income statement (cont.)

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the Three Months <u>2020</u>	For the Three Months <u>2019</u>
Segment Information		
Freight Net Sales	\$ 1,301.0	\$ 915.5
Freight Income from Operations	\$ 161.7	\$ 80.9
Freight Operating Margin	12.4%	8.8%
Transit Net Sales	\$ 628.9	\$ 678.1
Transit Income from Operations	\$ 68.6	\$ 59.9
Transit Operating Margin	10.9%	8.8%
Backlog Information (Note: 12-month is a sub-set of total)	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Freight Total	18,099.6	18,945.3
Transit Total	<u>3,431.3</u>	<u>3,486.4</u>
Wabtec Total	21,530.9	22,431.7
Freight 12-Month	3,819.0	3,911.0
Transit 12-Month	<u>1,801.0</u>	<u>1,692.8</u>
Wabtec 12-Month	5,620.0	5,603.8

Balance sheet

Appendix B

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
<i>In millions</i>		
Cash and cash equivalents	\$ 615.9	\$ 604.2
Receivables, net	1,672.0	1,663.9
Inventories	1,785.7	1,773.1
Current assets - other	<u>167.5</u>	<u>150.9</u>
Total current assets	4,241.1	4,192.1
Property, plant and equipment, net	1,623.0	1,655.8
Goodwill	8,273.7	8,360.6
Other intangibles, net	4,010.0	4,104.0
Other long term assets	<u>625.3</u>	<u>631.7</u>
Total assets	<u>\$ 18,773.1</u>	<u>\$ 18,944.2</u>
Current liabilities	\$ 2,981.6	\$ 3,258.0
Long-term debt	4,655.1	4,333.6
Long-term liabilities - other	<u>1,338.7</u>	<u>1,359.0</u>
Total liabilities	8,975.4	8,950.6
Shareholders' equity	9,761.8	9,956.5
Non-controlling interest	<u>35.9</u>	<u>37.1</u>
Total shareholders' equity	<u>9,797.7</u>	<u>9,993.6</u>
Total Liabilities and Shareholders' Equity	<u>\$ 18,773.1</u>	<u>\$ 18,944.2</u>

Cash flow

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

<i><u>In millions</u></i>	Three Months Ended March 31,	
	<u>2020</u>	<u>2019</u>
Net cash (used for) provided by operating activities	\$ (81.9)	\$ 31.3
Net cash used for investing activities	(62.6)	(2,739.6)
Net cash provided by financing activities	183.5	883.0
Effect of changes in currency exchange rates	<u>(27.3)</u>	<u>(4.2)</u>
Increase (decrease) in cash	11.7	(1,829.5)
Cash, cash equivalents, and restricted cash, beginning of period	<u>604.2</u>	<u>2,342.4</u>
Cash and cash equivalents, end of period	<u>\$ 615.9</u>	<u>\$ 512.9</u>

EPS

and non-GAAP

Reconciliation

Set forth below is the calculation of the non-GAAP performance measures included in this press release. We believe that these measures provide useful supplemental information to assess our operating performance and to evaluate period-to-period comparisons. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Wabtec's reported results prepared in accordance with GAAP.

Wabtec Corporation										
Reconciliation of Reported Results to Adjusted Results										
(in millions)										
	First Quarter 2020 Actual Results									
	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Operating Expenses</u>	<u>Income from Operations</u>	<u>Interest & Other Exp</u>	<u>Tax</u>	<u>Net Income</u>	<u>Noncontrolling Interest</u>	<u>Wabtec Net Income</u>	<u>EPS</u>
Reported Results	\$ 1,929.9	\$ 578.7	\$ (361.4)	\$ 217.3	\$ (68.1)	\$ (38.0)	\$ 111.2	\$ 0.4	\$ 111.6	\$ 0.58
Restructuring & Transaction costs	-	1.4	15.5	16.9	-	(4.3)	12.6	-	12.6	\$ 0.07
Non-cash Amortization expense	-	-	69.0	69.0	-	(17.6)	51.4	-	51.4	\$ 0.27
Foreign Exchange Loss	-	-	-	-	13.8	(3.5)	10.3	-	10.3	\$ 0.05
Adjusted Results	\$ 1,929.9	\$ 580.1	\$ (276.9)	\$ 303.2	\$ (54.3)	\$ (63.4)	\$ 185.5	\$ 0.4	\$ 185.9	\$ 0.97
Fully Diluted Shares Outstanding										191.4

Wabtec Corporation										
Reconciliation of Reported Results to Adjusted Results										
(in millions)										
	First Quarter 2019 Actual Results									
	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Operating Expenses</u>	<u>Income from Operations</u>	<u>Interest & Other Exp</u>	<u>Tax</u>	<u>Net Income</u>	<u>Noncontrolling Interest</u>	<u>Wabtec Net Income</u>	<u>EPS</u>
Reported Results	\$ 1,593.6	\$ 389.0	\$ (321.7)	\$ 67.3	\$ (52.8)	\$ (18.5)	\$ (4.0)	\$ (0.5)	\$ (4.5)	\$ (0.04)
Restructuring & Transaction costs	-	-	58.7	58.7	14.4	(17.7)	55.4	-	55.4	\$ 0.42
Non-cash Amortization expense	-	-	27.4	27.4	-	(6.6)	20.8	-	20.8	\$ 0.16
One-time PPA	-	80.0	-	80.0	-	(19.4)	60.6	-	60.6	\$ 0.46
Foreign Exchange Loss	-	-	-	-	12.7	(3.1)	9.6	-	9.6	\$ 0.07
Tax on Transaction Costs	-	-	-	-	-	18.0	18.0	-	18.0	\$ 0.14
Adjusted Results	\$ 1,593.6	\$ 469.0	\$ (235.6)	\$ 233.4	\$ (25.7)	\$ (47.3)	\$ 160.4	\$ (0.5)	\$ 159.9	\$ 1.21
Fully Diluted Shares Outstanding										132.5

EBITDA reconciliation

Set forth below is the calculation of the non-GAAP performance measures included in this press release. We believe that these measures provide useful supplemental information to assess our operating performance and to evaluate period-to-period comparisons. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Wabtec's reported results prepared in accordance with GAAP.

Wabtec Corporation											
2020 Q1 EBITDA Reconciliation											
(in millions)											
	<u>Reported Income from Operations</u>	<u>+</u>	<u>Other Income (Expense)</u>	<u>+</u>	<u>Depreciation & Amortization</u>	<u>=</u>	<u>EBITDA</u>	<u>+</u>	<u>Restructuring & Transaction Costs</u>	<u>=</u>	<u>Adjusted EBITDA</u>
Consolidated Q1 Results	\$217.3		(\$14.8)		\$114.4		\$316.9		\$16.9		\$333.8

Wabtec Corporation											
2019 Q1 EBITDA Reconciliation											
(in millions)											
	<u>Reported Income from Operations</u>	<u>+</u>	<u>Other Income (Expense)</u>	<u>+</u>	<u>Depreciation & Amortization</u>	<u>=</u>	<u>EBITDA</u>	<u>+</u>	<u>Restructuring & Transaction Costs</u>	<u>=</u>	<u>Adjusted EBITDA</u>
Consolidated Q1 Results	\$67.3		(\$8.2)		\$54.6		\$113.7		\$138.7		\$252.4