

# FY21 Fourth Quarter and Year-end Earnings Call Presentation

*August 3, 2021*



# Safe Harbor Statement

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Certain statements in this release 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 fiscal year 2022 and our 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: the pace of the recovery from the COVID-19 pandemic and its effect on our business operations, financial results and financial position and on the industries in which we operate and the global economy generally and any resurgence of COVID-19 or emergence of COVID-19 variants; other downturns in the business cycle or the economy; our ability to achieve all anticipated benefits of restructuring, simplification and modernization 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 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 and other 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.”

# Performance demonstrates strength of initiatives and KMT transformation

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## *FY21 Overview and Highlights*

### **Executed strategy while navigating COVID-19 crisis**

- Safely operated to serve customers while protecting employees
- Managed costs and production to maintain strong liquidity despite unprecedented headwinds
- Improved debt profile: extended maturities and decreased future annual interest expense ~\$4M

### **Continued investment in Operational and Commercial Excellence positions us well for recovery**

- Advanced Simplification/Modernization:
  - ✓ Achieved \$186M in total program savings despite significantly lower volumes; in-line with target
  - ✓ Improved profitability throughout the cycle from structural cost savings
  - ✓ Strong operating leverage now evident in our results; expected to continue as volumes increase
  - ✓ Share gain enabled by higher levels of customer service and product innovations
- Launched new products targeting share gain in Aerospace, General Engineering, Renewable Energy and Electric Vehicles
- Repositioned WIDIA brand for fit-for-purpose applications; growth outpacing broader General Engineering end-market
- Extended global reach in Infrastructure and expanded into mining adjacencies

# Q4 results highlight recovery across end-markets, profitable growth and operating leverage

## Q4 FY21 Overview & Highlights

### ▪ **Recovering end-markets & growth initiatives drove strong sales: 29% organic growth vs. (33)% prior year**

- YoY growth across all end-markets except Aerospace; benefits from FX of 6% and business days of 1%
- Sales up 6.5% sequentially with notable improvement in Aerospace, General Engineering and Energy
- Segment YoY organic growth rates: Metal Cutting 30%, Infrastructure 28%
- Regional YoY growth rates\*: EMEA 35%, Americas 32%, AsiaPac 19%

### ▪ **Strong operating leverage and cash flow generation: Adjusted EBITDA margin of 19.2% vs. 17.7% prior year**

- Adjusted operating margin improved 400 bps to 12.8% from 8.8% prior year, driven by:
  - Increased sales and fixed cost absorption
  - Simplification/Modernization benefits and manufacturing performance
  - Benefit from pricing actions and ~100 bps benefit from raw materials
  - Partially offset by: ~1,200 bps (~\$45M) from prior year cost control actions and slight mix headwinds (120 bps)
- Free operating cash flow of \$66M in Q4 and \$113M for the full year

### ▪ **Additional Simplification/Modernization benefits realized**

- Incremental YoY benefits of \$23M; additional operational excellence benefits to come as volumes increase
- Johnson City plant closure substantially complete

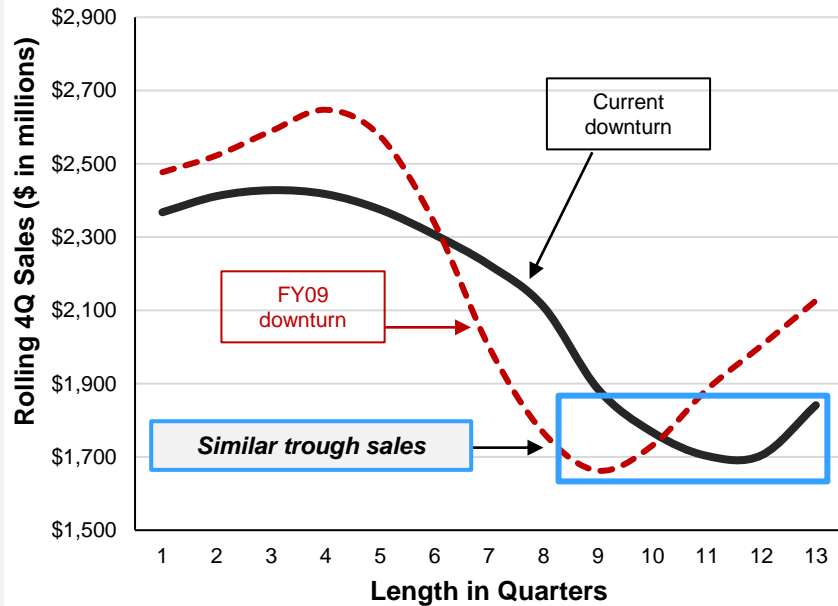
### ▪ **Earnings per share: Reported \$0.41; Adjusted \$0.53 (vs. \$0.15 prior year)**

