

# FY20 First Quarter Earnings Call Presentation

*November 5, 2019*



# Safe Harbor Statement

---

Certain statements in this presentation may be forward-looking in nature, or "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. For example, statements about Kennametal's outlook for earnings, sales volumes, cash flow, and capital expenditures, and expectations regarding future growth and financial performance are forward-looking statements. Any forward-looking statements are based on current knowledge, expectations and estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: downturns in the business cycle or the economy; our ability to achieve all anticipated benefits of our restructuring initiatives; risks related to our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; potential for future goodwill and other intangible asset impairment charges; our ability to protect and defend our intellectual property; continuity and security of information technology infrastructure; competition; our ability to retain our management and employees; demands on management resources; availability and cost of the raw materials we use to manufacture our products; product liability claims; integrating acquisitions and achieving the expected savings and synergies; global or regional catastrophic events; demand for and market acceptance of our products; business divestitures; labor relations; and implementation of environmental remediation matters. Many of these risks are more fully described in Kennametal's latest annual report on Form 10-K and its other periodic filings with the Securities and Exchange Commission. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available on our website at [www.kennametal.com](http://www.kennametal.com). Once on the homepage, select "Investor Relations" and then "Events."

# Q1 results affected by near-term factors; strong progress on initiatives

## Q1 FY20 Overview & Highlights

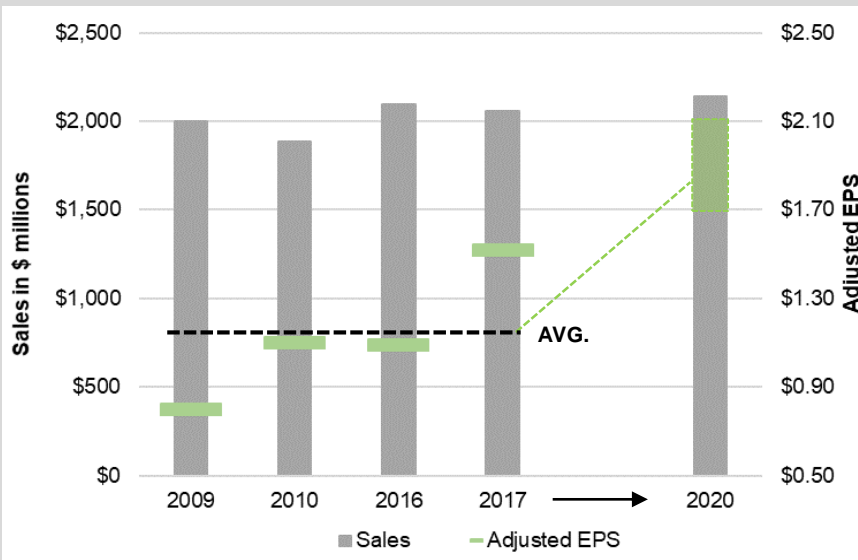
- **Organic sales down due to declining end-markets: (11)% organic sales decline vs. 10% growth prior year**
  - Negative FX impacts of (2)% partially offset by extra business day benefits of 1%
  - Segment organic growth rates: WIDIA (10)%, Industrial (11)%, Infrastructure (11)%
  - Regional growth rates\*: EMEA (7)%, the Americas (10)%, AsiaPac (15)%
- **Temporary headwinds negatively affecting margins: 4.7% Adjusted Operating Margin vs. 14.4% prior year**
  - Adjusted EBITDA margin decreased 820 bps to 10.9% vs. 19.1% prior year, driven by three main transient factors
    - Under absorption due to sharp decline in volume
    - Significant and rapid decrease in raw material price – approximately 360 bps effect
    - Manufacturing inefficiencies due to footprint rationalization
- **Simplification/Modernization on-track and progressing well**
  - Simplification/Modernization benefits of \$8 million over PY, \$58 million of benefits since inception
  - Rationalization of three German facilities and one US factory progressing well; ceased production at one German factory
  - Benefits accelerate in the second half of the year
- **Earnings per share: Reported \$0.08; Adjusted \$0.17 (vs. \$0.70 PY)**
- **Looking ahead:**
  - Growth initiatives continue to achieve success in high-volume, high-margin products and new product launches
  - Revised FY20 organic sales outlook assumes more normal seasonality
  - Effect of higher raw material costs expected to abate in 2H FY20
  - Manufacturing inefficiencies associated with footprint rationalization expected to decrease in 2H FY20 as closures are executed
  - Restructuring actions expected to deliver \$35-\$40M run-rate savings by year-end and \$25-30M additional by FY21 year-end

\* Constant Currency Regional Sales Growth

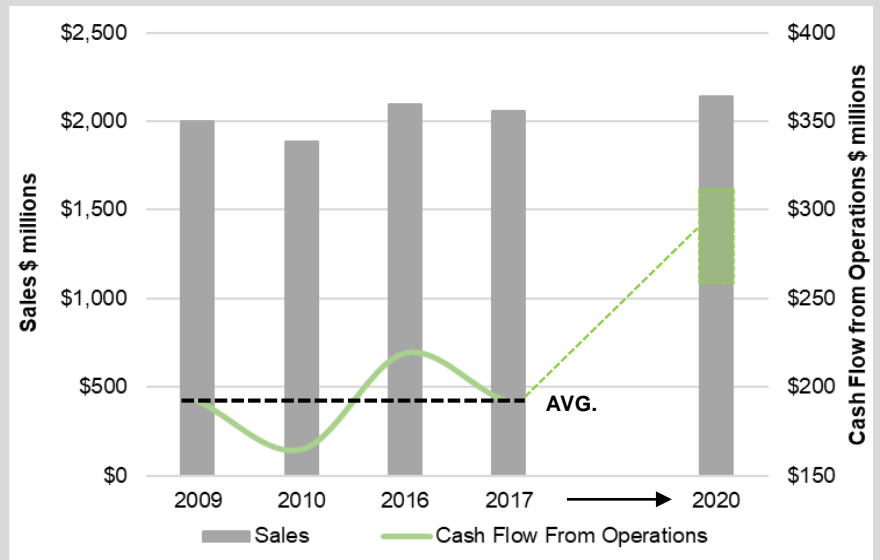
# Better positioned throughout the cycle with additional improvement still ahead

