Nordson

# 4Q & Full-Year Fiscal 2021

## Webcast

December 16, 2021

Ascend
STRATEGY

NBS NEXT | OWNER MINDSET | WINNING TEAMS

# Safe Harbor Statement
# Under the Private Securities Litigation Reform Act of 1995

Certain statements contained in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by terminology such as "may," "will," "should," "could," "expects," "anticipates," "believes," "projects," "forecasts," “outlook,” “guidance,” "continue," “target,” or the negative of such terms or comparable terminology. These statements reflect management’s current expectations and involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, U.S. and international economic conditions; financial and market conditions; currency exchange rates and devaluations; possible acquisitions including the Company’s ability to successfully integrate acquisitions; the Company's ability to successfully divest or dispose of businesses that are deemed not to fit with its strategic plan; the effects of changes in U.S. trade policy and trade agreements; the effects of changes in tax law; and the possible effects of events beyond our control, such as political unrest, acts of terror, natural disasters and pandemics, including the current coronavirus (COVID-19) pandemic and the other factors discussed in Item 1A (Risk Factors) in the Company’s most recently filed Annual Report on Form 10-K and in its Forms 10-Q filed with the Securities and Exchange Commission, which should be reviewed carefully. The Company undertakes no obligation to update or revise any forward-looking statement in this presentation.



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# Agenda

**4Q and Full-Year Fiscal 2021 Webcast – December 16, 2021**

- Fourth Quarter and Full-Year Highlights
- Sales Performance and Earnings Review
- Balance Sheet and Cash Flow
- Enterprise Performance
- FY 2022 and 1Q 2022 Outlook and Guidance
- Q&A



**Sundaram Nagarajan**
President and
Chief Executive Officer



**Joseph Kelley**
Executive Vice President,
Chief Financial Officer



**Lara Mahoney**
Vice President,
Investor Relations

# Highlights

*Strong execution and NBS Next driving record results during economic recovery*

- Record annual sales and operating profit performance, surpassing past records by over $100 million
- 4Q sales in line with expectations – solid finish to record year
- Second half of fiscal 2021 delivered 15% organic sales growth and 36% profit growth

# Total Company – 4Q 2021

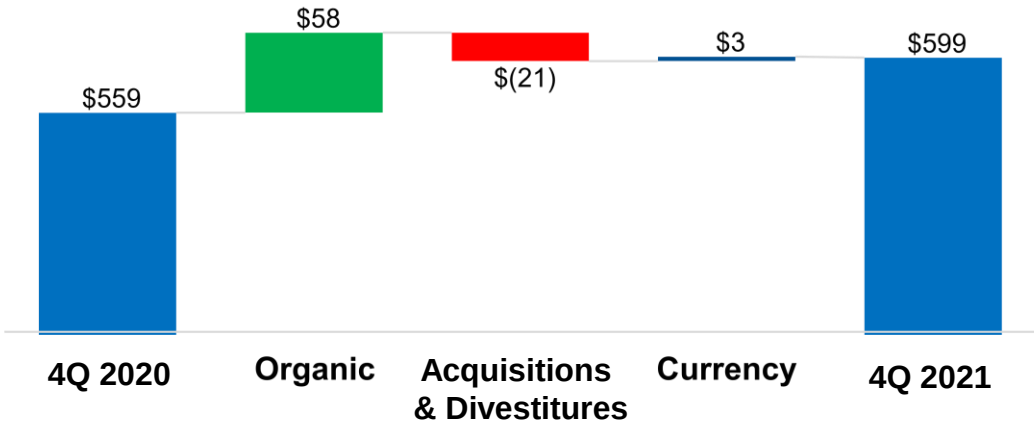
## Sales

- Reported sales increased 7%; excluding divestiture, sales increase would have been 11%
- Organic growth increased 10%
- Solid growth in all product lines, particularly electronics, industrial, and medical end markets
- Pricing actions being taken to address inflation

## Operating Profit

- Operating profit of $151 million, 25% of sales
- Incremental operating profit margins of 52%
- EBITDA margin was 30% of sales
- Volume leverage, benefits from cost controls, and favorable sales mix largely related to the divestiture contributed to the improvement

**4Q 2021 Sales Bridge**




| | 4Q 2020 | 4Q 2021 | Δ |
|---|---|---|---|
| Sales | $558.5 | $599.2 | 7% |
| Operating Profit* | $130.2 | $151.4 | 16% |
| EBITDA* | $159.3 | $177.1 | 11% |
| EPS GAAP | $0.31 | $1.88 | N/M |
| EPS Adjusted* | $1.59 | $1.88 | 19% |

*Non-GAAP numbers - See appendix for reconciliation. In millions except for per share data.