\* Constant Currency Regional Sales Growth

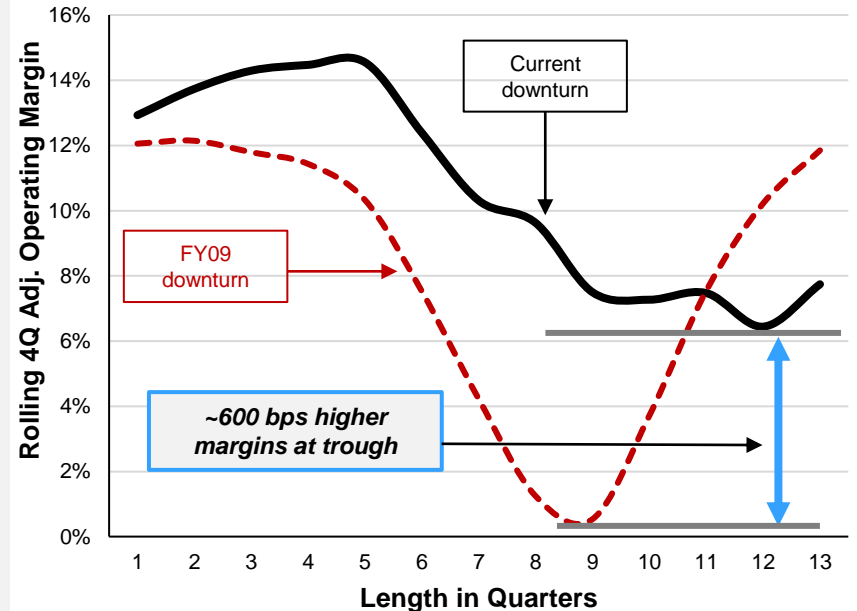
# Margins significantly higher than in previous downturn; well positioned for growth

## Comparison of Revenue and Adjusted Operating Margin during Downturns

**Revenue\***



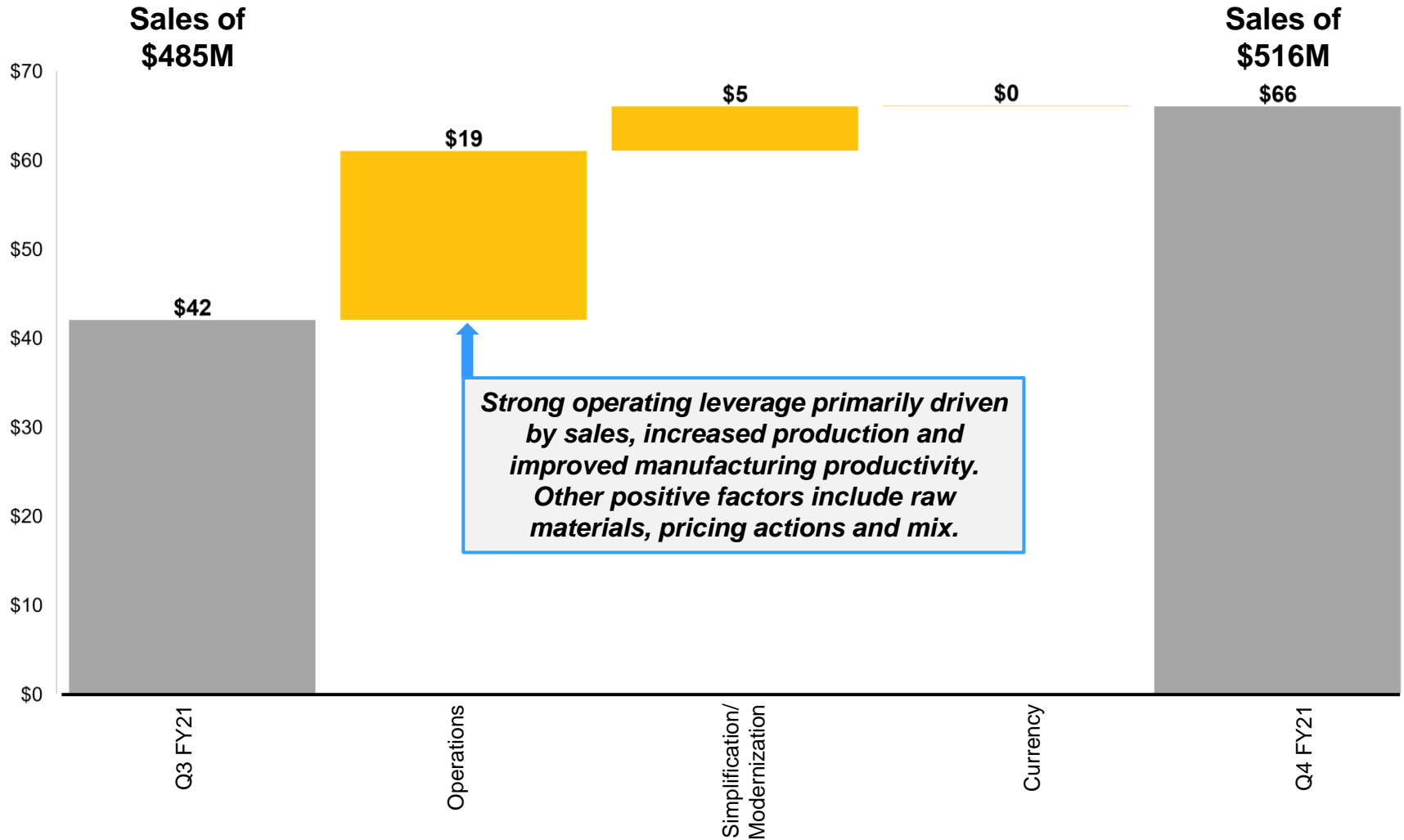
**Adjusted Operating Margin\***



Note: Starting point for each line is 4 quarters prior to start of negative organic growth  
 FY09 period plotted on graph: Q2 FY08 – Q2 FY11; downturn: Q2 FY09 - Q2 FY10  
 Current downturn period plotted on graph: Q4 FY18 - present; downturn: Q4 FY19 - present  
 \* see footnote on slide 19

