

Nordson Corporation

Investor Presentation



A premier industrial technology company focused on precision dispensing, fluid control and related processes

NASDAQ: NDSN

February 22, 2018 | Fiscal 2018 1Q Results & 2Q Outlook



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

Information in this presentation may contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters.

All statements regarding our future performance, earnings projections, events or developments are forward-looking statements. These forward-looking statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks that could cause actual results to differ materially from those contained in any forward-looking statement. Such risks and uncertainties are described under “Risk Factors” in Item 1A of our annual report on Form 10-K and any updates to those factors set forth in our subsequent quarterly reports on Form 10-Q or current reports on Form 8-K. We make these statements as of the date of this disclosure, and undertake no obligation to update them unless otherwise required by law.



Nordson at a Glance

A premier industrial technology company focused on precision dispensing, fluid control and related processes



- Founded in 1954
- FY17 sales = \$2.1 billion
- 7,500 employees
- Direct presence in 35+ countries
- Best-in-class technology

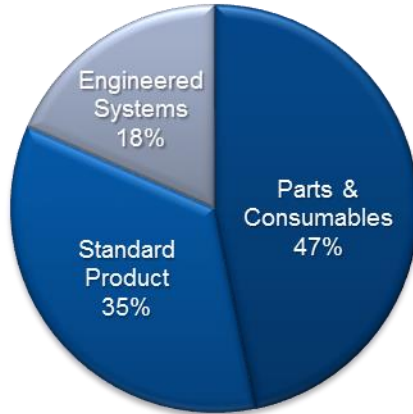
- Diversified, growing end markets
- Market leading positions
- Sustained financial performance
- Outstanding long-term returns

Diversified Sources of Revenue

FY2017 Profile - \$2.1 billion

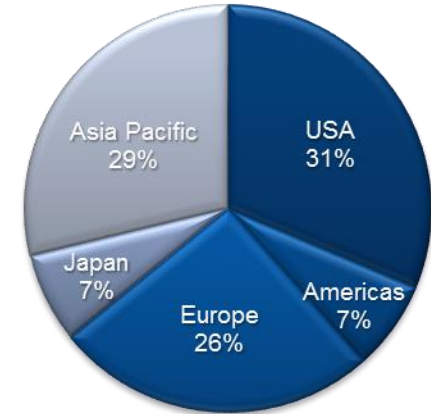
Product Type

High percentage of recurring revenue from parts and consumables



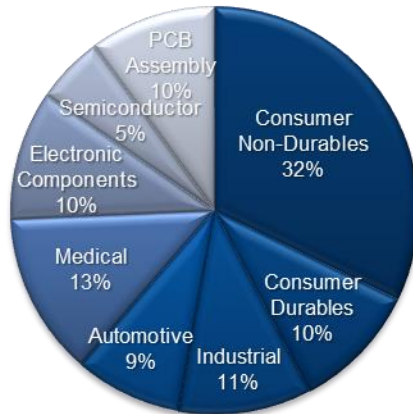
Geography

Nearly 70% of revenue outside USA. Direct presence in over 35 countries.



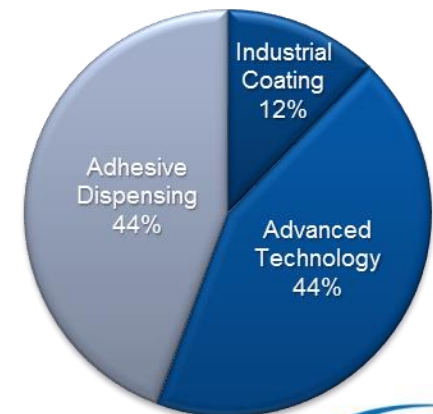
Diverse End Markets

Consumer non-durables, durables, industrial, medical and technology



Operating Segments

Three segments with leading product lines and brands



Investment Highlights

Strong growth:
organic and
acquisitive

Outstanding
gross
margins

Excellent
EBITDA
margins

High level of
free cash
flow before
dividends

Strong cash
returns to
shareholders

Reliable and
consistent
dividend

Outstanding
long term
Total
Shareholder
Returns

**8%
CAGR**

2012-2017

**56%
Gross
Margin**

Average
2012-2017

**25%
EBITDA
Margin**

Average
2012-2017

\$1.5 billion

100% of
net income

2012-2017

\$1.0 billion

Share
repurchases &
dividends

2012-2017

54 Years
of annual
increases

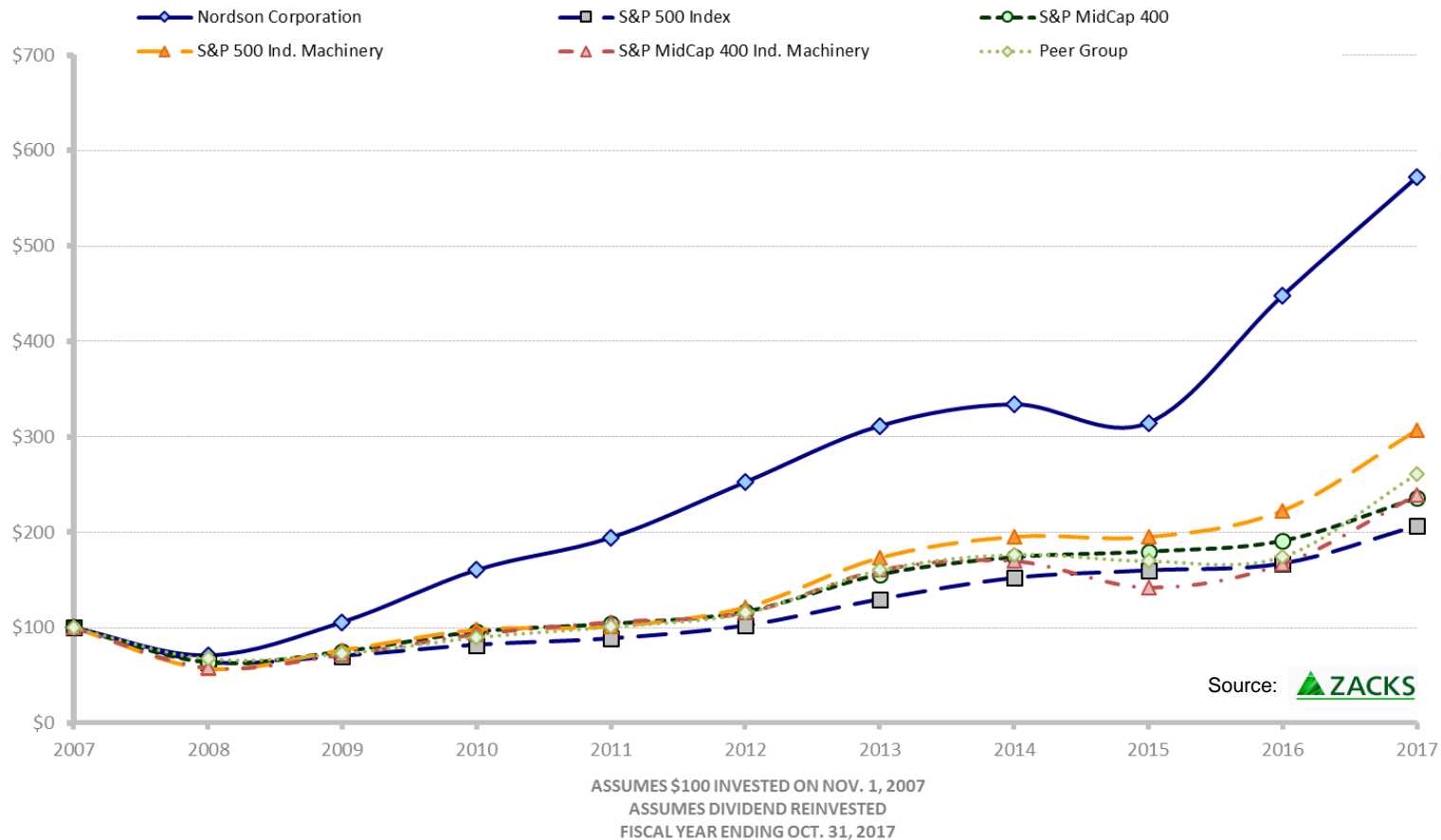
(22% payout
ratio in 2017)

**122%
TSR***

2012-2017



Total Shareholder Return Above Our Peers



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nordson Corporation	\$100.00	\$70.90	\$105.80	\$160.42	\$194.33	\$252.55	\$311.36	\$334.00	\$314.64	\$448.10	\$572.29
S&P 500 Index	\$100.00	\$63.90	\$70.17	\$81.76	\$88.37	\$101.81	\$129.48	\$151.84	\$159.73	\$166.93	\$206.38
S&P MidCap 400	\$100.00	\$63.54	\$75.09	\$95.84	\$104.03	\$116.63	\$155.68	\$173.82	\$179.77	\$191.02	\$235.87
S&P 500 Ind. Machinery	\$100.00	\$57.23	\$76.58	\$97.99	\$101.38	\$121.33	\$173.25	\$195.37	\$195.07	\$222.74	\$307.08
S&P MidCap 400 Ind. Machinery	\$100.00	\$57.90	\$71.57	\$93.02	\$105.80	\$115.55	\$160.42	\$170.00	\$142.30	\$167.01	\$239.53
Peer Group	\$100.00	\$67.28	\$72.96	\$89.87	\$100.94	\$115.31	\$160.25	\$176.57	\$169.73	\$174.34	\$261.11



Why invest in Nordson?