*Adjusted EPS and Cash Flow from Operations up vs. similar revenue periods*

## 70%\* Improvement in Adjusted EPS


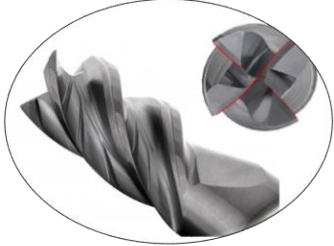




## 50%\* Improvement in Cash Flow from Operations



\* Improvement % derived from 2009, 2010, 2016, & 2017 averages

# Continuing progress on growth initiatives including new product launches

	<b>End-Market</b>	<b>Customer Benefits</b>
	<b>HARVI™ Ultra 8x</b> Aerospace	<ul style="list-style-type: none"><li>○ Titanium alloys machining</li><li>○ Market leading position in metal removal rates</li><li>○ Named a 2019 R&amp;D 100 Awards Finalist</li></ul>
	<b>HARVI™ 1 TE</b> General Engineering	<ul style="list-style-type: none"><li>○ Highest versatility in hard material applications</li><li>○ Up to 50% higher productivity</li><li>○ Up to 100% increase in tool life</li></ul>
	<b>KOR™ 5</b> Aerospace	<ul style="list-style-type: none"><li>○ Aluminum machining</li><li>○ Up to 2X productivity vs. traditional milling</li><li>○ Market-leading metal removal rates</li></ul>
	<b>RIQ™ Reamer</b> Transportation (Electric Vehicles)	<ul style="list-style-type: none"><li>○ Precision machining for electric vehicle drivetrains</li><li>○ 3D printed for lower weight</li><li>○ Faster setup and machining times</li></ul>

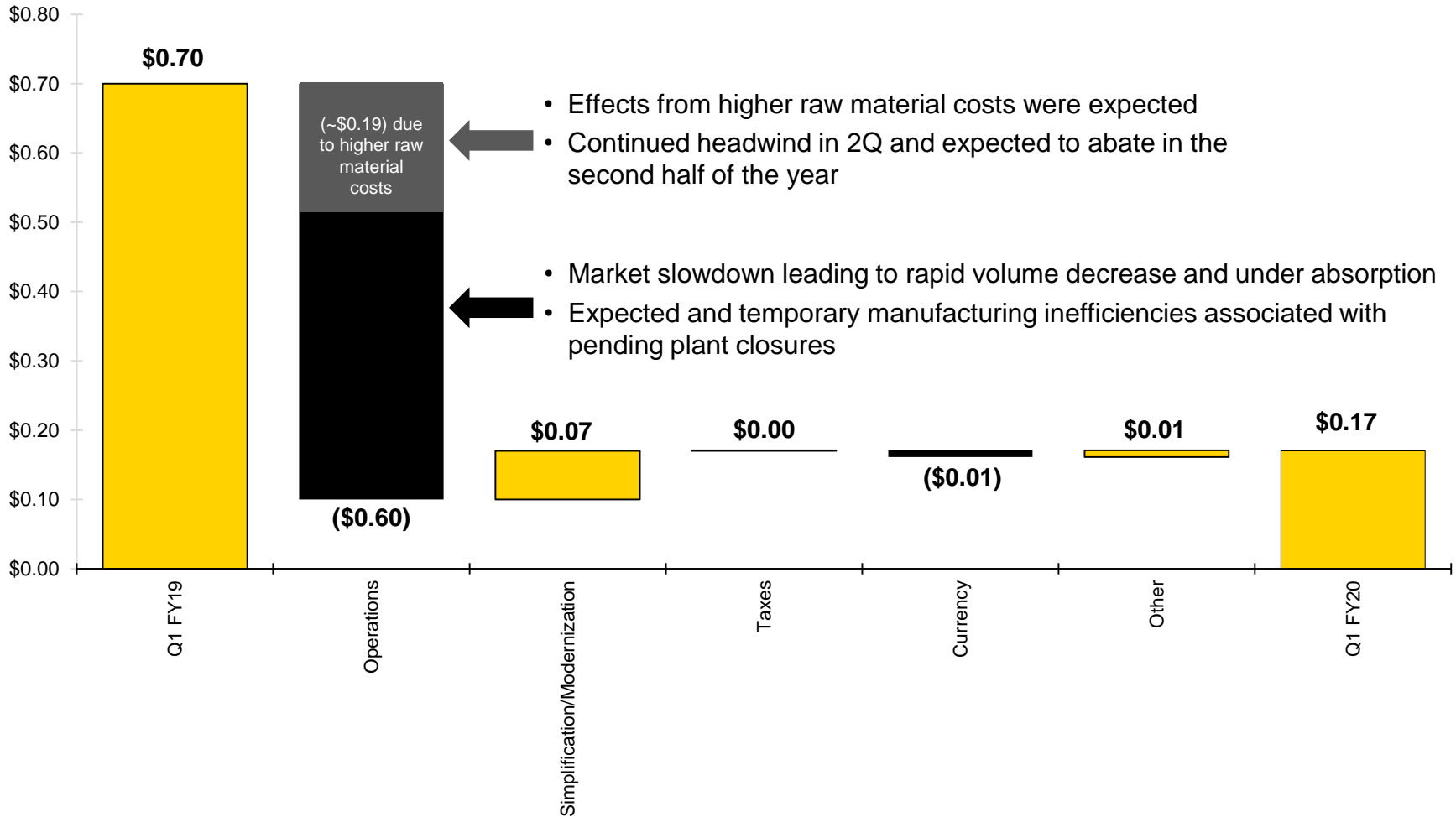
# Margin decline driven by end-market slowdown & higher raw material costs

## Consolidated Q1 FY20 Financial Overview

Quarter Ended (\$ in millions)	Change from PY	Adjusted		Reported	
		Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
<b>Sales</b>	<b>(12)%</b>	<b>\$518</b>	<b>\$587</b>	<b>\$518</b>	<b>\$587</b>
Organic		(11)%	10%	(11)%	10%
FX		(2)%	(2)%	(2)%	(2)%
Business Days		1%	0%	1%	0%
<b>Gross Profit</b>	<b>(33)%</b>	<b>\$142</b>	<b>\$211</b>	<b>\$139</b>	<b>\$211</b>
% of sales	(850) bps	27.5%	36.0%	26.8%	36.0%
<b>Operating Expense</b>	<b>(7)%</b>	<b>\$114</b>	<b>\$123</b>	<b>\$114</b>	<b>\$123</b>
% of sales	100 bps	22.0%	21.0%	22.0%	21.0%
<b>EBITDA</b>	<b>(49)%</b>	<b>\$57</b>	<b>\$112</b>	<b>\$49</b>	<b>\$111</b>
% of sales	(820) bps	10.9%	19.1%	9.4%	18.9%
<b>Operating Income</b>	<b>(71)%</b>	<b>\$24</b>	<b>\$84</b>	<b>\$16</b>	<b>\$83</b>
% of sales	(970) bps	4.7%	14.4%	3.2%	14.2%
<b>Effective Tax Rate</b>	(110) bps	22.5%	23.6%	33.7%	24.9%
<b>EPS (Earnings per Diluted Share)</b>	<b>(76)%</b>	<b>\$0.17</b>	<b>\$0.70</b>	<b>\$0.08</b>	<b>\$0.68</b>