# Strong operating leverage demonstrates powerful effect of Simplification/Modernization

## Q4 FY21 Adjusted Operating Income Sequential Bridge



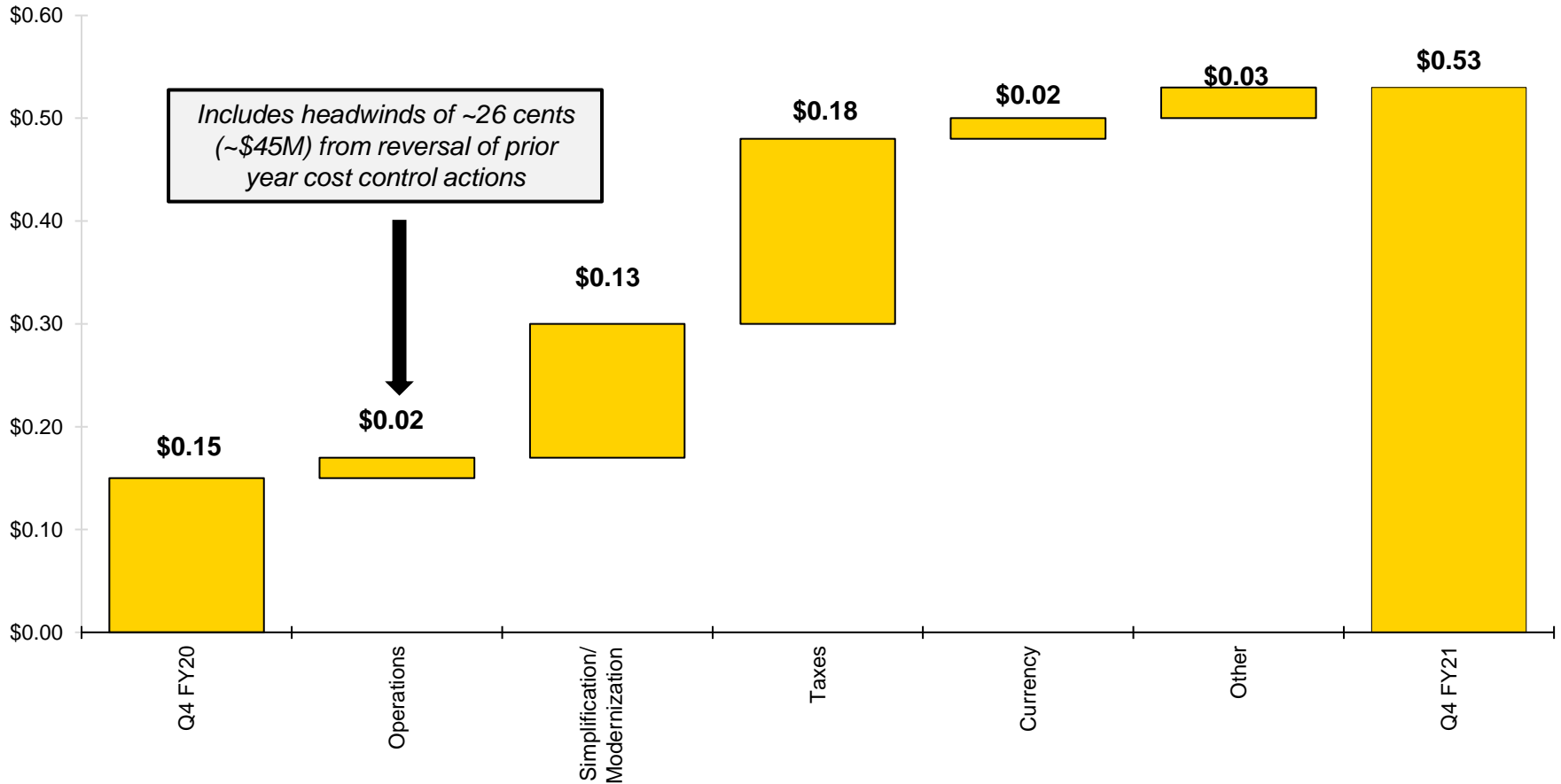
# Results reflect strong operating leverage and return to YoY growth

## Consolidated Q4 FY21 Financial Overview

Quarter Ended (\$ in millions)	Change from PY	Adjusted		Reported	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Sales</b>	<b>36%</b>	<b>\$516</b>	<b>\$379</b>	<b>\$516</b>	<b>\$379</b>
Organic		29%	(33)%	29%	(33)%
FX		6%	(2)%	6%	(2)%
Divestiture		-	(2)%	-	(2)%
Business Days		1%	-	1%	-
<b>Gross Profit</b>	<b>70%</b>	<b>\$178</b>	<b>\$105</b>	<b>\$176</b>	<b>\$101</b>
% of sales	+680 bps	34.5%	27.7%	34.1%	26.8%
<b>Operating Expense</b>	<b>59%</b>	<b>\$108</b>	<b>\$68</b>	<b>\$108</b>	<b>\$68</b>
% of sales	+290 bps	20.9%	18.0%	20.9%	18.0%
<b>EBITDA</b>	<b>48%</b>	<b>\$99</b>	<b>\$67</b>	<b>\$91</b>	<b>\$49</b>
% of sales	+150 bps	19.2%	17.7%	17.6%	13.0%
<b>Operating Income</b>	<b>100%</b>	<b>\$66</b>	<b>\$33</b>	<b>\$61</b>	<b>\$16</b>
% of sales	+400bps	12.8%	8.8%	11.8%	4.1%
<b>Effective Tax Rate</b>	-2,690 bps	24.3%	51.2%	31.4%	186.1%
<b>EPS (Earnings per Diluted Share)</b>	<b>+253%</b>	<b>\$0.53</b>	<b>\$0.15</b>	<b>\$0.41</b>	<b>\$(0.11)</b>