Numbers reflect adjusted operating profit – see reconciliation in appendix

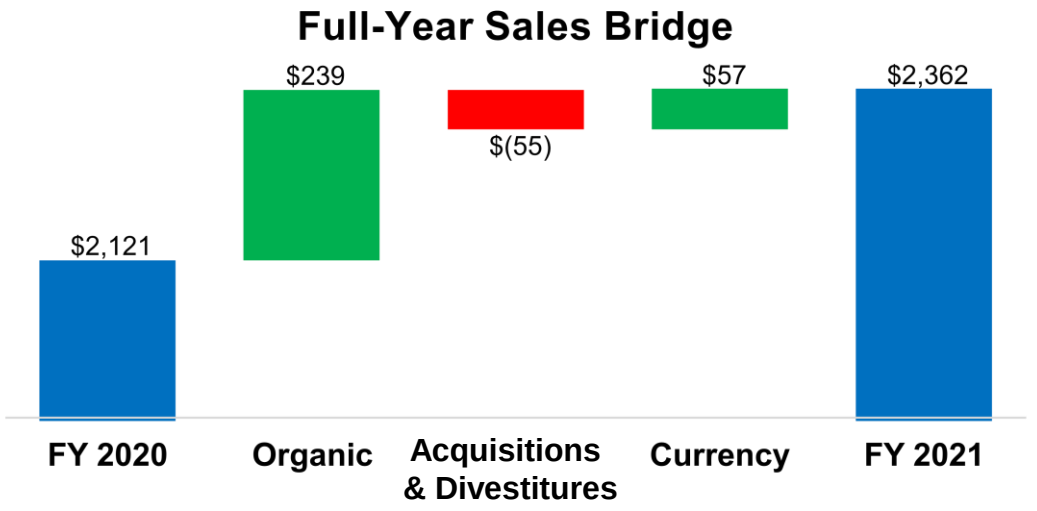
# Total Company – Fiscal 2021

## Record Annual Sales

- Annual sales of $2.4 billion, an increase of 11%
- Organic growth increased 11%
- Broad based growth across most end markets and geographies
- 2H 2021 Y/Y organic sales growth 15%

## Record Operating Profit

- Full year operating profit was $615 million, or 26% of sales
- Incremental operating margins of 67%
- EBITDA was $719 million, or 30% of sales
- Earnings growth of 41%




| | FY 2020 | FY 2021 | Δ |
|---|---|---|---|
| Sales | $2,121.1 | $2,362.2 | 11% |
| Operating Profit* | $453.6 | $615.1 | 36% |
| EBITDA* | $566.9 | $719 | 27% |
| EPS GAAP | $4.27 | $7.74 | 81% |
| EPS Adjusted* | $5.48 | $7.74 | 41% |



Numbers reflect adjusted operating profit – see reconciliation in appendix

*Non-GAAP numbers - See appendix for reconciliation. In millions except for per share data.