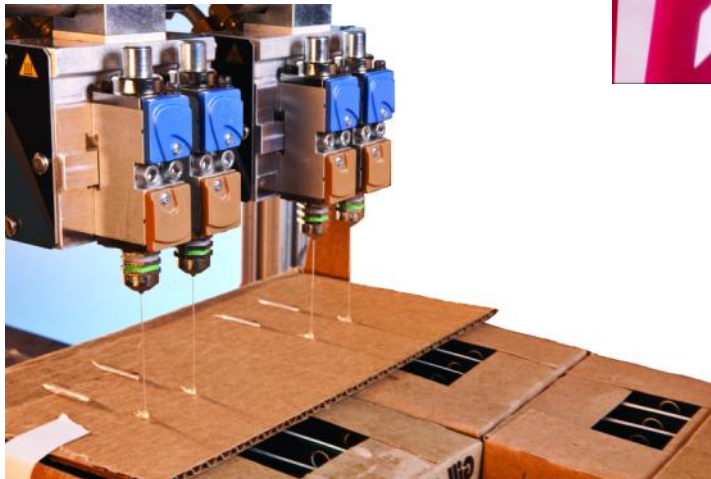
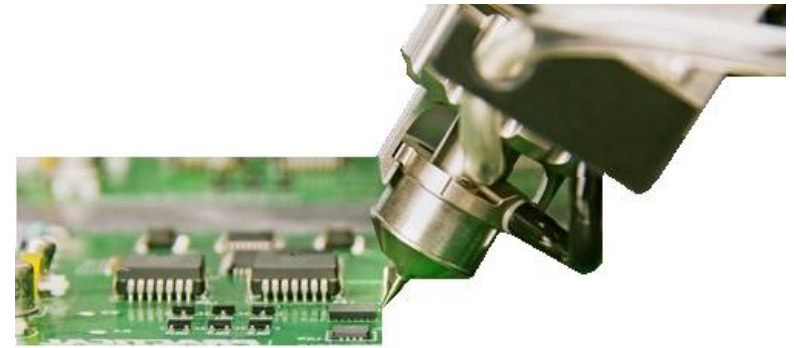
Clear Strategy and Goals

Strong Execution and Performance

Leading Global Businesses

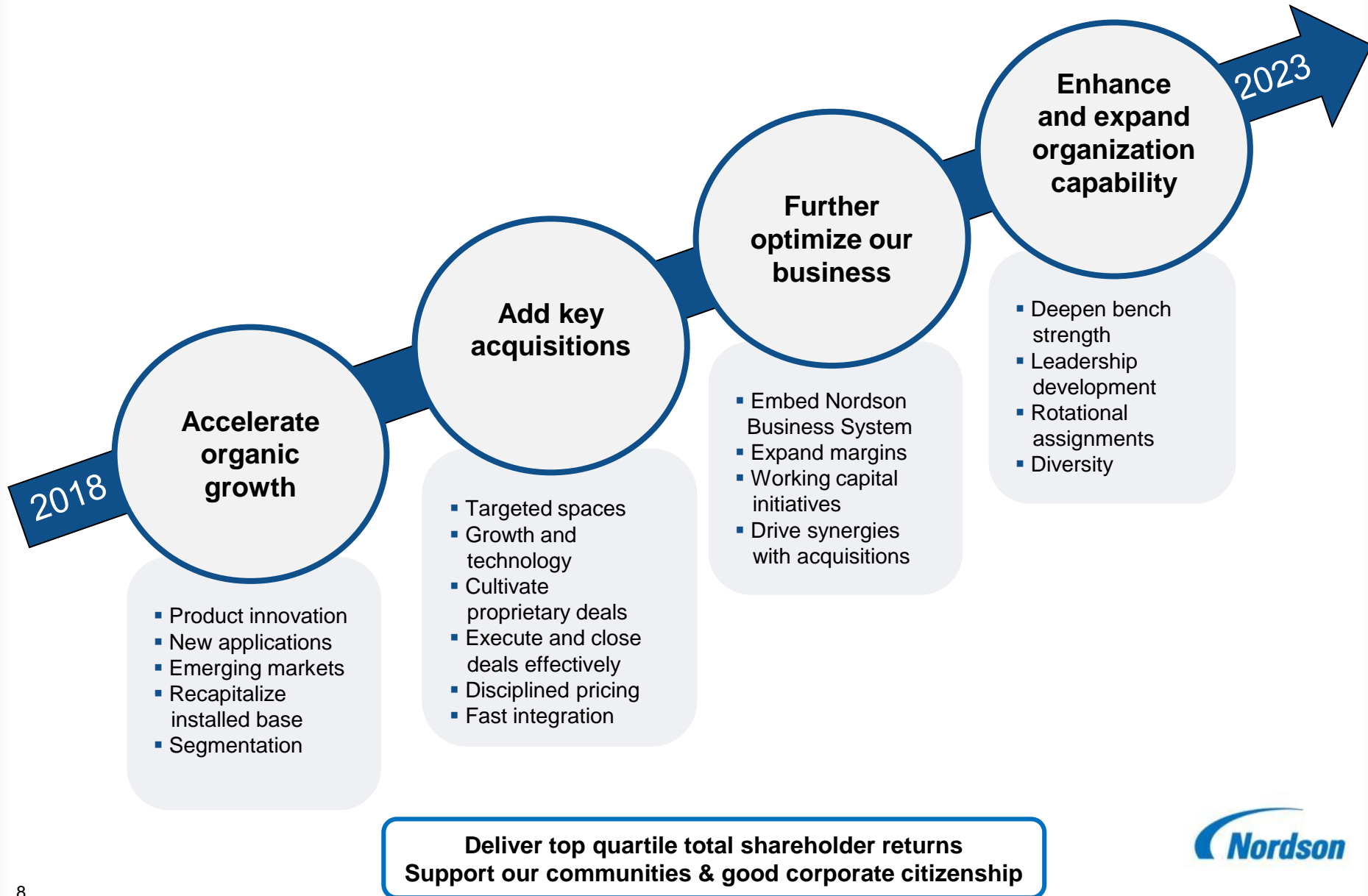
Numerous Growth Opportunities

Outstanding Culture and Values



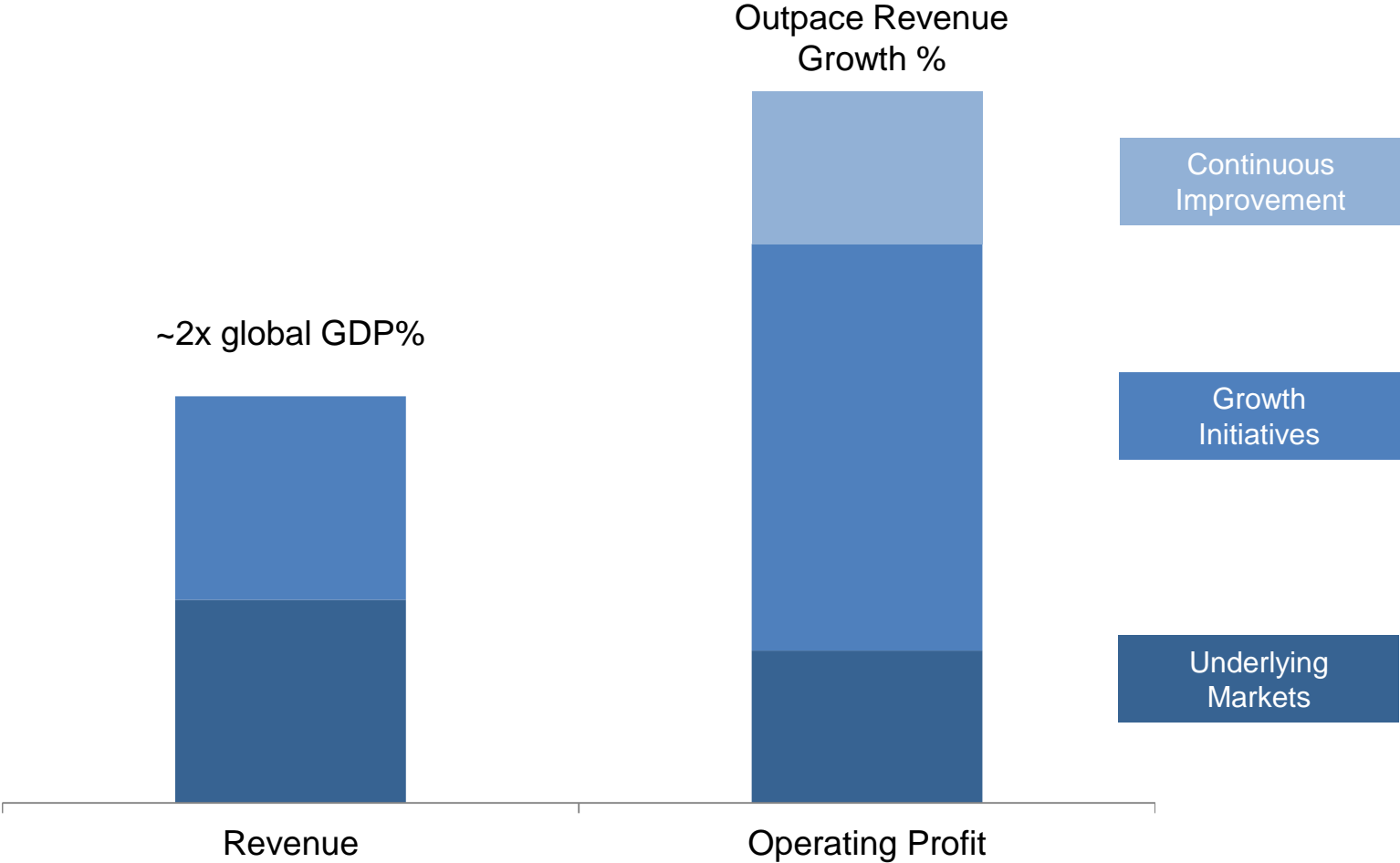
Common Themes of our 2018–2023 Strategic Plan