# Significant EPS improvement despite sizeable cost actions taken last year

## Q4 FY21 Adjusted EPS Bridge

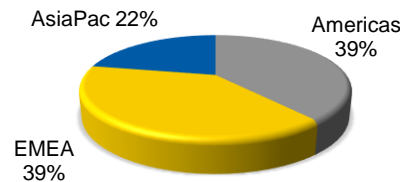




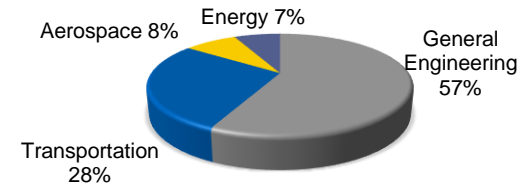
# Profitable growth driven by Simplification/Modernization and growth initiatives

## Metal Cutting Business Segment Q4 FY21 Summary

### Sales by Geography



### Sales by End Market



### Q4 FY21 sales \$312 million; organic sales up 30% YoY vs. (35)% decline in prior year quarter

- Regional sales growth trends\*: EMEA 37%, Americas 30%, AsiaPac 23%
- Benefits from FX of 6% and business days of 1%
- Adjusted operating margin increased 540 bps YoY to 11.7%, due mainly to volume, Simplification/Modernization benefits, pricing actions and raw materials (70 bps), partially offset by prior year temporary cost actions and slightly unfavorable mix

### Broad-based improvement in end-markets; YoY growth in all end-markets except Aerospace

- Transportation strongest YoY end-market with growth of 50%\*\*
- General Engineering YoY growth of 35%\*\* , sequential growth of 7% showing improving market conditions
- Energy 4%\*\* YoY increase, despite decline in AsiaPac from reduced government subsidies; up slightly sequentially
- Aerospace YoY decline of (7)\*\*; however, sequential growth of 10% shows signs of strengthening
- Sequential improvement of 1%, despite (11)% decline in Transportation due to temporary supply chain challenges and FX (1)%

### Simplification/Modernization and growth initiatives positioning us well for profitable growth and share gains

- Leveraging Simplification/Modernization benefits as end-markets recover; operationalizing new equipment
- Fit-for-Purpose growth to outpace General Engineering growth rate

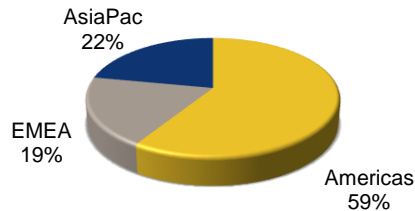
\* Constant Currency Regional Sales Growth  
\*\* Constant Currency End-Market Sales Growth

Note: Sequential growth at actual foreign exchange rates

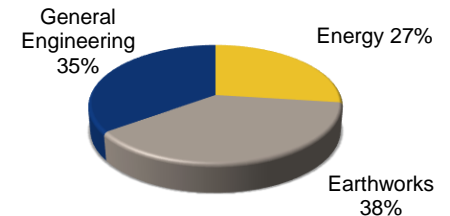
# Continuing recovery and share gains driving sequential and YoY improvement

## Infrastructure Business Segment Q4 FY21 Summary

Sales by Geography



Sales by End Market



### Q4 FY21 sales \$204 million; 28% organic sales growth vs. (29)% decline in prior year quarter

- Benefits of 5% from FX and 1% from business days
- Regional sales growth trends\*: Americas 35%, EMEA 29%, AsiaPac 14%
- Adjusted operating margin improved YoY by 180 basis points to 14.5% from 12.7% in the prior year quarter
  - Driven by higher volume, Simplification/Modernization benefits, raw materials (140 bps), pricing actions and manufacturing performance, partially offset by prior year temporary cost actions and mix

### End-markets continuing to improve; YoY growth in all end-markets and up 16% sequentially with no effect from FX

- General Engineering YoY growth of 42%\*\* , most notable increases in Americas and AsiaPac
- Energy end-market increased 41%\*\* YoY with oil & gas improving off low levels; sequential growth of 17%
  - US land only rig count ended the quarter up ~73% YoY, ~14% sequentially
- Earthworks YoY growth of 12%\*\* mainly in America's agriculture & forestry and EMEA construction