# Market slowdown & temporarily increased raw material costs impacting margins

## Q1 FY20 Adjusted EPS Bridge

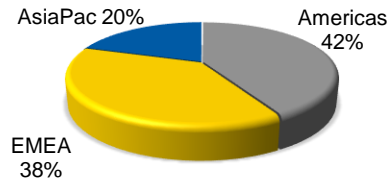




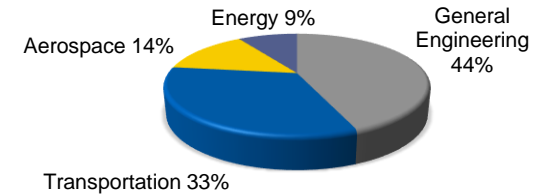
# Significant slowdown in end-markets creating temporary challenges

## Industrial Business Segment Q1 FY20 Summary

Sales by Geography



Sales by End Market



**Q1 FY20 sales \$280 million; (11)% organic sales decline YoY on top on 10% growth in the prior year quarter**

- Sales decline\* in Americas at (7)%, EMEA at (12)%, AsiaPac at (15)%
- Headwind from FX of (2)%, no impact from business days
- Quarterly adjusted operating margin decreased by 850 bps to 9.8%, due primarily to the greater than anticipated organic sales decline and associated under absorption, as well as the temporary effect of higher raw material costs that totaled ~140 bps

### **Global manufacturing slow down has significantly affected end-markets**

- Rate of manufacturing contraction accelerated in the first quarter affecting all end-markets and all regions
- Transportation, General Engineering and Energy posted YoY sales declines of (17)%, (9)% and (8)%, respectively\*\*
- Aerospace posted YoY decline of 1%\*\* on top of prior year growth of 18%; up slightly YoY excluding non-recurring package deliveries; underlying aerospace market remains strong

### **Simplification/Modernization initiatives on-track, positioning us well for recovery**

- Simplification/Modernization actions on-track, including footprint rationalization initiatives
- Cost-out actions included temporary closures of selected manufacturing locations to mitigate volume declines

\* Constant Currency Regional Sales Growth

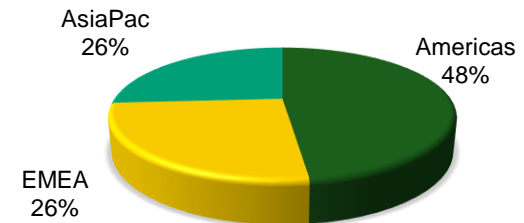
\*\* Constant Currency End-Market Sales Growth



# Slowing global demand offsetting operational improvements; solid progress on growth initiatives

## WIDIA Business Segment Q1 FY20 Summary

Sales by Region



### Q1 FY20 sales \$44 million; (10)% organic decline on top of 11% organic growth in prior year

- Regions\*: EMEA flat, Americas (3)%, AsiaPac (24)%
- FX headwind of (1)% offset by 2% benefit from an extra business day
- Quarterly adjusted operating margin loss of (4.1)%, compared to 4.4% in the prior year period, due primarily to volume loss and associated under absorption while higher raw material costs represented ~430 bps of the decline

### Q1 FY20 regional summary

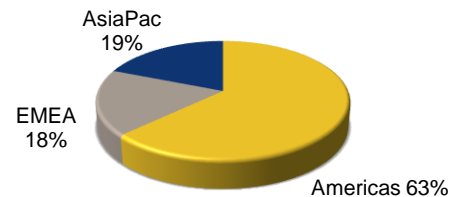
- EMEA: Success in aerospace applications and General Engineering growth initiatives offsetting softness
- Americas: End-market deceleration and portfolio rationalization partially offset by growth in aerospace applications
- AsiaPac: Steep decline in manufacturing sector in India and China, primarily in transportation applications

\* Constant Currency Regional Sales Growth

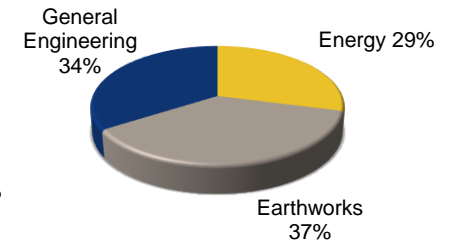
# Decelerating end-markets and raw material costs affect quarterly results

## Infrastructure Business Segment Q1 FY20 Summary

Sales by Geography



Sales by End Market



### Q1 FY20 sales \$194 million; (11)% organic sales decline YoY on top of 10% growth in the prior year

- Regions\*: EMEA 9%, AsiaPac (11)%, Americas (14)%
- Headwinds of FX (1)% and business days 1%
- Quarterly adjusted operating margin loss of (0.5)% compared to 11.4% in the prior year due primarily to volume declines and the associated under absorption as well as the temporary effect of higher raw material costs of ~660 bps
- Effect of higher raw material costs expected to abate in 2H FY20

### Steep global slowdown negatively affecting end-markets including oil & gas

- Energy, General Engineering and Earthworks decline at (24)%, (4)% and (1)%, respectively\*\*
- Oil & gas slowdown accelerated this quarter; average US land only rig count down (14)% YoY
- Earthworks sales declined slightly by (1)%\*\*, underground mining remains steady, construction positive