Continue to be a Premier Industrial Technology Company



2018–2023 Strategic Plan Targets

Focused initiatives drive premium sales growth and expand profitability



The Nordson Business System

Driving Continuous Improvement Across the Organization



Key Performance Indicators

- Growth Initiatives
- Price Effectiveness
- Cost Reduction Initiatives
- Cost of Poor Quality
- Customer Delivery Performance
- Days of Sales in Inventory
- Productivity
- Sales from New Products

Nordson Values

Customer Passion | Energy | Excellence | Integrity | Respect for People



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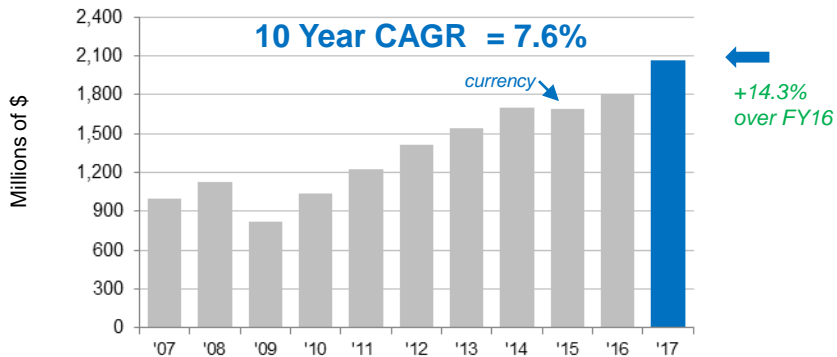
Outstanding Culture and Values