# Industrial Precision Solutions – 4Q 2021

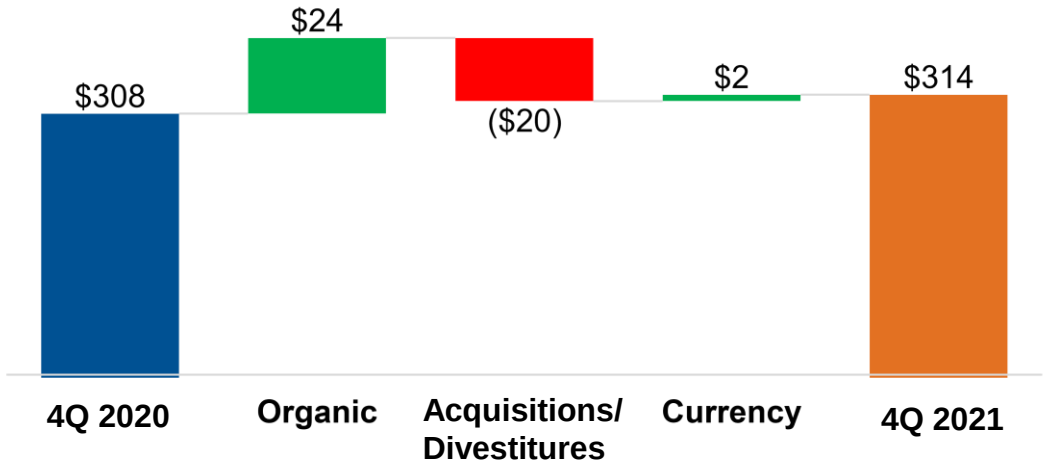
## Sales

- 2% sales increase
- 8% organic growth; (7)% divestiture; 1% currency gains
- Sustained growth across the majority of end markets and geographies served
- 2H 2021 Y/Y organic growth rate of 15%

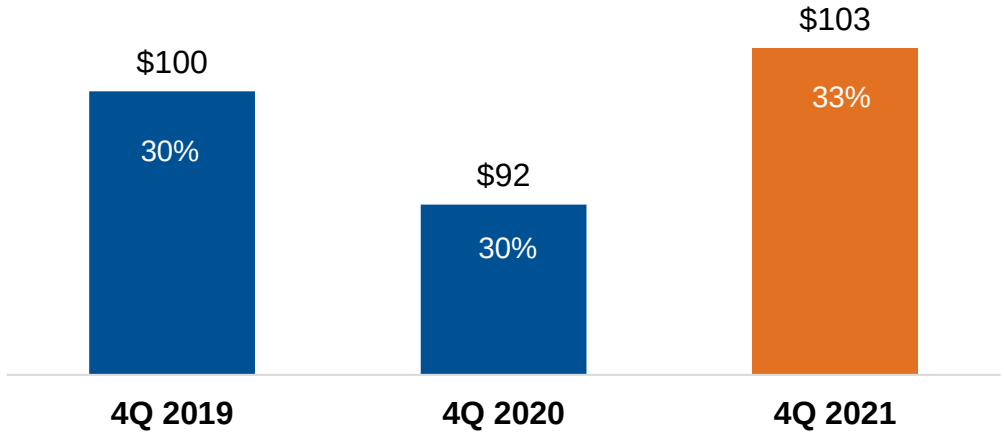
## Operating Profit

- Operating profit grew 12% to $103 million
- Operating margin above 2019 levels
- Favorable sales mix and manufacturing efficiencies, gained in part from divestiture of screws and barrels product line
- 2H 2021 Y/Y profit growth 34%

**4Q 2021 IPS Sales Bridge**




**Operating Profit and Margin**




Numbers reflect adjusted operating profit – see reconciliation in appendix

# Advanced Technology Solutions – 4Q 2021

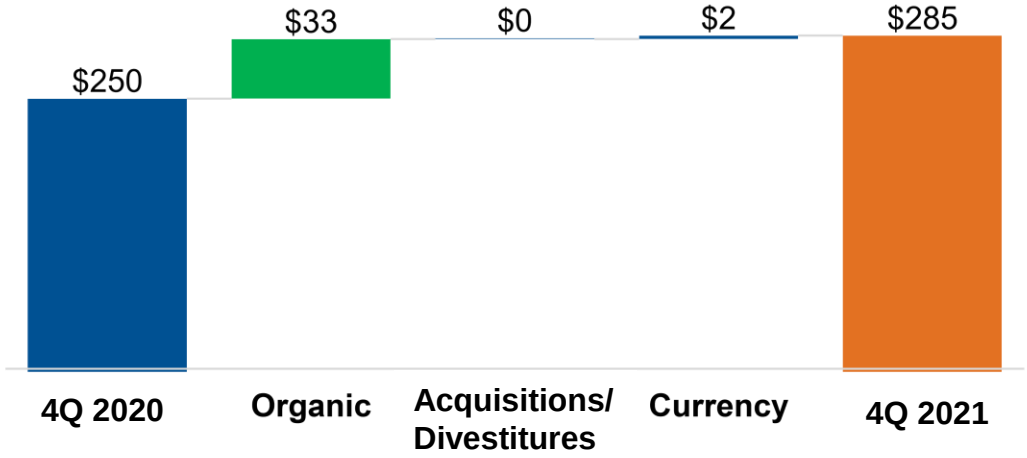
## Sales

- Sales increased 14%
- 13% organic growth; 1% currency gains
- Sales growth was strong in all end markets, notably electronics and medical