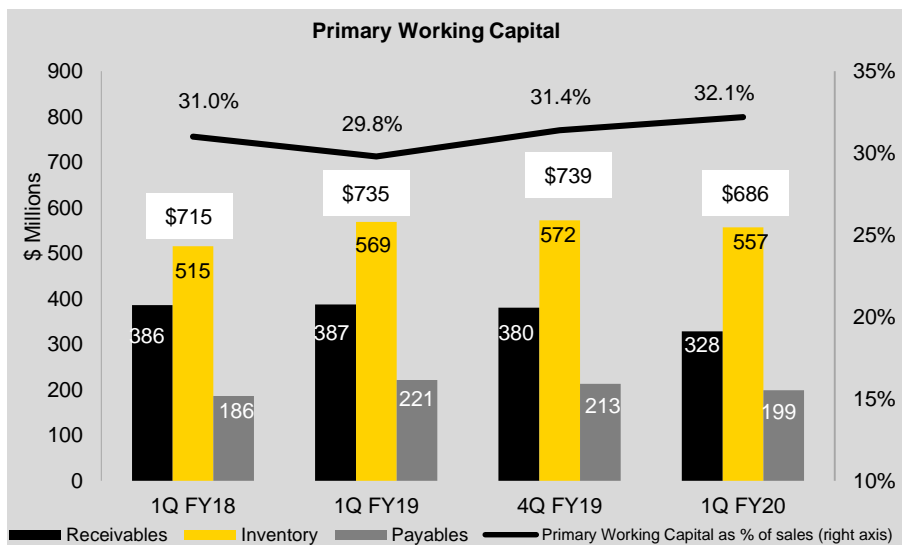
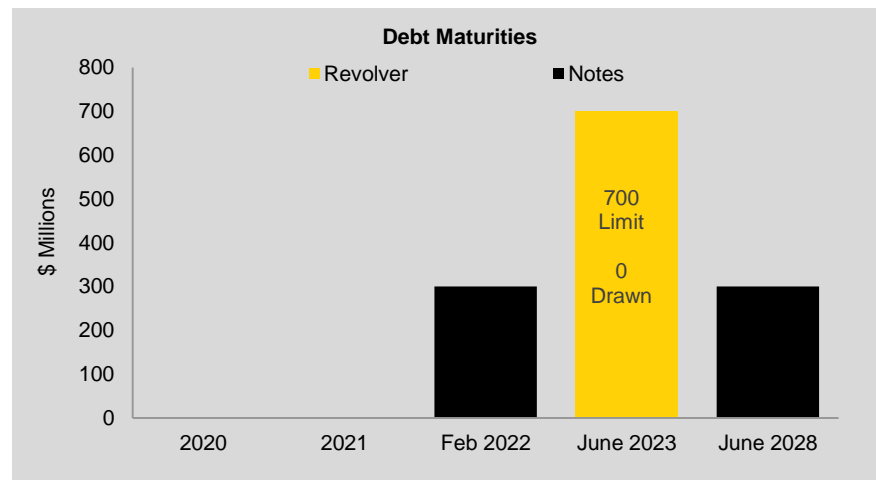
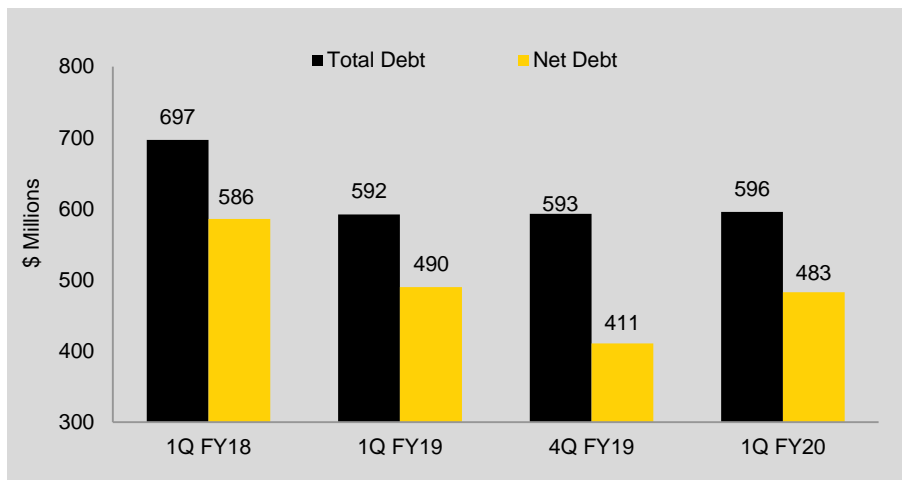
### Progress in Simplification/Modernization

- Irwin, PA plant closure progressing as planned, production moving to newly modernized Rogers, AR facility
- New Castle, PA divestiture announced as part of portfolio simplification
- Simplification/Modernization on-track, including footprint rationalization initiatives

\* Constant Currency Regional Sales Growth

\*\* Constant Currency End Market Sales Growth

# Strong balance sheet & cash position allow continued focus on initiatives



Consolidated Results (\$ in millions)	1Q FY20	1Q FY19
Net Cash Provided by Operating Activities	\$28	\$9
Capital Expenditures	(\$72)	(\$42)
Free Operating Cash Flow (FOCF)	(\$45)	(\$33)
Dividends	(\$17)	(\$16)

# Revised FY20 outlook reflects lower Q1 and slower market recovery

---

## *Outlook for Fiscal 2020*

	<u>Prior Outlook</u>	<u>Current Outlook</u>
Organic Sales Growth (Decline)	(2)% - 2%	(9)% - (5)%
Adjusted Effective Tax Rate	21% - 23%	22% - 24%
Adjusted EPS	\$2.80 - \$3.20	\$1.70 - \$2.10
Capital Spending	\$240M - \$260M	\$240M - \$260M
Free Operating Cash Flow	\$75M - \$100M	\$20M - \$50M

# Focused on improving performance throughout the economic cycle

---

- We are focused on what we can control
  - Controlling costs and adjusting production levels commensurate with demand
  - Delivering Simplification/Modernization initiatives
  - Increasing FY20 Simplification/Modernization benefits over FY19 and accelerating in 2H FY20 from pending plant closures
  
- Margin improvement actions expected to improve performance throughout the economic cycle

# Appendix



# Adjusted Segment Results

Quarter ended (\$ in millions)	September 30, 2019				September 30, 2018			
	Industrial	WIDIA	Infrastructure	Total	Industrial	WIDIA	Infrastructure	Total
<b>Sales</b>	<b>\$280</b>	<b>\$44</b>	<b>\$194</b>	<b>\$518</b>	<b>\$321</b>	<b>\$49</b>	<b>\$217</b>	<b>\$587</b>
Organic	(11)%	(10)%	(11)%	(11)%	10%	11%	10%	10%
FX	(2)%	(1)%	(1)%	(2)%	(2)%	(3)%	(1)%	(2)%
Business Days	-	2%	1%	1%	-	-	-	-
<b>Constant Currency Regional Growth:</b>								
Americas	(7)%	(3)%	(14)%	(10)%	13%	2%	12%	12%
EMEA	(12)%	0%	9%	(7)%	7%	11%	(2)%	5%
AsiaPac	(15)%	(24)%	(11)%	(15)%	12%	24%	13%	14%
<b>Constant Currency End-market Growth:</b>								
Energy	(8)%	n/a	(24)%	(19)%	5%	n/a	18%	14%
General Engineering*	(9)%	(8)%	(4)%	(8)%	10%	11%	13%	11%
Transportation	(17)%	n/a	n/a	(17)%	7%	n/a	n/a	7%
Aerospace	(1)%	n/a	n/a	(1)%	18%	n/a	n/a	18%
Earthworks	n/a	n/a	(1)%	(1)%	n/a	n/a	0%	0%
<b>Adjusted Operating Income (Loss)</b>	<b>\$27</b>	<b>(\$2)</b>	<b>(\$1)</b>	<b>\$24</b>	<b>\$59</b>	<b>\$2</b>	<b>\$25</b>	<b>\$84</b>
<b>Adjusted Operating Margin</b>	<b>9.8%</b>	<b>(4.1)%</b>	<b>(0.5)%</b>	<b>4.7%</b>	<b>18.3%</b>	<b>4.4%</b>	<b>11.4%</b>	<b>14.4%</b>