Financial Highlights

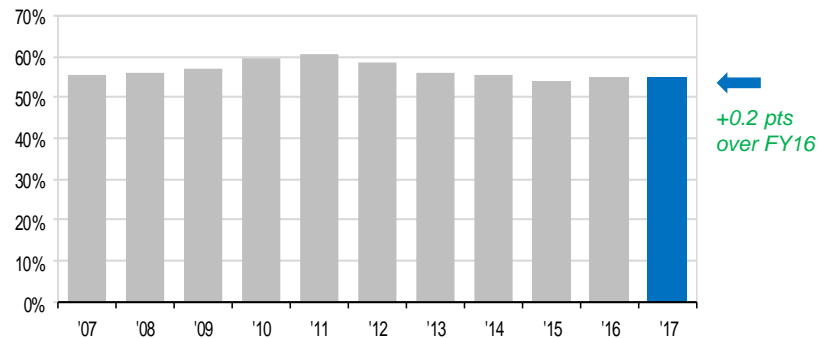
Strong Top Line Growth

organic, acquisitive, and currency



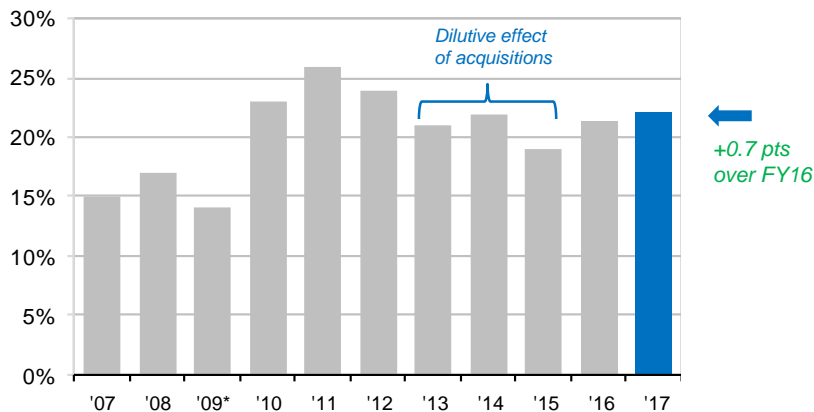
Industry Leading Gross Margins

Consistently mid 50s and above



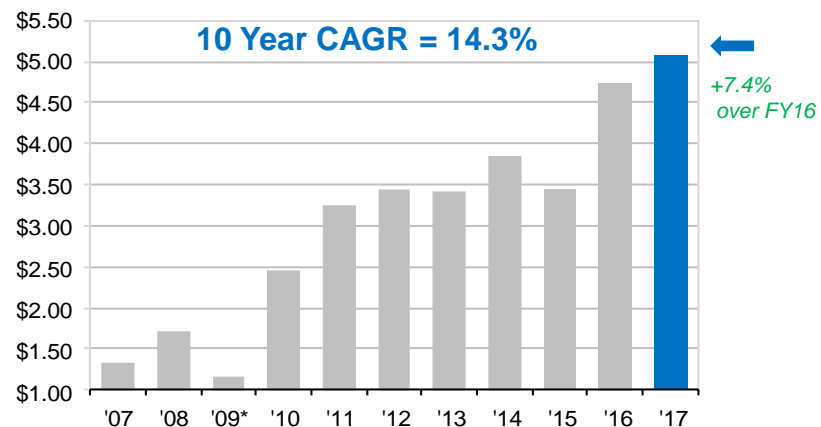
Strong Operating Margins

Continuous Improvement Initiatives



EPS Growth

Outpaces Sales Growth Over Time

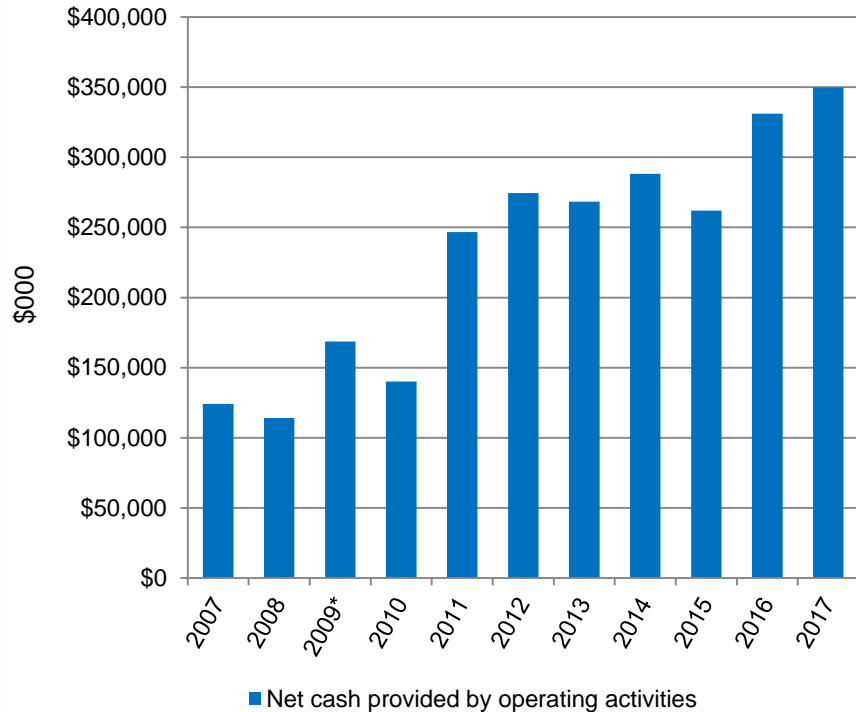


Strong Cash Generation

Funds Growth and Returns to Shareholders

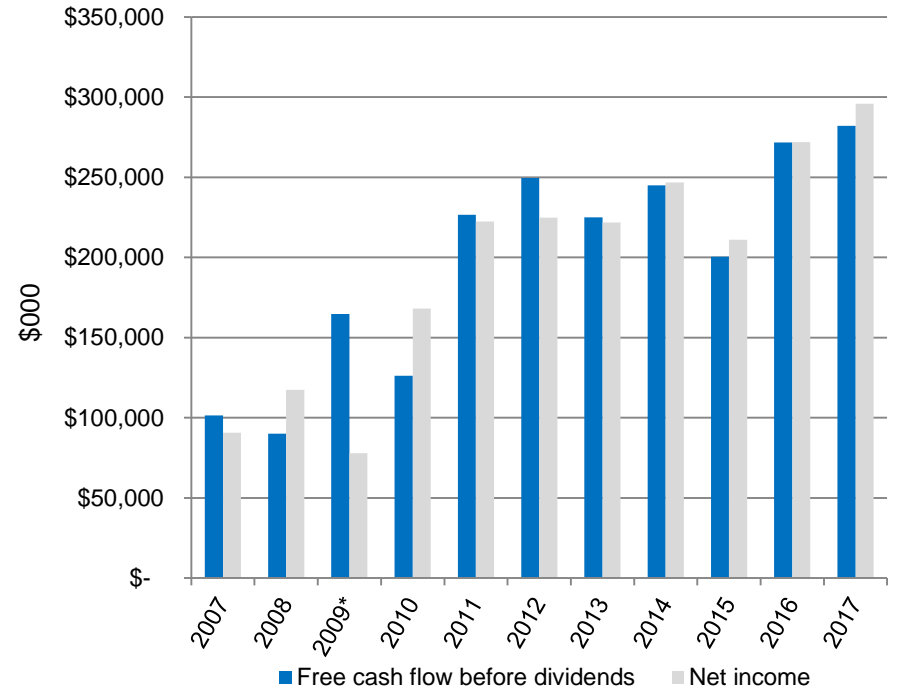
Cash from Operations: 2007–2017

> 10% as a % of sales every year

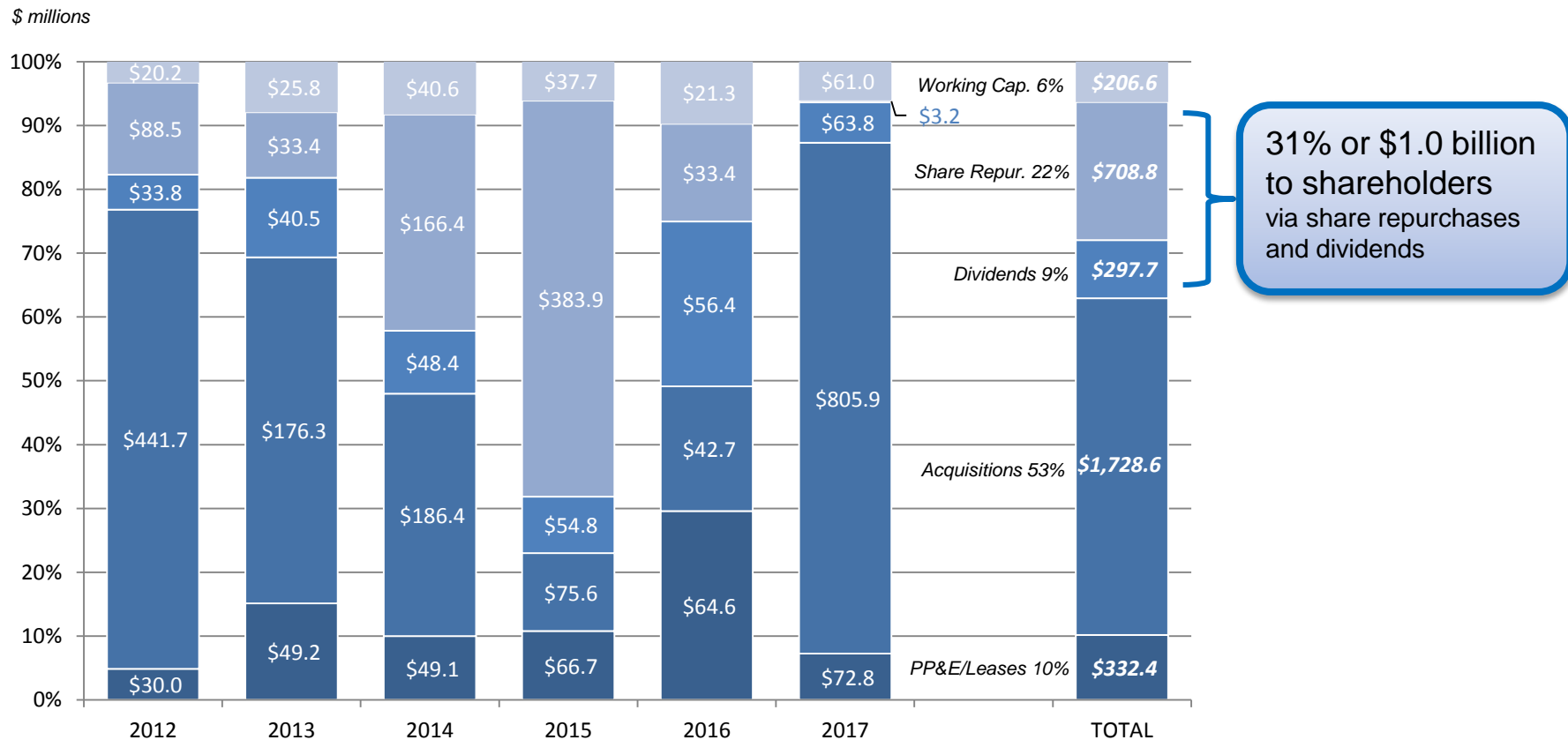


Strong Cash Conversion: 2007–2017

Free cash flow before dividends = 102% of net income



Disciplined Capital Deployment

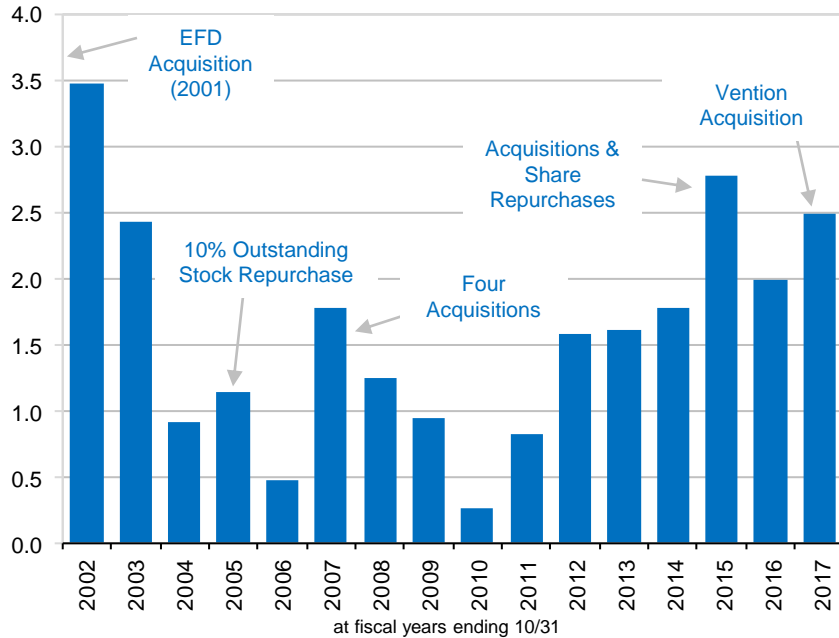


- Self funding business model generates excess cash
- Low Working Capital Requirements
- Low Capital Expenditures (approx. 3% of sales)
- Strong free cash
- **54 consecutive years** of dividend increases - 14th among publicly traded companies



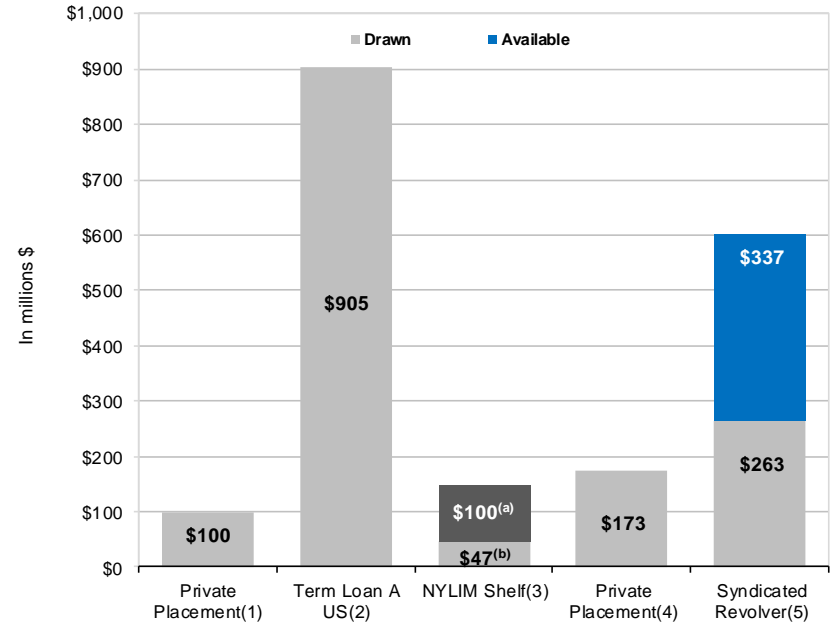
Strong Capital Management

Net Debt to EBITDA* Strong Cash Generation Lets Nordson De-lever Quickly



At 1/31/2018
Net Debt to TTM EBITDA = 2.2 times
(including TTM acquired EBITDA)