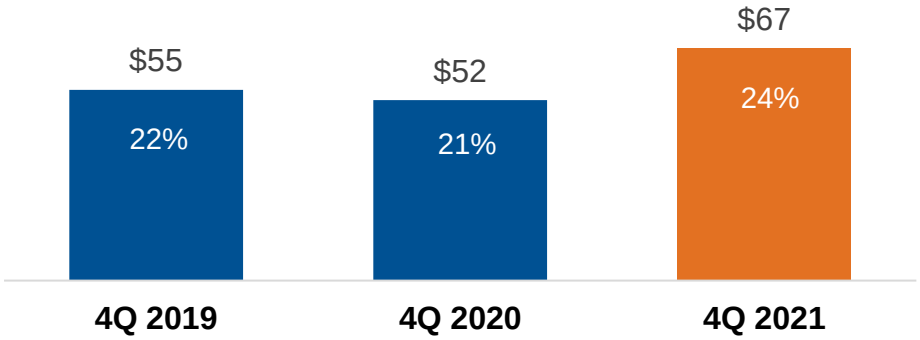
## Operating Profit

- Operating profit grew 29% to $67 million
- Operating margin 200 bps above 2019
- Driven by volume leverage, and benefits from cost control measures taken in fiscal 2020 and deployment of NBS Next

**4Q 2021 ATS Sales Bridge**




**Operating Profit and Margin**





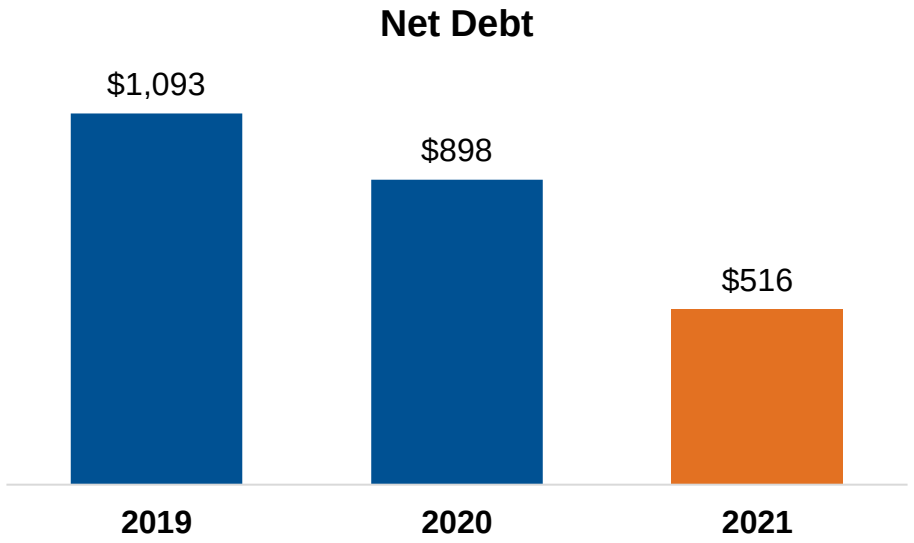
Numbers reflect adjusted operating profit – see reconciliation in appendix