### Simplification/Modernization and growth initiatives positioning us well as end-markets recover

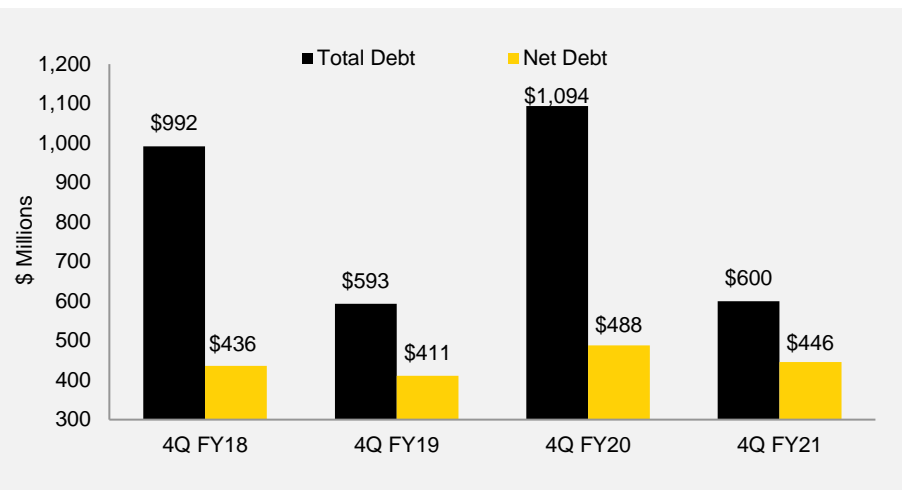
- Simplification/Modernization improving leverage as end-markets continue to recover
- Focus on growth initiatives such as mining adjacencies and Energy resulting in share gains

\* Constant Currency Regional Sales Growth

\*\* Constant Currency End Market Sales Growth

Note: Sequential growth at actual foreign exchange rates

# Strong Free Operating Cash Flow generation and healthy balance sheet



## Debt Structure & Covenants

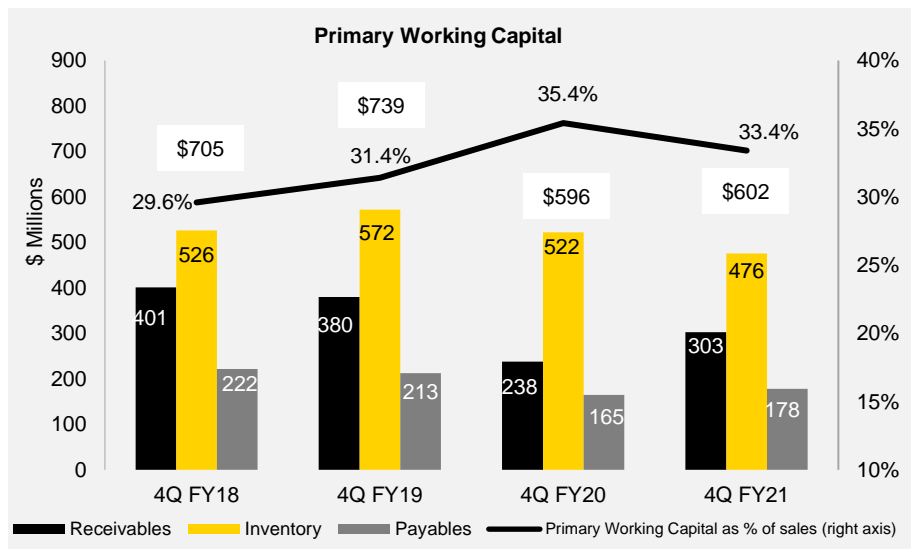
**Refinancing significantly extended debt profile**

- Two \$300M notes mature June 2028 & March 2031
- Lowered annualized interest expense to ~\$28M
- \$700M revolver matures June 2023

**Covenants well within limits**

- Net Debt/EBITDA  $\leq$  4.25x; ratio at June 30<sup>th</sup>: 1.6x
- EBITDA/Interest  $\geq$  3.5x; ratio at June 30<sup>th</sup>: 9.5x

(2) definitions as per the credit agreement



Consolidated Results (\$ in millions)	4Q FY21	4Q FY20	FY21	FY20
Net Cash Provided by Operating Activities	\$96	\$78	\$236	\$224
Capital Expenditures, Net	\$30	\$38	\$123	\$242
Free Operating Cash Flow (FOCF)	\$66	\$39	\$113	\$(18)
Dividends	\$(17)	\$(17)	\$(67)	\$(66)

# FY22 Outlook: Delivering free cash flow through growth and strong operating leverage

## Q1FY22 Outlook

<b>Sales</b>	\$470M - \$490M
<b>Temporary Costs</b>	~\$15M headwind YoY
<b>Adj. Operating Income</b>	≥ \$45M (+300% YoY)
<b>Adj. Effective Tax Rate</b>	25% - 28%
<b>Free Operating Cash Flow</b>	Slightly negative

Mid-point: -7% sequentially, outpacing normal pattern

**Mid-point of sales range reflects:**

- Continued supply chain constraints in Transportation
- No significant restrictions/lock-downs due to COVID-19 Delta variant
- Normal summer shutdowns in EMEA

## FY22 Outlook

Although visibility remains limited, expect to **exceed normal sequential quarterly growth patterns** through the year and **confident in achieving strong operating leverage** (excluding prior year temporary cost actions)

<b>Temporary Costs</b>	~\$25M headwind YoY in 1H FY22
<b>Adj. Effective Tax Rate</b>	25% - 28% (vs. 23.6% in FY21)
<b>Depreciation &amp; Amortization</b>	\$140M - \$145M (up \$15M - \$20M YoY)
<b>Capital Spending</b>	\$110M - \$130M (vs. \$123M in FY21)
<b>Primary Working Capital as a % of sales</b>	Trending towards 30% by FY22 year-end
<b>Free Operating Cash Flow</b>	~100% of adjusted net income