\* all WIDIA sales are classified as general engineering



# Balance Sheet

<b>ASSETS</b> ( <i>\$ in millions</i> )	<b>September 2019</b>	<b>June 2019</b>
Cash and cash equivalents	\$114	\$182
Accounts receivable, net	328	380
Inventories	557	572
Other current assets	67	57
<b>Total current assets</b>	<b>\$1,065</b>	<b>\$1,191</b>
Property, plant and equipment, net	964	935
Goodwill and other intangible assets, net	451	461
Other assets	118	69
<b>Total assets</b>	<b>\$2,599</b>	<b>\$2,656</b>
<b>LIABILITIES</b> ( <i>\$ in millions</i> )		
Current maturities of long-term debt, including notes payable	\$4	-
Accounts payable	199	213
Other current liabilities	216	249
<b>Total current liabilities</b>	<b>\$419</b>	<b>\$462</b>
Long-term debt	593	592
Other liabilities	250	227
<b>Total liabilities</b>	<b>\$1,262</b>	<b>\$1,281</b>
Kennametal Shareowners' Equity	1,298	1,335
Noncontrolling interests	39	40
<b>Total liabilities and equity</b>	<b>\$2,599</b>	<b>\$2,656</b>

# Non-GAAP Reconciliations

The information presented by the Company contains certain non-GAAP financial measures including organic sales growth (decline), constant currency regional sales growth (decline), constant currency end market sales growth (decline), adjusted gross profit and margin; adjusted operating expense and adjusted operating expense as a percentage of sales; adjusted operating income (loss) and margin; adjusted effective tax rate (ETR); adjusted earnings per diluted share (EPS); adjusted earnings before interest, taxes, depreciation and amortization (EBITDA); adjusted Industrial operating income and margin; adjusted Widia operating income (loss) and margin; adjusted Infrastructure operating income (loss) and margin; free operating cash flow (FOCF); net debt; and primary working capital (PWC).

Kennametal management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current, past and future periods. Management believes that investors should have available the same information that management uses to assess operational performance, determine compensation and assess the capital structure of the Company. These Non-GAAP financial measures should not be considered in isolation or as a substitute for the most comparable GAAP measures. Investors are cautioned that non-GAAP financial measures utilized by the Company may not be comparable to non-GAAP financial measures used by other companies.

Reconciliations to the most directly comparable GAAP financial measures for the following forward-looking non-GAAP financial measures for full fiscal year of 2020 are not presented, including but not limited to: adjusted EPS, organic sales growth (decline), adjusted ETR and FOCF. The most comparable GAAP measures are EPS, sales growth (decline), ETR and net cash flow from operating activities, respectively. Because the non-GAAP financial measures on a forward-looking basis are subject to uncertainty and variability as they are dependent on many factors - including, but not limited to, the effect of foreign currency exchange fluctuations, impacts from potential acquisitions or divestitures, gains or losses on the potential sale of businesses or other assets, restructuring costs, asset impairment charges, gains or losses from early extinguishment of debt, the tax impact of the items above and the impact of tax law changes or other tax matters - reconciliations to the most directly comparable forward-looking GAAP financial measures are not available without unreasonable effort.

Accordingly, we have compiled below certain definitions and reconciliations as required by Regulation G.

## **Adjusted Gross Profit and Margin, Adjusted Operating Expense, Adjusted Operating Expense as a Percentage of Sales, Adjusted Operating Income (Loss) and Margin, Adjusted ETR and Adjusted EPS**

The following GAAP financial measures have been presented on an adjusted basis: gross profit and margin, operating expense, operating expense as a percentage of adjusted sales, operating income (loss) and margin, ETR and EPS. Detail of these adjustments is included in the reconciliations following these definitions. Management adjusts for these items in measuring and compensating internal performance to more readily compare the Company's financial performance period-to-period.

## **Organic Sales Growth (Decline)**

Organic sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) excluding the impacts of acquisitions<sup>(1)</sup>, divestitures<sup>(2)</sup>, business days<sup>(3)</sup> and foreign currency exchange<sup>(4)</sup> from year-over-year comparisons. Management believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth (decline) on a consistent basis. Also, we report organic sales growth (decline) at the consolidated and segment levels.

## **Constant Currency Regional Sales Growth (Decline)**

Constant currency regional sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) by region excluding the impacts of acquisitions<sup>(1)</sup>, divestitures<sup>(2)</sup> and foreign currency exchange<sup>(4)</sup> from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency regional sales growth (decline) does not exclude the impact of business days. We believe this measure provides investors with a supplemental understanding of underlying regional trends by providing regional sales growth (decline) on a consistent basis. Also, we report constant currency regional sales growth (decline) at the consolidated and segment levels.

# Non-GAAP Reconciliations (cont'd)

## **Constant Currency End Market Sales Growth (Decline)**

Constant currency end market sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) by end market excluding the impacts of acquisitions<sup>(1)</sup>, divestitures<sup>(2)</sup> and foreign currency exchange<sup>(4)</sup> from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency end market sales growth (decline) does not exclude the impact of business days. We believe this measure provides investors with a supplemental understanding of underlying end market trends by providing end market sales growth (decline) on a consistent basis. Also, we report constant currency end market sales growth (decline) at the consolidated and segment levels.

## **EBITDA**

EBITDA is a non-GAAP financial measure and is defined as net income attributable to Kennametal (which is the most directly comparable GAAP measure), with interest expense, interest income, provision for income taxes, depreciation and amortization added back. Management believes that EBITDA is widely used as a measure of operating performance and is an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP. Additionally, Kennametal will present EBITDA on an adjusted basis. Management uses this information in reviewing operating performance.