# Balance Sheet and Cash Flow

## Strong Cash Flow with Sufficient Liquidity to Invest in Strategic Initiatives

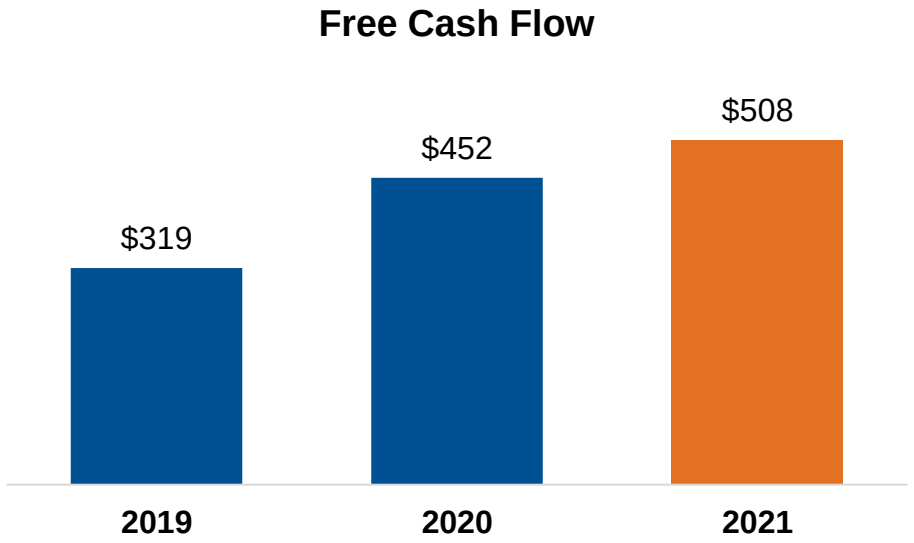
### Net Debt

- Cash totaled $300 million, partially in anticipation of 1Q 2022 $180 million NDC Technologies acquisition
- 0.7 net debt leverage ratio based on trailing 12-month EBITDA




### Free Cash Flow

- 112% of adjusted net income
- Strong $508 million Free Cash Flow inclusive of $97 million in pension contributions



# Enterprise Highlights



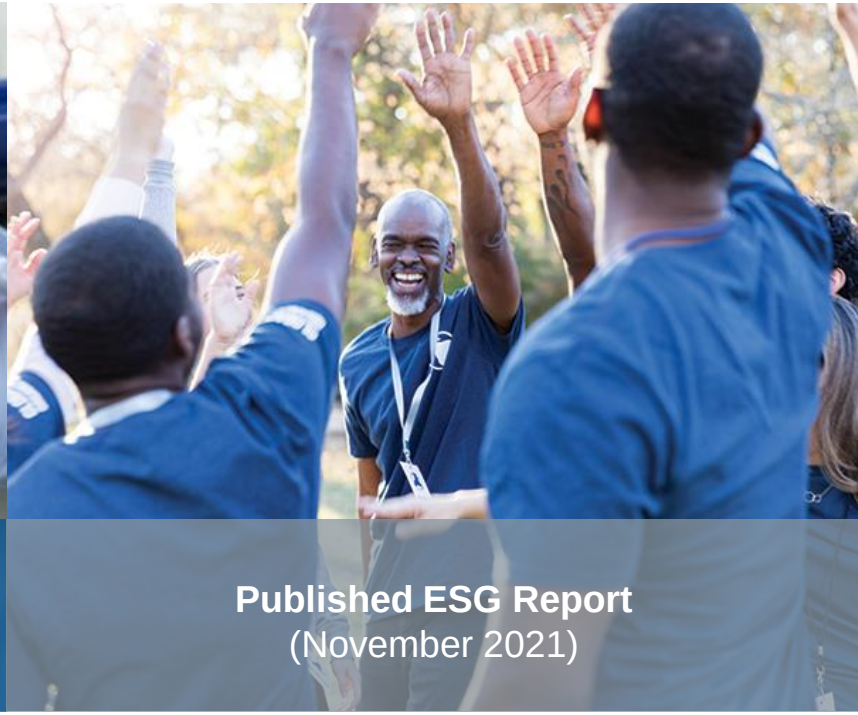

**Advanced the Ascend Strategy**
(Throughout 2021)

- On track to deliver 2025 targets
- 2021 record, double-digit organic growth
- 2021 EBITDA margins ahead of target



**Closed NDC Technologies Acquisition**
(November 1, 2021)

- Differentiated precision technology
- Nordson-like gross margins
- Customer-centric business model



**Published ESG Report**
(November 2021)

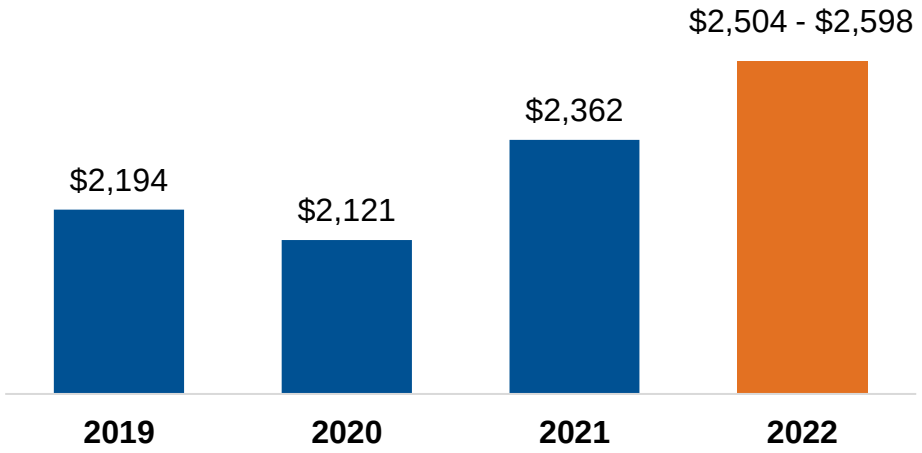
- Influenced by leading ESG frameworks
- Central to Nordson's culture
- Aligned with Ascend strategy