Debt Position at 1/31/2018



- (1) Amortizing-avg rate – 3.04% -Remaining Avg. life – 5.99 years
- (2) -Term \$100m - 3 years (Q2 FY18) at 100 bps over USD Libor
-Term \$100m - 5 years (Q2 FY20) at 110 bps over USD Libor
-Term \$305m – 5 years (Q2 FY22) at 112.5 bps over USD Libor
-Term \$200m – 3 years (Q2 FY20) at 110 bps over USD Libor
-Term \$200m – 18 mos (Q4 FY18) at 100 bps over USD Libor
- (3) (a) \$100m matures Oct 2026 at 125 bps over USD Libor
(b) \$47m – 1.69 remaining avg life at 2.4%
- (4) Amortizing-avg rate – 3.02% -Remaining Avg. life – 3.86 years
- (5) Ends Feb 2020 - 100 bps over USD Libor based on Q3 grid

*Net Debt to EBITDA calculated net of cash



Fiscal Year 2018 1Q Results and Fiscal Year 2018 2Q Guidance

as reported in February 22-23, 2018 press release and webcast

Nordson Corporation Reports Record First Quarter Sales, Operating Profit, Diluted Earnings per Share, and EBITDA

- Sales increased 35 percent over prior year's first quarter to \$550 million
- Operating profit increased 55 percent over prior year's first quarter to \$118 million and is inclusive of \$6 million of incremental intangible asset amortization expense over prior year related to acquisitions
- First quarter EBITDA increased 49 percent over prior year's first quarter to \$141 million
- GAAP diluted EPS increased 107 percent over prior year's first quarter to \$1.78; adjusted diluted EPS of \$1.35 increased 57 percent over prior year's first quarter

Guidance

- Second quarter 2018 guidance: sales expected to increase 9 to 13 percent over prior year; GAAP diluted EPS in the range of \$1.33 to \$1.47; EBITDA in the range of \$143 to \$154 million



Why invest in Nordson?

Clear Strategy and Goals

Strong Execution and Performance

Leading Global Businesses

Numerous Growth Opportunities

Outstanding Culture and Values



We Win with Unique Competitive Advantages

Common across our businesses

Core Competencies

- Application development
- Precision manufacturing
- Engineering strength
- Technical expertise
- Direct global sales and service
- Customer “touch” / solutions provider

Strategic Assets

- Customer relationships with leaders
- Product breadth
- Technology position
- Premier brand reputation
- Large installed product base
- Global footprint (distribution, support)
- Balance sheet / ability to scale production

Customer Value Proposition

- Product reliability = more uptime
- Speed = greater productivity and yield
- Efficiency = lower material usage
- Leading product features = ease of operation
- Unmatched global support

**Lower Cost of
Ownership**



Every Day You Experience the Value We Bring

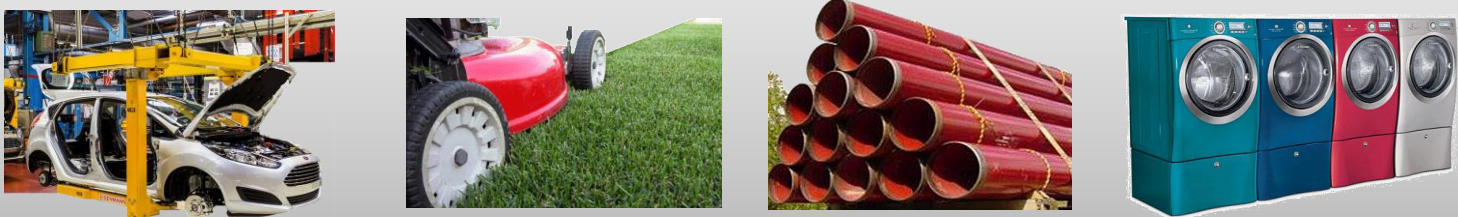
Adhesive Dispensing Systems: consumer non-durable market focus



Advanced Technology Systems: electronics, medical and industrial market focus



Industrial Coating Systems: durable goods and industrial market focus



Adhesive Dispensing Systems

Leader in recession-resistant, consumer non-durable end markets

Targeted organic growth rate: 1.5 to 2x global GDP

2012-17 Sales CAGR = 6.0%

2012-17 average annual operating margin = 26.6%

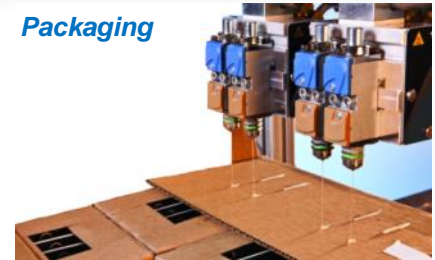
What we do: Products to melt, filter, pump, transport, dispense and deposit adhesives, polymers and other materials in the manufacturing of a wide range of goods.

Growth Drivers

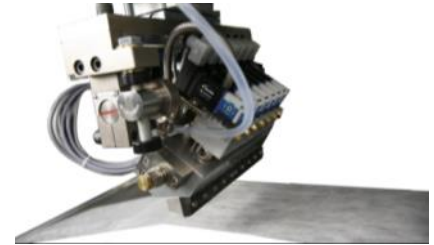
- Increased use of disposable hygiene products (diapers, fem care, etc)
- Increased use of packaged convenience foods
- Increased use of plastics
- Emerging markets
- Product tiering
- Recapitalization of large installed base
- Productivity investments
- Material, machinery and process innovations

Key End Markets

- Food and beverage packaging
- Nonwovens / disposable hygiene / diapers
- Furniture and building products
- Macro electronics
- General industrial assembly
- Alternative energy
- Medical devices
- Labeling
- Transportation



Nonwovens



Product Assembly



Polymer Processing



Advanced Technology Systems

Leader in rapidly growing electronics, medical and related markets

Targeted organic growth rate: 2 to 3x global GDP

2012-17 Sales CAGR = 11.7%

2012-17 average annual operating margin = 24.1%

What we do: Precision dispensing, fluid management, test, inspection and surface treatment products for electronics, medical and general industrial markets

Growth Drivers

- Mobile computing – smart phones, tablets
- Circuit shrinkage / new architectures / flip chips
- Medical needs driven by aging population
- Medical OEM outsourcing
- New consumers in emerging markets
- Product tiering
- Internet of things

Key End Markets

- Semiconductor packaging
- Printed circuit board assembly
- General electronic assembly
- Medical devices
- Medical components
- General industrial assembly
- Automotive electronics
- MEMS, sensors, LEDs
- Solar

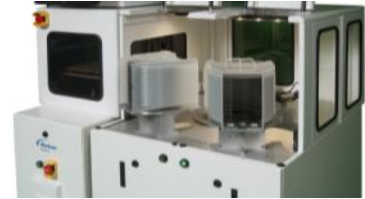
Automated Dispensing



Test & Inspection



Surface Treatment



Semi Automated Dispensing



Single Use Fluid Components



Industrial Coating Systems

Leader in consumer durable goods and industrial end markets

Targeted organic growth rate: global GDP+

2012-17 Sales CAGR = 3.9%

2012-17 average annual operating margin = 15.5%

What we do: Precision equipment and systems to apply and cure paints, sealants, coatings, cold materials and other materials to a wide range of products

Growth Drivers

- Growth in emerging markets
- Environmental advantages of powder coatings
- Glues replacing mechanical fasteners
- Light-weighting of vehicles
- Productivity investments
- Lean manufacturing
- Quick color change
- Product tiering

Key End Markets

- Appliances
- Lawn and garden
- Food and beverage
- Automotive assembly
- Cold material dispensing
- Pipe coating and construction
- Woodworking
- General industrial
- Electronics / UV curing

Powder Coating



Container Coating



Cold Material Dispensing



Liquid Painting



Why invest in Nordson?