# Leveraging margins and growth through modernized footprint

## *Looking Ahead: Foundation in place for future outperformance*

### **Near-term outlook positive supported by end-market recovery and improved structural cost base**

- Strong operating leverage and margin improvement expected as we leverage growth through our modernized footprint
- Recovery expected to continue; sales likely to outpace normal sequential patterns throughout FY22
- Capital spending of \$110 - \$130M for growth and maintenance needs

### **Operational and Commercial Excellence initiatives enable growth above market rates at higher margins**

#### **Operational Excellence:**

- Investment in Simplification/Modernization program complete; positioning us well for market recovery and share gains
  - Met or exceeded targets: \$186M in total savings, reduced headcount by ~20%; footprint reduced by 6 plants
  - Enables improved customer service metrics (e.g., increased quality, on-time delivery)

#### **Commercial Excellence:**

- Innovation and Commercial Excellence enabling share gain as markets recover
  - Expanding Fit-for-Purpose offering across both new and existing Kennametal customers
  - Share gain initiatives in General Engineering, Aerospace, Energy (including renewables) and mining adjacencies

### **Focused execution of our strategy further strengthens confidence in our future**

- Announced share repurchase program of up to \$200M over 3 years
- Investor day tentatively scheduled for early calendar year 2022

# Appendix



# Results affected by weak end-markets; strong progress on initiatives

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## *FY21 Total Year Overview & Highlights*

- **Organic sales down due to declining end-markets: (4)% organic sales decline vs. (18)% decline prior year**
  - Benefit from FX of 2%, business days neutral
  - Segment organic decline rates: Metal Cutting (4)%, Infrastructure (3)%
  - Regional growth/decline rates\*: Americas (9)%, EMEA (3)%, AsiaPac 6%
  
- **Margins improved despite lower sales and prior year temporary cost actions: 15.0% Adj. EBITDA Margin vs. 14.4% PY**
  - Adjusted operating margin increased 20 bps to 7.7% vs. 7.5% prior year, driven by:
    - Simplification/Modernization savings, raw materials and a slight benefit from price
    - Partially offset by headwinds from prior year temporary cost control actions, lower volumes and mix
  
  - Free operating cashflow of \$113M for the full year
  
- **Simplification/Modernization program substantially complete; \$186M in savings achieved vs. target of \$180M**
  - Modernized equipment will allow us to further leverage volume increases
  
- **Earnings per share: Reported \$0.65; Adjusted \$1.04 (vs. \$0.94 prior year)**