## **Free Operating Cash Flow**

FOCF is a non-GAAP financial measure and is defined by the Company as cash provided by operations (which is the most directly comparable GAAP measure) less capital expenditures, plus proceeds from disposals of fixed assets. Management considers FOCF to be an important indicator of the Company's cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives, and other investing and financing activities.

## **Net Debt**

Net debt is a non-GAAP financial measure and is defined by the Company as total debt less cash and cash equivalents. The most directly comparable GAAP financial measure is total debt. Management believes that net debt aids in the evaluation of the Company's financial condition.

## **Primary Working Capital**

Primary working capital is a non-GAAP financial measure and is defined as accounts receivable, net plus inventories, net minus accounts payable. The most directly comparable GAAP measure is working capital, which is defined as current assets less current liabilities. We believe primary working capital better represents Kennametal's performance in managing certain assets and liabilities controllable at the segment level and is used as such for internal performance measurement.

<sup>(1)</sup> Acquisition impact is calculated by dividing current period sales attributable to acquired businesses by prior period sales.

<sup>(2)</sup> Divestiture impact is calculated by dividing prior period sales attributable to divested businesses by prior period sales.

<sup>(3)</sup> Business days impact is calculated by dividing the year-over-year change in weighted average working days (based on mix of sales by country) by prior period weighted average working days.

<sup>(4)</sup> Foreign currency exchange impact is calculated by dividing the difference between current period sales at prior period foreign exchange rates and prior period sales by prior period sales.

## Non-GAAP Reconciliations (cont'd)

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Diluted EPS
Q1 FY20 Reported Results	\$ 518.1	\$ 139.0	\$ 114.2	\$ 16.4	33.7%	\$ 0.08
Reported Margins		26.8%	22.0%	3.2%		
Restructuring and related charges	-	3.3	-	8.0	(11.2)	0.09
Q1 FY20 Adjusted Results	\$ 518.1	\$ 142.3	\$ 114.2	\$ 24.3	22.5%	\$ 0.17
Q1 FY20 Adjusted Margins		27.5%	22.0%	4.7%		

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Diluted EPS
Q1 FY19 Reported Results	\$ 586.7	\$ 211.1	\$ 123.3	\$ 83.2	24.9%	\$ 0.68
Reported Margins		36.0%	21.0%	14.2%		
Restructuring and related charges	-	-	-	1.1	-	0.01
Effect of tax reform <sup>(5)</sup>	-	-	-	-	(1.3)	0.01
Q1 FY19 Adjusted Results	\$ 586.7	\$ 211.1	\$ 123.3	\$ 84.2	23.6%	\$ 0.70
Q1 FY19 Adjusted Margins		36.0%	21.0%	14.4%		

<sup>(5)</sup> Additional charge recorded to reflect adjustments to the amounts recorded for the application of a measure of the Tax Cuts and Jobs Act of 2017 (TCJA) requiring a one-time transition tax on previously untaxed accumulated earnings and profits of non-U.S. companies (toll tax) considering regulatory guidance issued through September 30, 2018.

## Non-GAAP Reconciliations (cont'd)

(\$ in millions)	Three months ended September 30,	
	2019	2018
Net income attributable to Kennametal, reported	\$ 6.5	\$ 56.7
Add back:		
Interest expense	7.9	8.1
Interest income	(0.4)	(0.6)
Provision for income taxes, reported	3.8	19.4
Depreciation	27.3	24.0
Amortization	3.7	3.6
EBITDA	\$ 48.8	\$ 111.1
Margin	9.4%	18.9%
Adjustments:		
Restructuring and related charges	8.0	1.1
Adjusted EBITDA	\$ 56.7	\$ 112.2
Adjusted Margin	10.9%	19.1%

(\$ in millions)	Three months ended September 30,	
	2019	2018
Net cash flow from operating activities	\$ 27.5	\$ 9.2
Purchases of property, plant and equipment	(72.5)	(43.3)
Proceeds from disposals of property, plant and equipment	0.4	0.8
Free operating cash flow	\$ (44.5)	\$ (33.2)

## Non-GAAP Reconciliations (cont'd)

(\$ in millions, except percents)	Industrial Sales	Industrial Operating Income	WIDIA Sales	WIDIA Operating Loss	Infrastructure Sales	Infrastructure Operating Loss
Q1 FY20 Reported Results	\$ 280.0	\$ 21.3	\$ 44.1	\$ (2.0)	\$ 194.0	\$ (2.7)
Reported Operating Margin		7.6%		-4.5%		-1.4%
Restructuring and related charges	-	6.2	-	0.1	-	1.7
Q1 FY20 Adjusted Results	\$ 280.0	\$ 27.4	\$ 44.1	\$ (1.8)	\$ 194.0	\$ (1.0)
Q1 FY20 Adjusted Operating Margin		9.8%		-4.1%		-0.5%

(\$ in millions, except percents)	Industrial Sales	Industrial Operating Income	WIDIA Sales	WIDIA Operating Income	Infrastructure Sales	Infrastructure Operating Income
Q1 FY19 Reported Results	\$ 320.6	\$ 58.5	\$ 48.7	\$ 2.1	\$ 217.5	\$ 23.9
Reported Operating Margin		18.3%		4.3%		11.0%
Restructuring and related charges	-	0.2	-	0.0	-	0.8
Q1 FY19 Adjusted Results	\$ 320.6	\$ 58.7	\$ 48.7	\$ 2.1	\$ 217.5	\$ 24.7
Q1 FY19 Adjusted Operating Margin		18.3%		4.4%		11.4%

# Non-GAAP Reconciliations (cont'd)

(\$ in millions, except per share data and percents)	2009		2010		2016		2017	
	Sales	Diluted EPS	Sales	Diluted EPS	Sales	Diluted EPS	Sales	Diluted EPS
Reported Results	\$1,999.9	\$ (1.64)	\$1,884.1	\$ 0.57	\$2,098.4	\$ (2.83)	\$2,058.4	\$ 0.61
Restructuring and related charges	-	0.82	-	0.52	-	0.50	-	0.89
Asset impairment charges	-	1.38	-	-	-	-	-	-
Loss on divestiture and related charges	-	0.24	-	0.01	-	1.39	-	-
Goodwill and other intangible asset impairment charges	-	-	-	-	-	0.96	-	-
Fixed asset disposal charges	-	-	-	-	-	0.05	-	-
U.S. deferred tax valuation allowance	-	-	-	-	-	1.02	-	-
Australia deferred tax valuation allowance	-	-	-	-	-	-	-	0.02
Adjusted Results	\$1,999.9	\$ 0.80	\$1,884.1	\$ 1.10	\$2,098.4	\$ 1.09	\$2,058.4	\$ 1.52