Clear Strategy and Goals

Strong Execution and Performance

Leading Global Businesses

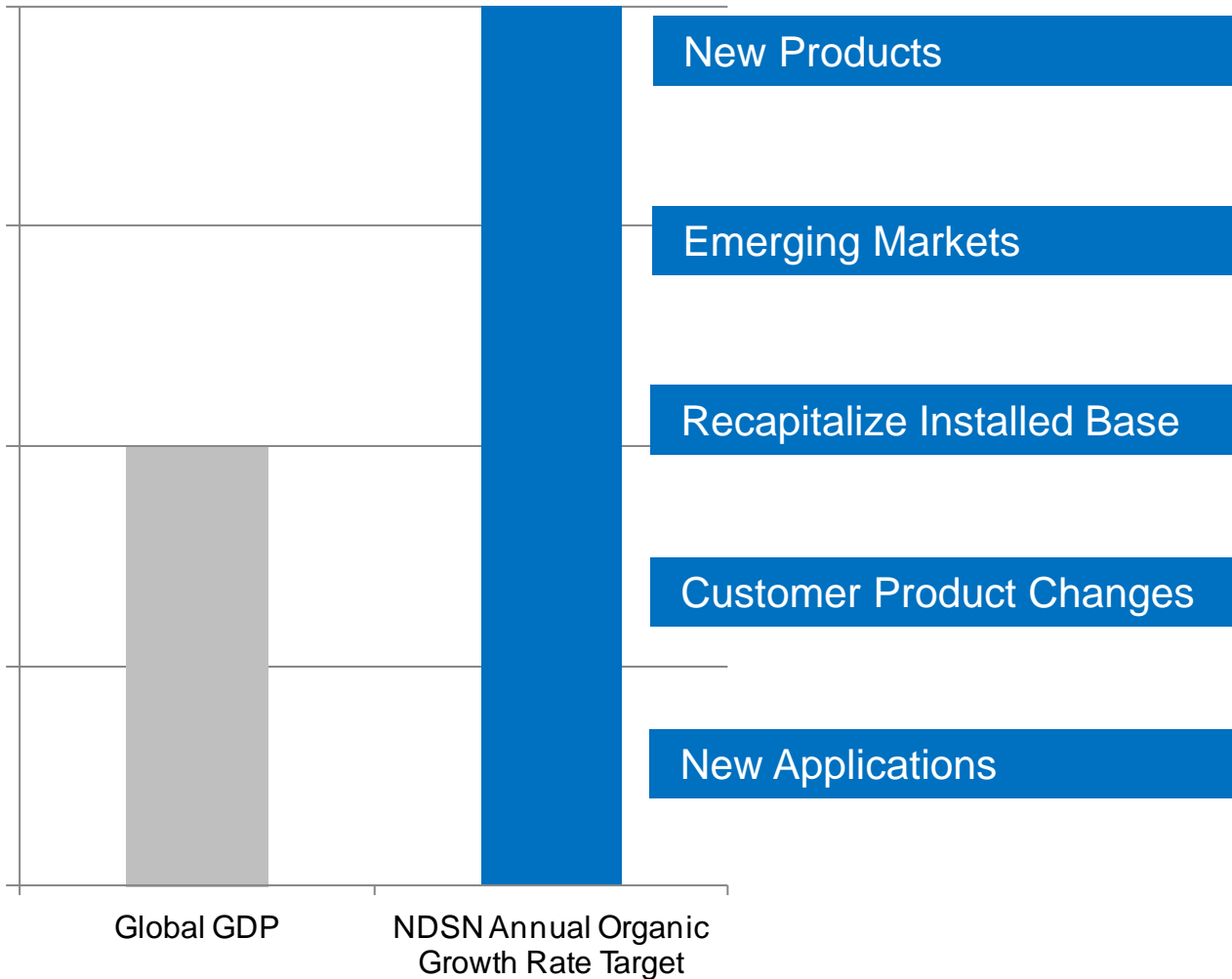
Numerous Growth Opportunities

Outstanding Culture and Values



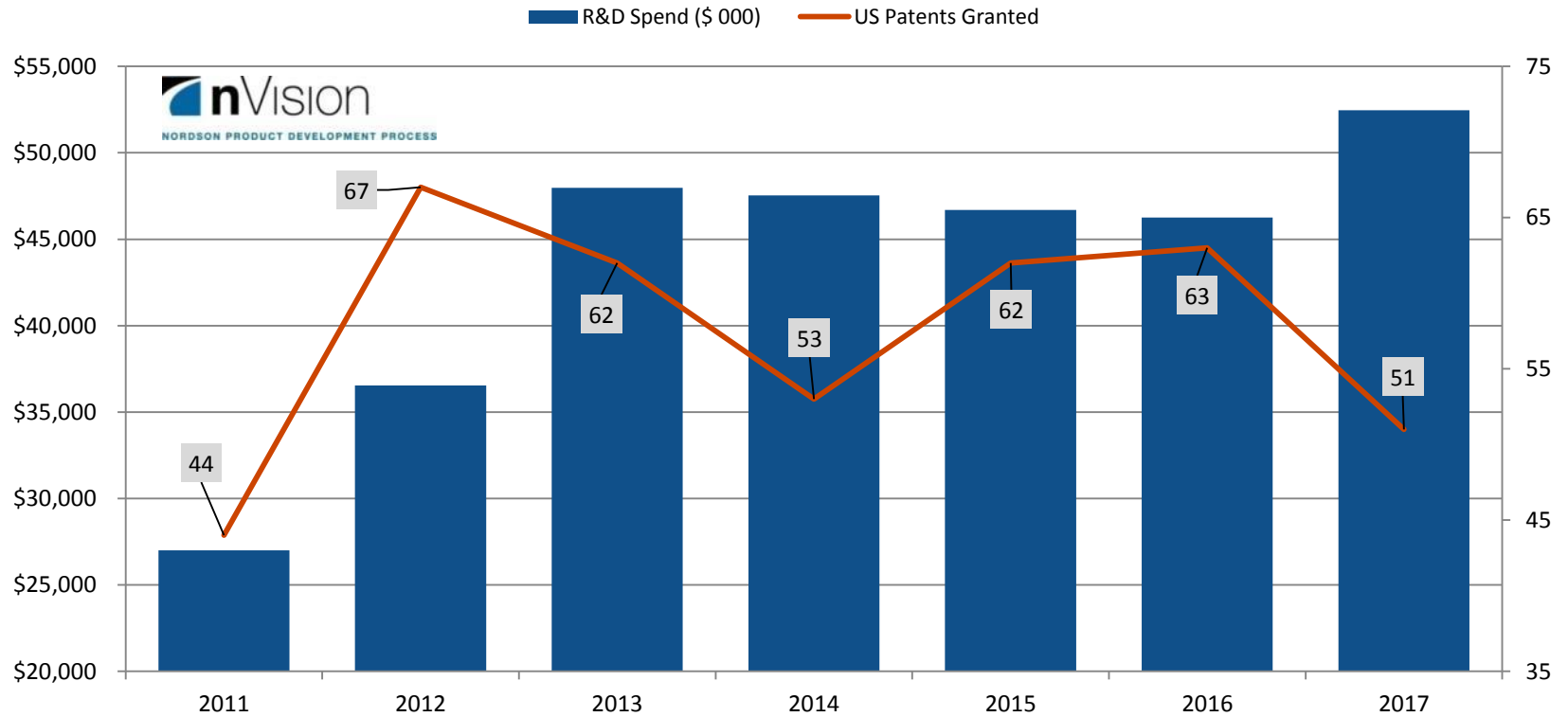
Multiple Paths to Organic Growth

Annual Target is ~2x global GDP



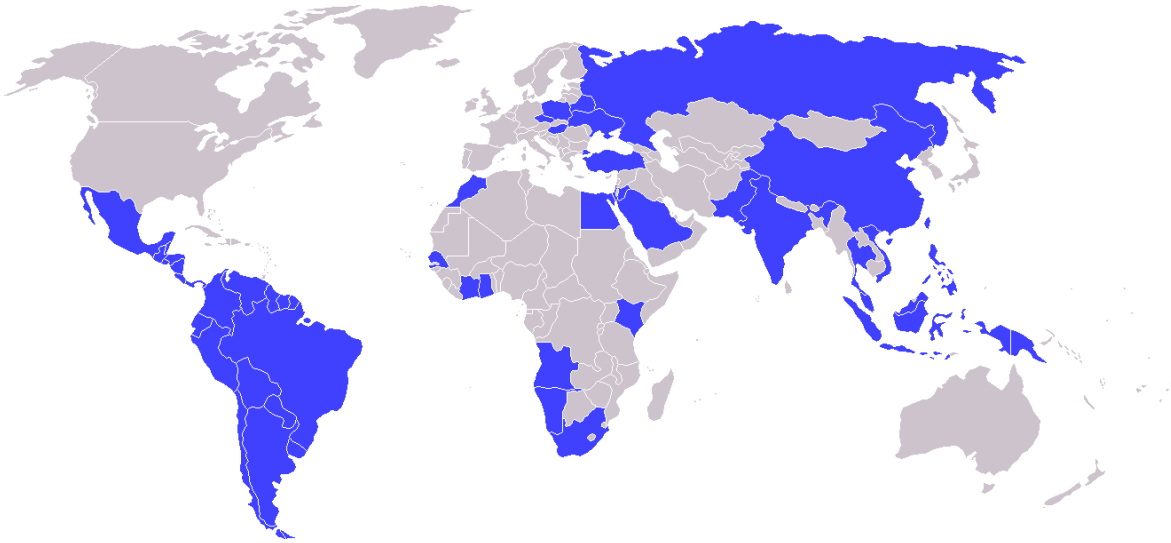
Innovation Drives Organic Growth

Steady stream of new products

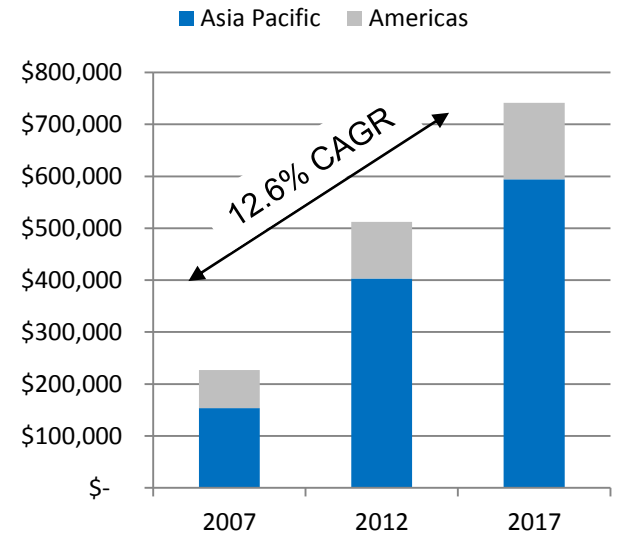


Emerging Markets Drive Organic Growth

Growing middle class drives increased consumption



Nordson Sales (000s)



- baby diapers, disposable hygiene products
- packaged foods, beverages, convenience items
 - appliances and other durable goods
 - electronic devices
 - medical products
 - plastic goods