\* Constant Currency Regional Sales Growth



# Margin improvement driven by Simplification/Modernization benefits

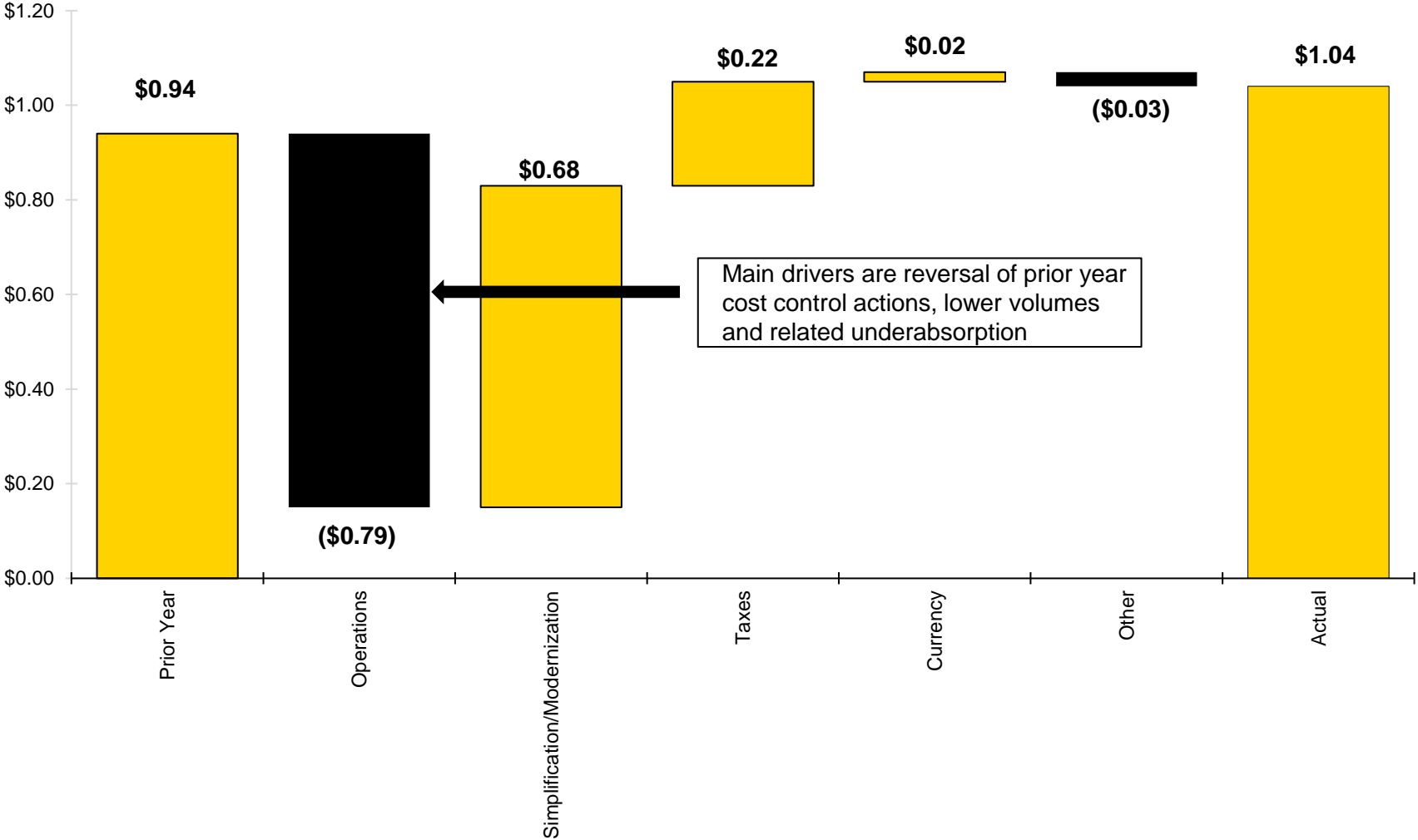
## Consolidated FY21 Financial Results

Year Ended (\$ in millions)	Change from PY	Adjusted		Reported	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Sales</b>	<b>(2)%</b>	<b>\$1,841</b>	<b>\$1,885</b>	<b>\$1,841</b>	<b>\$1,885</b>
Organic		(4)%	(18)%	(4)%	(18)%
FX		2%	(2)%	2%	(2)%
Divestiture		-	(1)%	-	(1)%
Business Days		-	-	-	-
<b>Gross Profit</b>	<b>4%</b>	<b>\$564</b>	<b>\$544</b>	<b>\$552</b>	<b>\$529</b>
% of sales	+180 bps	30.6%	28.8%	30.0%	28.1%
<b>Operating Expense</b>	<b>5%</b>	<b>\$407</b>	<b>\$388</b>	<b>\$407</b>	<b>\$388</b>
% of sales	+150 bps	22.1%	20.6%	22.1%	20.6%
<b>EBITDA</b>	<b>2%</b>	<b>\$276</b>	<b>\$271</b>	<b>\$233</b>	<b>\$154</b>
% of sales	+60 bps	15.0%	14.4%	12.6%	8.2%
<b>Operating Income</b>	<b>1%</b>	<b>\$143</b>	<b>\$141</b>	<b>\$102</b>	<b>\$22</b>
% of sales	+20 bps	7.7%	7.5%	5.5%	1.2%
<b>Effective Tax Rate</b>	(930) bps	23.6%	32.9%	9.7%	357.5%
<b>EPS (Earnings per Diluted Share)</b>	<b>10%</b>	<b>\$1.04</b>	<b>\$0.94</b>	<b>\$0.65</b>	<b>\$(0.07)</b>



# Simplification/Modernization mitigating reversal of prior year cost headwinds

*FY21 Adjusted EPS Bridge*



# Adjusted Segment Results

<b>Period ending June 30, 2021</b>						
<i>(\$ in millions)</i>						
	<b>Q4 FY21</b>			<b>Fiscal Year 2021</b>		
	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Total</b>	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Total</b>
<b>Sales</b>	<b>\$312</b>	<b>\$204</b>	<b>\$516</b>	<b>\$1,151</b>	<b>\$691</b>	<b>\$1,841</b>
Organic	30%	28%	29%	(4)%	(3)%	(4)%
FX	6%	5%	6%	2%	2%	2%
Business Days	1%	1%	1%	-	-	-
Divestiture	-	-	-	-	(1)%	-
<b>Constant Currency Regional Growth:</b>						
Americas	30%	35%	32%	(10)%	(8)%	(9)%
EMEA	37%	29%	35%	(3)%	(2)%	(3)%
AsiaPac	23%	14%	19%	3%	11%	6%
<b>Constant Currency End-market Growth:</b>						
Energy	4%	41%	28%	(12)%	(11)%	(11)%
General Engineering	35%	42%	37%	(1)%	0%	(1)%
Transportation	50%	n/a	50%	4%	n/a	4%
Aerospace	(7)%	n/a	(7)%	(34)%	n/a	(34)%
Earthworks	n/a	12%	12%	n/a	(3)%	(3)%
<b>Adjusted Operating Income</b>	<b>\$37</b>	<b>\$30</b>	<b>\$66</b>	<b>\$81</b>	<b>\$64</b>	<b>\$143</b>
<b>Adjusted Operating Margin</b>	<b>11.7%</b>	<b>14.5%</b>	<b>12.8%</b>	<b>7.1%</b>	<b>9.3%</b>	<b>7.7%</b>

# Balance Sheet

<b>ASSETS</b> ( <i>\$ in millions</i> )	<b>June 2021</b>	<b>June 2020</b>
Cash and cash equivalents	\$154	\$607
Accounts receivable, net	303	238
Inventories	476	522
Other current assets	72	74
<b>Total current assets</b>	<b>\$1,005</b>	<b>\$1,441</b>
Property, plant and equipment, net	1,055	1,038
Goodwill and other intangible assets, net	398	403
Other assets	208	156
<b>Total assets</b>	<b>\$2,666</b>	<b>\$3,038</b>
<b>LIABILITIES</b> ( <i>\$ in millions</i> )		
Revolving and other lines of credit	\$8	\$500
Accounts payable	178	165
Other current liabilities	251	233
<b>Total current liabilities</b>	<b>\$437</b>	<b>\$898</b>
Long-term debt	\$592	\$594
Other liabilities	269	277
<b>Total liabilities</b>	<b>\$1,298</b>	<b>\$1,769</b>
Kennametal Shareowners' Equity	1,329	1,230
Noncontrolling interests	39	39
<b>Total liabilities and equity</b>	<b>\$2,666</b>	<b>\$3,038</b>