Three months ended September 30, 2019:	Industrial	Widia	Infrastructure	Kennametal
Organic Sales Decline	(11%)	(10%)	(11%)	(11%)
Foreign Currency Exchange Impact	(2%)	(1%)	(1%)	(2%)
Business Days Impact	0%	2%	1%	1%
Sales Decline	(13%)	(9%)	(11%)	(12%)

Three months ended September 30, 2018:	Industrial	Widia	Infrastructure	Kennametal
Organic Sales Growth	10%	11%	10%	10%
Foreign Currency Exchange Impact	(2%)	(3%)	(1%)	(2%)
Sales Growth	8%	8%	9%	8%



# Non-GAAP Reconciliations (cont'd)

## Industrial

<b>Three months ended September 30, 2019:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales decline	(7%)	(12%)	(15%)
Foreign currency exchange impact	(1%)	(3%)	(2%)
Regional sales decline	(8%)	(15%)	(17%)

## Widia

<b>Three months ended September 30, 2019:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales decline	(3%)	0%	(24%)
Foreign currency exchange impact	0%	(2%)	0%
Regional sales decline	(3%)	(2%)	(24%)

## Infrastructure

<b>Three months ended September 30, 2019:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales (decline) growth	(14%)	9%	(11%)
Foreign currency exchange impact	0%	(4%)	(2%)
Regional sales (decline) growth	(14%)	5%	(13%)

## Kennametal

<b>Three months ended September 30, 2019:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales decline	(10%)	(7%)	(15%)
Foreign currency exchange impact	0%	(4%)	(1%)
Regional sales decline	(10%)	(11%)	(16%)

# Non-GAAP Reconciliations (cont'd)

## Industrial

<b>Three months ended September 30, 2018:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	13%	7%	12%
Foreign currency exchange impact	(3%)	(3%)	(2%)
<b>Regional sales growth</b>	<b>10%</b>	<b>4%</b>	<b>10%</b>

## Widia

<b>Three months ended September 30, 2018:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	2%	11%	24%
Foreign currency exchange impact	(1%)	(4%)	(5%)
<b>Regional sales growth</b>	<b>1%</b>	<b>7%</b>	<b>19%</b>

## Infrastructure

<b>Three months ended September 30, 2018:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth (decline)	12%	(2%)	13%
Foreign currency exchange impact	0%	(1%)	(2%)
<b>Regional sales growth (decline)</b>	<b>12%</b>	<b>(3%)</b>	<b>11%</b>

## Kennametal

<b>Three months ended September 30, 2018:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	12%	5%	14%
Foreign currency exchange impact	(2%)	(2%)	(3%)
<b>Regional sales growth</b>	<b>10%</b>	<b>3%</b>	<b>11%</b>

# Non-GAAP Reconciliations (cont'd)

## Industrial

Three months ended September 30, 2019:	General			
	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales decline	(9%)	(17%)	(1%)	(8%)
Foreign currency exchange impact	(2%)	(2%)	(2%)	(1%)
End market sales decline	(11%)	(19%)	(3%)	(9%)

## Widia

Three months ended September 30, 2019:	General
	Engineering
Constant currency end market sales decline	(8%)
Foreign currency exchange impact	(1%)
End market sales decline	(9%)

## Infrastructure

Three months ended September 30, 2019:	General		
	Energy	Earthworks	Engineering
Constant currency end market sales decline	(24%)	(1%)	(4%)
Foreign currency exchange impact	0%	(2%)	(1%)
End market sales decline	(24%)	(3%)	(5%)

## Kennametal

Three months ended September 30, 2019:	General				
	Energy	Earthworks	Engineering	Transportation	Aerospace
Constant currency end market sales decline	(19%)	(1%)	(8%)	(17%)	(1%)
Foreign currency exchange impact	(1%)	(2%)	(1%)	(2%)	(2%)
End market sales decline	(20%)	(3%)	(9%)	(19%)	(3%)

# Non-GAAP Reconciliations (cont'd)

## Industrial

Three months ended September 30, 2018:	General			
	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales growth	10%	7%	18%	5%
Foreign currency exchange impact	(1%)	(3%)	(1%)	(1%)
End market sales growth	9%	4%	17%	4%

## Widia

Three months ended September 30, 2018:	General
	Engineering
Constant currency end market sales growth	11%
Foreign currency exchange impact	(3%)
End market sales growth	8%

## Infrastructure

Three months ended September 30, 2018:	Energy	Earthworks	General
			Engineering
Constant currency end market sales growth	18%	0%	13%
Foreign currency exchange impact	0%	(1%)	(1%)
End market sales growth (decline)	18%	(1%)	12%

## Kennametal

Three months ended September 30, 2018:	Energy	Earthworks	General		
			Engineering	Transportation	Aerospace
Constant currency end market sales growth	14%	0%	11%	7%	18%
Foreign currency exchange impact	0%	(1%)	(2%)	(3%)	(1%)
End market sales growth (decline)	14%	(1%)	9%	4%	17%

# Non-GAAP Reconciliations (cont'd)

Net Debt (in millions)	Three months ended			
	9/30/2019	6/30/2019	9/30/2018	9/30/2017
Total debt (gross)	\$ 596.4	\$ 592.6	\$ 592.1	\$ 696.6
Less: cash and cash equivalents	113.5	182.0	102.1	110.7
Net debt	\$ 482.9	\$ 410.6	\$ 490.0	\$ 585.9

(in thousands, except percents)	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	Average
Current assets	\$ 1,065,389	\$ 1,190,827	\$ 1,162,842	\$ 1,119,034	\$ 1,121,482	
Current liabilities	418,719	461,726	430,018	412,053	439,171	
Working capital, GAAP	\$ 646,670	\$ 729,101	\$ 732,824	\$ 706,981	\$ 682,311	
Excluding items:						
Cash and cash equivalents	(113,522)	(182,015)	(112,597)	(96,276)	(102,084)	
Other current assets	(67,106)	(57,381)	(58,221)	(63,509)	(63,461)	
Total excluded current assets	(180,628)	(239,396)	(170,818)	(159,785)	(165,545)	
Adjusted current assets	884,761	951,431	992,024	959,249	955,937	
Current maturities of long-term debt and capital leases, including notes payable	(3,528)	(157)	-	(3,371)	(756)	
Other current liabilities	(216,517)	(248,661)	(224,949)	(210,332)	(217,528)	
Total excluded current liabilities	(220,045)	(248,818)	(224,949)	(213,703)	(218,284)	
Adjusted current liabilities	198,674	212,908	205,069	198,350	220,887	
Primary working capital	\$ 686,087	\$ 738,523	\$ 786,955	\$ 760,899	\$ 735,050	\$ 741,503
			<b>Three Months Ended</b>			
		<b>9/30/2019</b>	<b>6/30/2019</b>	<b>3/31/2019</b>	<b>12/31/2018</b>	<b>Total</b>
Sales		\$ 518,088	\$ 603,949	\$ 597,204	\$ 587,394	\$ 2,306,635
Primary working capital as a percentage of sales						32.1%