New Applications Drive Organic Growth

Leveraging our expertise – numerous emerging opportunities over last five years

- Sensor assembly
- LED assembly
- MEMS assembly
- Wafer level inspection
- Wearable electronics
- Micro-materials testing
- Aerospace assembly
- Biopharmaceuticals
- Orthobiologics
- Minimally invasive catheters
- Bottle labeling
- Pipe coating
- Flexible packaging



Recapitalization Drives Organic Growth

Large installed base of Nordson products worldwide provides regular replacement and upgrade opportunities

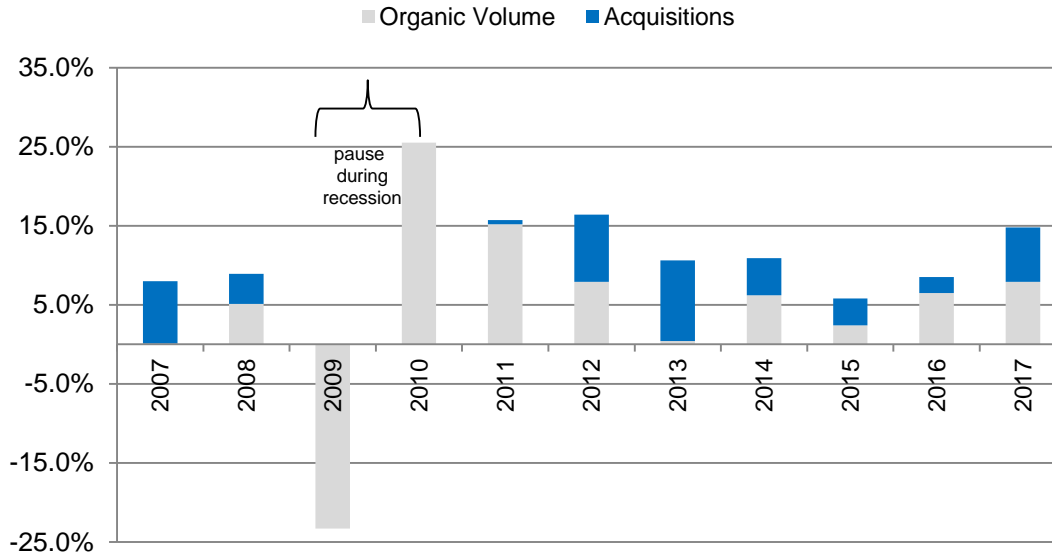
- Packaging lines
- Nonwovens lines
- Powder coating lines
- Extrusion & injection molding lines
- Electronics assembly lines



Acquisitions Drive Growth

High quality properties supplement organic growth

2007–2017: 4.4% average annual growth from acquisitions



Key Criteria

- Strategic fit
- Strong performers
- Growth rate at/above Nordson
- High % recurring revenue
- Reasonable multiples
- Revenue and cost synergies

Current Focus and Recent Transactions

Polymer Processing

Fluid Mgmt. (medical)

Test & Inspection

Cold Material Dispense

Core Dispense Portfolio



Why invest in Nordson?

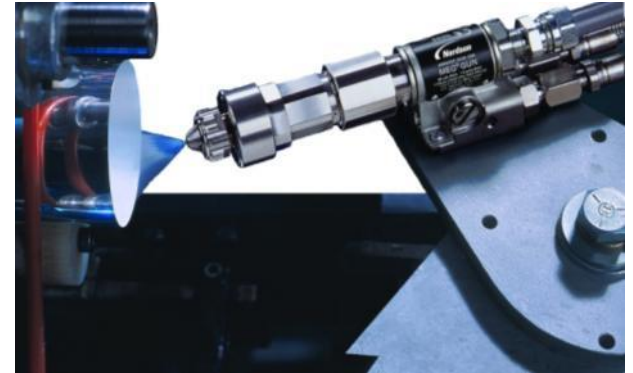
Clear Strategy and Goals

Strong Execution and Performance

Leading Global Businesses

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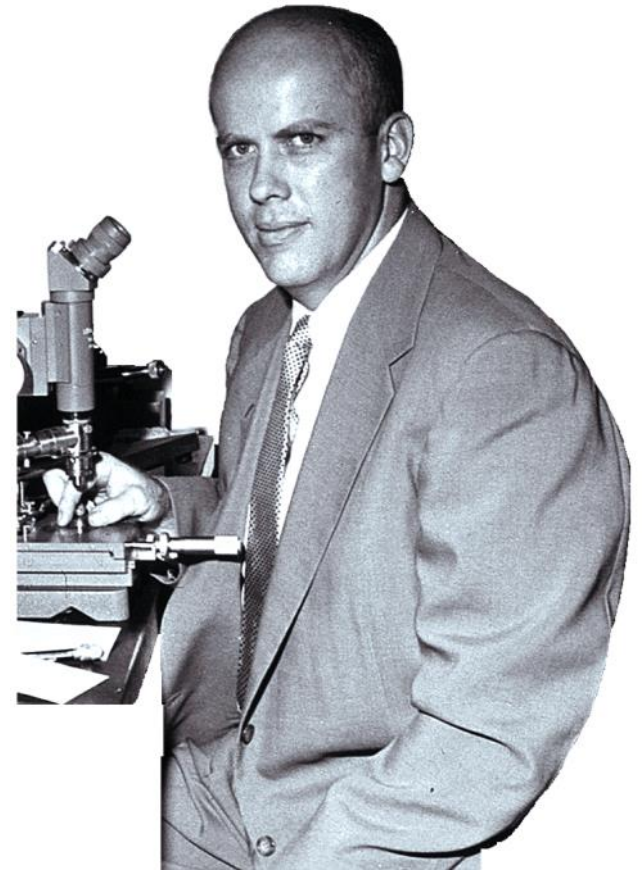


Strong Culture and Values

Rooted in the vision of our founders

“My hope for Nordson is that we continue to be a venturesome company, operating somewhere out on the leading edge... we must encourage innovators and entrepreneurs.”

Eric Nord

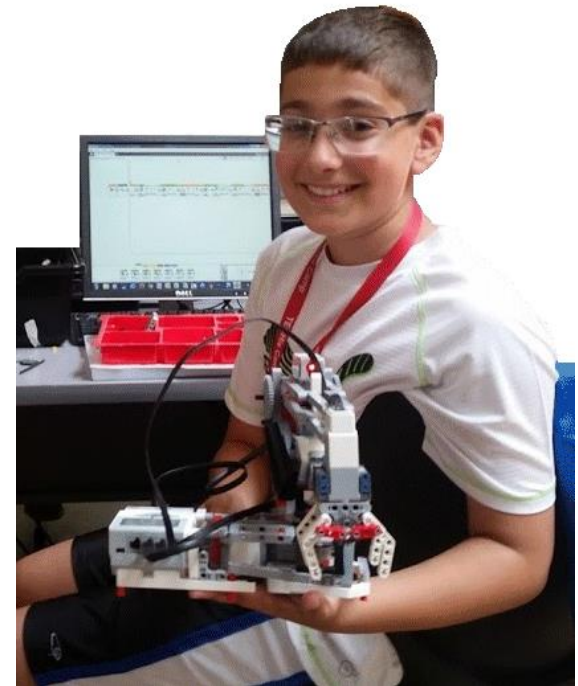
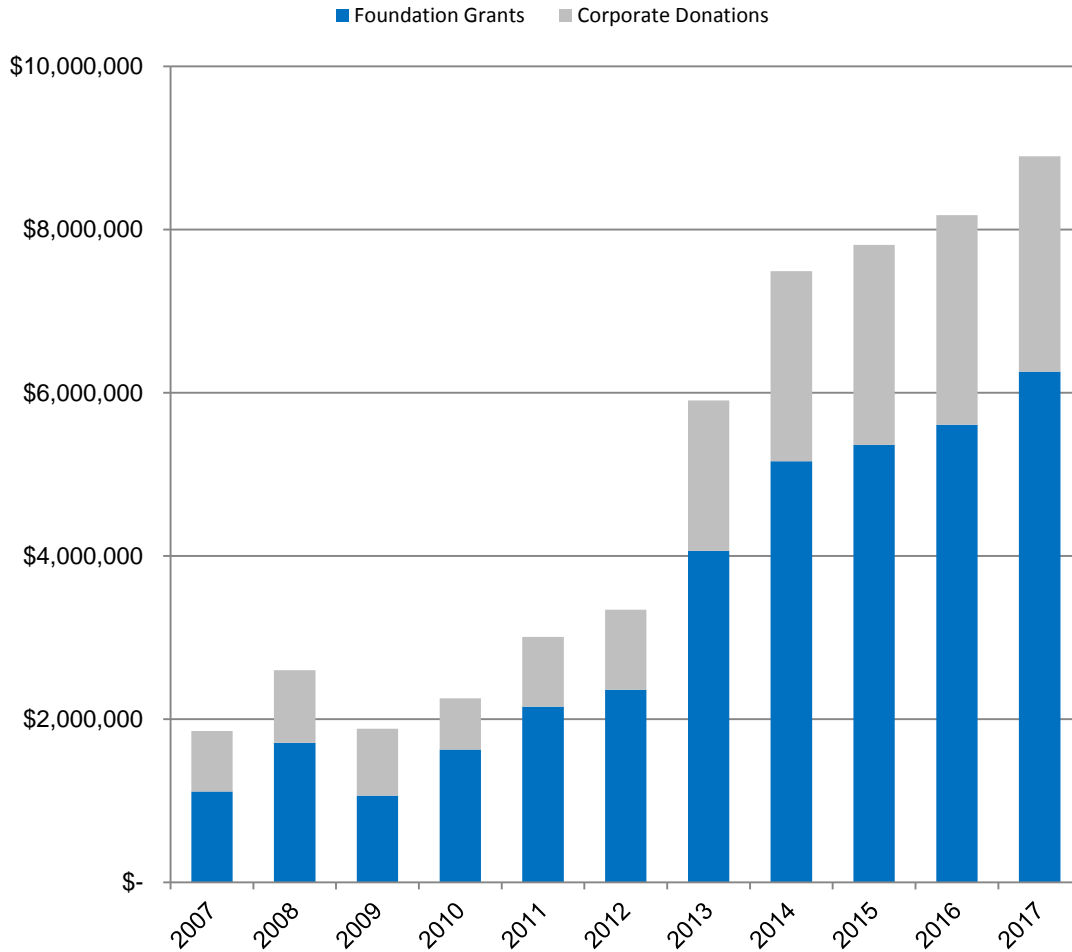