# 2022 Fiscal Full-Year Guidance

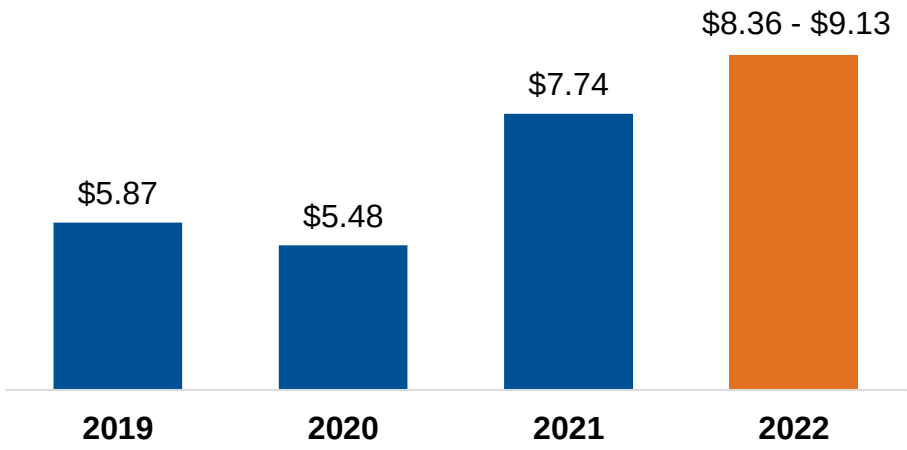
## Full-Year Growth from Record 2021

- NBS Next Deployment throughout the business is advancing and delivering results
- Momentum heading into 2022 with strong 2H 2021 performance
- Fiscal 2022 sales growth of ~6-10%
- Adjusted earnings growth of ~8-18%