## Non-GAAP Reconciliations (cont'd)

<b>(in thousands, except percents)</b>	<b>6/30/2019</b>	<b>3/31/2019</b>	<b>12/31/2018</b>	<b>9/30/2018</b>	<b>6/30/2018</b>	<b>Average</b>
Current assets	\$ 1,190,827	\$ 1,162,842	\$ 1,119,034	\$ 1,121,482	\$ 1,546,166	
Current liabilities	461,726	430,018	412,053	439,171	886,531	
Working capital, GAAP	\$ 729,101	\$ 732,824	\$ 706,981	\$ 682,311	\$ 659,635	
Excluding items:						
Cash and cash equivalents	(182,015)	(112,597)	(96,276)	(102,084)	(556,153)	
Other current assets	(57,381)	(58,221)	(63,509)	(63,461)	(63,257)	
Total excluded current assets	(239,396)	(170,818)	(159,785)	(165,545)	(619,410)	
Adjusted current assets	951,431	992,024	959,249	955,937	926,756	
Current maturities of long-term debt and capital leases, including notes payable	(157)	-	(3,371)	(756)	(400,200)	
Other current liabilities	(248,661)	(224,949)	(210,332)	(217,528)	(264,428)	
Total excluded current liabilities	(248,818)	(224,949)	(213,703)	(218,284)	(664,628)	
Adjusted current liabilities	212,908	205,069	198,350	220,887	221,903	
Primary working capital	\$ 738,523	\$ 786,955	\$ 760,899	\$ 735,050	\$ 704,853	\$ 745,256
			<b>Three Months Ended</b>			
		<b>6/30/2019</b>	<b>3/31/2019</b>	<b>12/31/2018</b>	<b>9/30/2018</b>	<b>Total</b>
Sales		\$ 603,949	\$ 597,204	\$ 587,394	\$ 586,687	\$ 2,375,234
Primary working capital as a percentage of sales						31.4%

## Non-GAAP Reconciliations (cont'd)

<b>(in thousands, except percents)</b>	<b>9/30/2018</b>	<b>6/30/2018</b>	<b>3/31/2018</b>	<b>12/31/2017</b>	<b>9/30/2017</b>	<b>Average</b>
Current assets	\$ 1,121,482	\$ 1,546,166	\$ 1,240,587	\$ 1,128,382	\$ 1,075,915	
Current liabilities	439,171	886,531	477,790	407,621	396,967	
Working capital, GAAP	\$ 682,311	\$ 659,635	\$ 762,797	\$ 720,761	\$ 678,948	
Excluding items:						
Cash and cash equivalents	(102,084)	(556,153)	(221,906)	(159,940)	(110,697)	
Other current assets	(63,461)	(63,257)	(70,926)	(68,057)	(64,874)	
Total excluded current assets	(165,545)	(619,410)	(292,832)	(227,997)	(175,571)	
Adjusted current assets	955,937	926,756	947,755	900,385	900,344	
Current maturities of long-term debt and capital leases, including notes payable	(756)	(400,200)	(1,399)	(1,360)	(1,252)	
Other current liabilities	(217,528)	(264,428)	(256,186)	(215,669)	(209,373)	
Total excluded current liabilities	(218,284)	(664,628)	(257,585)	(217,029)	(210,625)	
Adjusted current liabilities	220,887	221,903	220,205	190,592	186,342	
Primary working capital	\$ 735,050	\$ 704,853	\$ 727,550	\$ 709,793	\$ 714,002	\$ 718,250
			<b>Three Months Ended</b>			
		<b>9/30/2018</b>	<b>6/30/2018</b>	<b>3/31/2018</b>	<b>12/31/2017</b>	<b>Total</b>
Sales		\$ 586,687	\$ 646,119	\$ 607,936	\$ 571,345	\$ 2,412,087
Primary working capital as a percentage of sales						29.8%



# Non-GAAP Reconciliations (cont'd)

<b>(in thousands, except percents)</b>	<b>9/30/2017</b>	<b>6/30/2017</b>	<b>3/31/2017</b>	<b>12/31/2016</b>	<b>9/30/2016</b>	<b>Average</b>	
Current assets	\$ 1,075,915	\$ 1,113,901	\$ 1,043,046	\$ 971,745	\$ 991,837		
Current liabilities	396,967	461,478	426,799	390,151	402,574		
Working capital, GAAP	\$ 678,948	\$ 652,423	\$ 616,247	\$ 581,594	\$ 589,263		
Excluding items:							
Cash and cash equivalents	(110,697)	(190,629)	(100,817)	(102,001)	(119,411)		
Other current assets	(64,874)	(55,166)	(75,061)	(80,375)	(64,660)		
Total excluded current assets	(175,571)	(245,795)	(175,878)	(182,376)	(184,071)		
Adjusted current assets	900,344	868,106	867,168	789,369	807,766		
Current maturities of long-term debt and capital leases, including notes payable	(1,252)	(925)	(1,591)	(2,263)	(1,381)		
Other current liabilities	(209,373)	(244,831)	(234,367)	(219,008)	(225,189)		
Total excluded current liabilities	(210,625)	(245,756)	(235,958)	(221,271)	(226,570)		
Adjusted current liabilities	186,342	215,722	190,841	168,880	176,004		
Primary working capital	\$ 714,002	\$ 652,384	\$ 676,327	\$ 620,489	\$ 631,762	\$ 658,993	
			<b>Three Months Ended</b>				
			<b>9/30/2017</b>	<b>6/30/2017</b>	<b>3/31/2017</b>	<b>12/31/2016</b>	<b>Total</b>
Sales			\$ 542,454	\$ 565,025	\$ 528,630	\$ 487,573	\$ 2,123,682
Primary working capital as a percentage of sales							31.0%