“To be truly fit, we must exercise our ‘giving’ muscles.”

Evan Nord

Giving Back - Part of Who We Are

~\$53 million donated 2007-2017



Employees also volunteer thousands of hours via Time 'n Talent program



Investment Summary

Proven Model for Long Term Value Creation

Clear Strategy and Goals

Strong Execution and Performance

Leading Global Businesses

Numerous Growth Opportunities

Outstanding Culture and Values



Strong growth:
organic and
acquisitive

Outstanding
gross
margins

Excellent
EBITDA
margins

High level of
free cash
flow

Strong cash
returns to
shareholders

Reliable and
consistent
dividend

Outstanding
long term
Total
Shareholder
Returns





Financial Appendix

FIRST QUARTER PERIOD
 Period Ending January 31, 2018
 (Unaudited)

NORDSON CORPORATION
FINANCIAL HIGHLIGHTS
 (Dollars in thousands except for per-share amounts)

CONSOLIDATED STATEMENT OF INCOME

	First Quarter	
	2018	2017
Net sales	\$ 550,424	\$ 407,470
Cost of sales	249,421	182,332
Selling & administrative expenses	183,280	149,220
Operating profit	117,723	75,918
Interest expense - net	(11,028)	(5,368)
Other income (expense) - net	(3,177)	(157)
Income before income taxes	103,518	70,393
Income taxes	(1,037)	20,405
Net Income	<u>\$ 104,555</u>	<u>\$ 49,988</u>
Return on sales	19%	12%
Return on average shareholders' equity	34%	23%

CONSOLIDATED BALANCE SHEET

	January 31 2018	October 31 2017
Cash and marketable securities	\$ 132,842	\$ 90,383
Receivables	488,282	505,087
Inventories	275,690	264,266
Other current assets	31,221	28,636
Total current assets	928,035	888,372
Property, plant & equipment - net	356,774	346,411
Other assets	2,215,827	2,179,756
	<u>\$ 3,500,636</u>	<u>\$ 3,414,539</u>
Notes payable and debt due within one year	\$ 326,587	\$ 326,587
Accounts payable and accrued liabilities	283,186	321,159
Total current liabilities	609,773	647,746
Long-term debt	1,258,843	1,256,397
Other liabilities	336,899	354,903
Total shareholders' equity	1,295,121	1,155,493
	<u>\$ 3,500,636</u>	<u>\$ 3,414,539</u>

Average common shares outstanding (000's)	57,755	57,349
Average common shares and common share equivalents (000's)	58,874	58,023
Per share:		
Basic earnings	\$ 1.81	\$.87
Diluted earnings	\$ 1.78	\$.86
Dividends paid	\$.30	\$.27
Total dividends	\$ 17,321	\$ 15,475

Other information:

Employees	7,545	7,532
Common shares outstanding (000's)	57,973	57,715



<u>SALES BY BUSINESS SEGMENT</u>	First Quarter		% Growth over 2017		
	2018	2017	Volume	Currency	Total
Adhesive dispensing systems	\$ 220,864	\$ 207,837	0.6%	5.7%	6.3%
Advanced technology systems	271,701	145,360	83.3%	3.6%	86.9%
Industrial coating systems	57,859	54,273	3.2%	3.4%	6.6%
Total sales by business segment	<u>\$ 550,424</u>	<u>\$ 407,470</u>	<u>30.4%</u>	<u>4.7%</u>	<u>35.1%</u>

<u>OPERATING PROFIT BY BUSINESS SEGMENT</u>	First Quarter	
	2018	2017
Adhesive dispensing systems	\$ 53,315	\$ 53,056
Advanced technology systems	67,268	26,363
Industrial coating systems	10,160	7,085
Corporate	(13,020)	(10,586)
Total operating profit by business segment	<u>\$ 117,723</u>	<u>\$ 75,918</u>

<u>SALES BY GEOGRAPHIC REGION</u>	First Quarter		% Growth over 2017		
	2018	2017	Volume	Currency	Total
United States	\$ 165,831	\$ 125,521	32.1%	-	32.1%
Americas	34,279	30,042	11.3%	2.8%	14.1%
Europe	141,938	119,159	7.9%	11.2%	19.1%
Japan	65,869	24,177	171.2%	1.2%	172.4%
Asia Pacific	142,507	108,571	27.2%	4.1%	31.3%
Total Sales by Geographic Region	<u>\$ 550,424</u>	<u>\$ 407,470</u>	<u>30.4%</u>	<u>4.7%</u>	<u>35.1%</u>

<u>FREE CASH FLOW BEFORE DIVIDENDS</u>	First Quarter	
	2018	2017
Net income	\$ 104,555	\$ 49,988
Depreciation and amortization	26,285	18,497
Other non-cash charges	(37,893)	5,707
Changes in operating assets and liabilities	16,331	6,959
Net cash provided by operating activities	109,278	81,151
Additions to property, plant and equipment	(16,681)	(10,079)
Proceeds from the sale of property, plant and equipment	68	3,500
Free cash flow before dividends	<u>\$ 92,665</u>	<u>\$ 74,572</u>
Adjustments:		
Acquisition costs and adjustments, net of tax ⁽¹⁾	790	118
Free cash flow before dividends, adjusted	<u>\$ 93,455</u>	<u>\$ 74,690</u>

⁽¹⁾ Represents one-time costs, net of tax, associated with our 2018 and 2017 acquisitions, including the step up in the value of acquired inventory that are required to be expensed as incurred.



FIRST QUARTER PERIOD
 Period Ending January 31, 2018
 (Unaudited)

NORDSON CORPORATION
 RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
 (Dollars in thousands except for per-share amounts)

	First Quarter	
	2018	2017
EBITDA and EBITDA per diluted share		
Net income	\$ 104,555	\$ 49,988
Adjustments:		
Depreciation and amortization expense	26,285	18,497
Interest expense, net	11,028	5,368
Income taxes	(1,037)	20,405
EBITDA	<u>\$ 140,831</u>	<u>\$ 94,258</u>
Adjustments:		
Acquisition costs and adjustments ⁽¹⁾	1,053	166
EBITDA As Adjusted	<u><u>\$ 141,884</u></u>	<u><u>\$ 94,424</u></u>
EBITDA per diluted share	<u>\$ 2.39</u>	<u>\$ 1.62</u>
EBITDA As Adjusted per diluted share	<u>\$ 2.41</u>	<u>\$ 1.63</u>

⁽¹⁾ Represents one-time costs associated with our 2018 and 2017 acquisitions, including the step up in the value of acquired inventory that are required to be expensed as incurred.

EBITDA and EBITDA per diluted share are non-GAAP financial measures used by management to evaluate the Company's ongoing operations. EBITDA is defined as earnings before interest, taxes, depreciation and amortization and EBITDA As Adjusted is defined as EBITDA plus certain acquisition costs and adjustments. EBITDA per diluted share is defined as EBITDA divided by the Company's diluted weighted average shares outstanding. EBITDA As Adjusted per diluted share is defined as EBITDA As Adjusted divided by the Company's diluted weighted average shares outstanding.

	First Quarter	
	2018	2017
Diluted EPS as reported (U.S. GAAP)	\$ 1.78	\$ 0.86
Short-term inventory purchase accounting adjustments	0.01	-
Severance and restructuring	0.01	-
U.S. Tax Reform discrete item	(0.37)	-
Other discrete tax items	(0.08)	-
Diluted EPS as adjusted (Non-GAAP)	<u><u>\$ 1.35</u></u>	<u><u>\$ 0.86</u></u>

Adjusted Diluted EPS is not a measurement of financial performance under GAAP, and should not be considered as an alternative to EPS determined in accordance with GAAP. Management believes that EPS as adjusted to exclude the items in the table above assist in understanding the results of Nordson Corporation. Our calculations of this non-GAAP financial measure may not be comparable to the calculations of similarly titled measures reported by other companies.



Appendix: Currency Impact

Annual Sales Growth and EPS