**Full-Year Sales Guidance**



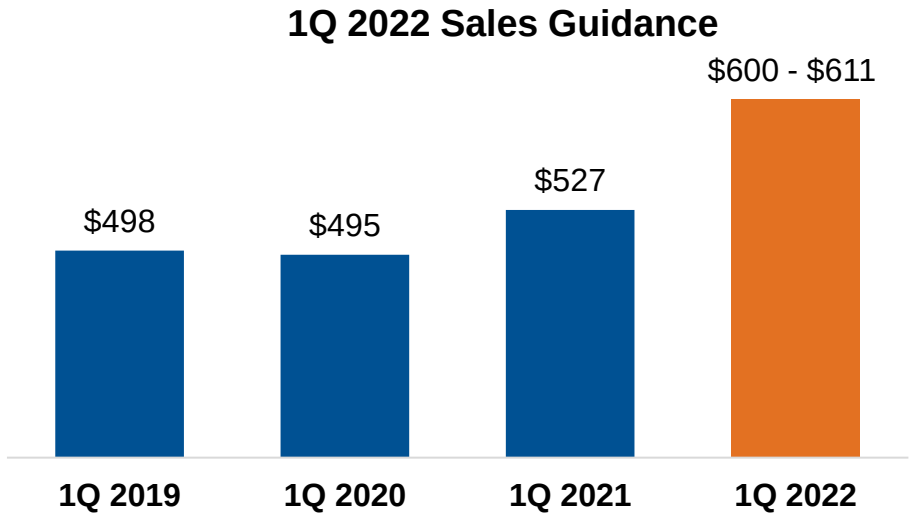

**Full-Year Adjusted EPS Guidance**

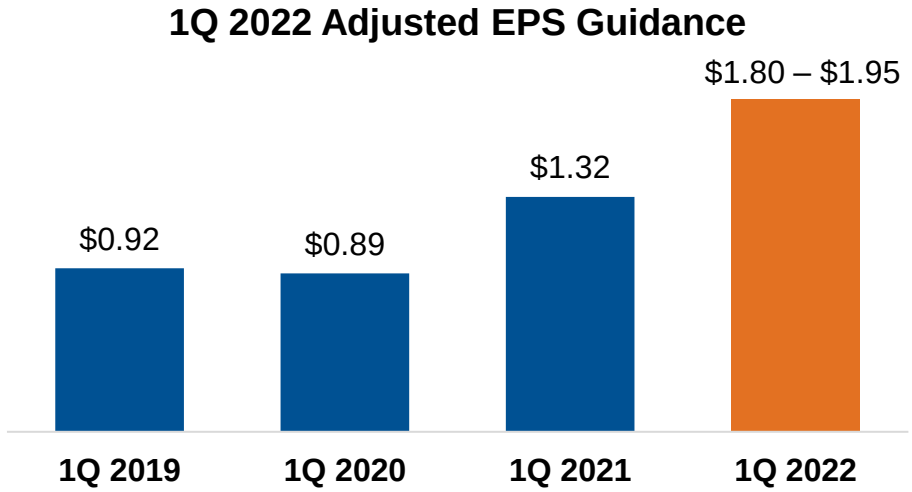


# 2022 Fiscal 1Q Guidance

## Carrying 2021 Momentum into 1Q 22

- 1Q 22 Sales growth of ~14-16%
- 1Q 22 adjusted earnings per share increase of 36% - 48%
- Backlog at year-end has increased ~90% compared to prior year due to customers' extended shipment request dates
- Trailing twelve-week order entry is 25% above prior year
- Traditional seasonality no longer applicable with 1Q 2022 being comparable to 4Q 2021



# Questions?

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# Reconciliation of Non-GAAP Measures

## Adjusted Operating Profit and EBITDA (Dollars in thousands)

NORDSON CORPORATION

RECONCILIATION OF NON-GAAP MEASURES - ADJUSTED OPERATING PROFIT AND EBITDA (Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | October 31, 2021 | October 31, 2020 | October 31, 2021 | October 31, 2020 |
| **SALES BY SEGMENT** | | | | |
| Industrial precision solutions | $ 314,307 | $ 308,385 | $1,246,947 | $1,143,423 |
| Advanced technology solutions | 284,940 | 250,140 | 1,115,262 | 977,677 |
| Total sales | $ 599,247 | $ 558,525 | $2,362,209 | $2,121,100 |
| **OPERATING PROFIT** | | | | |
| Industrial precision solutions | $ 102,677 | $ 425 | $ 414,192 | $ 208,028 |
| Advanced technology solutions | 67,104 | 50,674 | 271,660 | 191,602 |
| Corporate | (18,346) | (13,731) | (70,725) | (50,085) |
| Total operating profit | $ 151,435 | $ 37,368 | $ 615,127 | $ 349,545 |
| **OPERATING PROFIT ADJUSTMENTS** [1] | | | | |
| Industrial precision solutions | $ — | $ 91,419 | $ — | $ 94,896 |
| Advanced technology solutions | — | 1,424 | — | 7,807 |
| Corporate | — | — | — | 1,387 |
| Total adjustments | $ — | $ 92,843 | $ — | $ 104,090 |

| **ADJUSTED OPERATING PROFIT (NON-GAAP)** | | % of Sales | | % of Sales | | % of Sales | | % of Sales |
|---|---|---|---|---|---|---|---|---|
| Industrial precision solutions | $ 102,677 | 33 % | $ 91,844 | 30 % | $ 414,192 | 33 % | $ 302,924 | 26 % |
| Advanced technology solutions | 67,104 | 24 % | 52,098 | 21 % | 271,660 | 24 % | 199,409 | 20 % |
| Corporate | (18,346) | | (13,731) | | (70,725) | | (48,698) | |
| Total operating profit - adjusted | $ 151,435 | 25 % | $ 130,211 | 23 % | $ 615,127 | 26 % | $ 453,635 | 21 % |
| **DEPRECIATION & AMORTIZATION** | | | | | | | | |
| Industrial precision solutions | $ 6,259 | | $ 9,951 | | $ 25,673 | | $ 38,939 | |
| Advanced technology solutions | 16,987 | | 16,710 | | 68,426 | | 64,543 | |
| Corporate | 2,404 | | 2,477 | | 9,784 | | 9,820 | |
| Total depreciation & amortization | $ 25,650 | | $ 29,138 | | $ 103,883 | | $ 113,302 | |
| **EBITDA (NON-GAAP)** [2] | | | | | | | | |
| Industrial precision solutions | $ 108,936 | 35 % | $ 101,795 | 33 % | $ 439,865 | 35 % | $ 341,863 | 30 % |
| Advanced technology solutions | 84,091 | 30 % | 68,808 | 28 % | 340,086 | 30 % | 263,952 | 27 % |
| Corporate | (15,942) | | (11,254) | | (60,941) | | (38,878) | |
| Total EBITDA | $ 177,085 | 30 % | $ 159,349 | 29 % | $ 719,010 | 30 % | $ 566,937 | 27 % |

[1] Represents assets held for sale impairment charge, costs and adjustments related to cost structure simplification actions, and charges associated with our 2020 acquisition.

[2] Adjusted operating profit and EBITDA are non-GAAP measures used by management to evaluate the Company's ongoing operations. Adjusted operating profit is defined as operating profit plus certain adjustments, such as the assets held for sale impairment charge, cost structure simplification actions, and non-cash inventory charges related to acquisitions. EBITDA is defined as adjusted operating profit plus depreciation and amortization.

# Reconciliation of Non-GAAP Measures

## Profitability (Dollars in thousands)

NORDSON CORPORATION

RECONCILIATION OF NON-GAAP MEASURES - PROFITABILITY (Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | October 31, 2021 | October 31, 2020 | October 31, 2021 | October 31, 2020 |
| **GAAP AS REPORTED** | | | | |
| Operating profit | $ 151,435 | $ 37,368 | $ 615,127 | $ 349,545 |
| Other / interest expense - net | (11,326) | (11,066) | (40,951) | (48,056) |
| Net income | 110,460 | 18,475 | 454,368 | 249,539 |
| Diluted earnings per share | $ 1.88 | $ 0.31 | $ 7.74 | $ 4.27 |
| | | | | |
| Shares outstanding - diluted | 58,792 | 58,679 | 58,734 | 58,473 |
| | | | | |
| **OPERATING PROFIT ADJUSTMENTS** | | | | |
| Inventory step-up amortization | $ — | $ 1,298 | $ — | $ 2,527 |
| Severance and other | — | 4,174 | — | 14,192 |
| Assets held for sale impairment charge | — | 87,371 | — | 87,371 |
| | | | | |
| **NON-OPERATING EXPENSE ADJUSTMENTS** | | | | |
| Pension settlement loss | $ — | $ — | $ — | $ 2,508 |
| | | | | |
| Total adjustments | $ — | $ 92,843 | $ — | $ 106,598 |
| | | | | |
| Adjustments net of tax | $ — | $ 76,390 | $ — | $ 87,214 |
| Other discrete tax items | $ — | $ (1,820) | $ — | $ (16,311) |
| EPS effect of adjustments and other discrete tax items | $ — | $ 1.27 | $ — | $ 1.21 |
| | | | | |
| **NON-GAAP MEASURES-ADJUSTED PROFITABILITY** | | | | |
| Operating profit [1] | $ 151,435 | $ 130,211 | $ 615,127 | $ 453,635 |
| Operating profit % of sales | 25.3 % | 23.3 % | 26.0 % | 21.4 % |
| Net income [2] | $ 110,460 | $ 93,045 | $ 454,368 | $ 320,442 |
| Diluted earnings per share [3] | $ 1.88 | $ 1.59 | $ 7.74 | $ 5.48 |

[1] Adjusted operating profit is defined as operating profit plus certain adjustments such as the assets held for sale impairment charge, cost structure simplification actions and non-cash inventory charges related to acquisitions. Adjusted operating profit as a percentage of sales is defined as adjusted operating profit divided by sales.

[2] Adjusted net income is defined as net income plus tax effected adjustments and other discrete tax items.

[3] Adjusted earnings is defined as GAAP EPS adjusted for tax effected adjustments and other discrete tax items.

Management uses these non-GAAP measures internally to make strategic decisions, forecast future results, and evaluate the Company's current performance. Given management's use of these non-GAAP measures, the Company believes these measures are important to investors in understanding the Company's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in the Company's core business across different time periods. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures to other companies' non-GAAP financial measures, even if they have similar names. Amounts may not add due to rounding.