# Non-GAAP Reconciliations

The information presented by the Company contains certain non-GAAP financial measures including organic sales 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 and margin; adjusted effective tax rate (ETR); adjusted net income attributable to Kennametal; adjusted earnings per diluted share (EPS); adjusted earnings before interest, taxes, depreciation and amortization (EBITDA); adjusted Metal Cutting operating income and margin; adjusted Infrastructure operating income 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.

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 and Margin, Adjusted ETR, Adjusted Net Income Attributable to Kennametal 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 and margin, ETR, net income 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.

Note that Trailing Twelve Month Adjusted Operating Margin is derived from the Company's previously disclosed sales and adjusted operating income (loss) information. It is calculated by taking total adjusted operating income (loss) in four consecutive quarters and dividing it by total sales in the same four consecutive quarters. There may be inconsistencies in management's calculation of adjusted operating income (loss) over time due to the nature of the adjustments made to operating income (loss) as well as changes in GAAP reporting requirements.

## **Organic Sales Decline**

Organic sales 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 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 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 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, (benefit) 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 and current period sales at prior period foreign exchange rates 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	Net Income <sup>(5)</sup>	Diluted EPS
Q4 FY21 Reported Results	\$ 516.0	\$ 175.7	\$ 108.0	\$ 60.8	31.4%	\$ 35.1	\$ 0.41
Reported Margins		34.1%	20.9%	11.8%			
Restructuring and related charges	-	2.5	-	5.5	22.1	4.3	0.05
Partial annuitization of Canadian pension plans	-	-	-	-	25.6	2.0	0.02
Differences in projected annual tax rates	-	-	-	-	(54.8)	3.7	0.05
Q4 FY21 Adjusted Results	\$ 516.0	\$ 178.2	\$ 108.0	\$ 66.3	24.3%	\$ 45.1	\$ 0.53
Q4 FY21 Adjusted Margins		34.5%	20.9%	12.8%			

<sup>(5)</sup> Attributable to Kennametal Shareholders

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Net (Loss) Income <sup>(5)</sup>	Diluted (L)EPS
Q4 FY20 Reported Results	\$ 379.1	\$ 101.5	\$ 68.2	\$ 15.6	186.1%	\$ (9.1)	\$ (0.11)
Reported Margins		26.8%	18.0%	4.1%			
Restructuring and related charges	-	3.6	-	17.9	18.7	14.5	0.17
CARES Act	-	-	-	-	70.3	(6.9)	(0.08)
Differences in projected annual tax rates	-	-	-	-	(223.9)	14.4	0.17
Q4 FY20 Adjusted Results	\$ 379.1	\$ 105.0	\$ 68.2	\$ 33.5	51.2%	\$ 12.8	\$ 0.15
Q4 FY20 Adjusted Margins		27.7%	18.0%	8.8%			

## Non-GAAP Reconciliations (cont'd)

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Net Income <sup>(5)</sup>	Diluted EPS
FY21 Reported Results	\$ 1,841.4	\$ 552.5	\$ 407.2	\$ 102.2	9.7%	\$ 54.4	\$ 0.65
Reported Margins		30.0%	22.1%	5.5%			
Restructuring and related charges	-	11.3	-	40.4	(3.4)	34.2	0.40
Discrete tax benefit	-	-	-	-	14.3	(9.3)	(0.11)
Effects from early extinguishment of debt	-	-	-	-	3.0	6.4	0.08
Partial annuitization of Canadian pension plans	-	-	-	-	-	2.1	0.02
<b>FY21 Adjusted Results</b>	<b>\$ 1,841.4</b>	<b>\$ 563.8</b>	<b>\$ 407.2</b>	<b>\$ 142.6</b>	<b>23.6%</b>	<b>\$ 87.8</b>	<b>\$ 1.04</b>
<b>FY21 Adjusted Margins</b>		<b>30.6%</b>	<b>22.1%</b>	<b>7.7%</b>			

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Net (Loss) Income <sup>(5)</sup>	Diluted (L)EPS
FY20 Reported Results	\$ 1,885.3	\$ 529.5	\$ 388.4	\$ 22.3	357.5%	\$ (5.7)	\$ (0.07)
Reported Margins		28.1%	20.6%	1.2%			
Restructuring and related charges	-	14.1	-	82.4	(60.1)	74.0	0.88
Goodwill and other intangible asset impairment charges	-	-	-	30.2	(1,396.5)	27.6	0.33
Loss on divestiture	-	-	-	6.5	(0.7)	5.1	0.06
Discrete benefit from Swiss tax reform	-	-	-	-	739.7	(14.5)	(0.17)
CARES Act	-	-	-	-	352.7	(6.9)	(0.08)
Other tax matters	-	-	-	-	40.3	(0.8)	(0.01)
<b>FY20 Adjusted Results</b>	<b>\$ 1,885.3</b>	<b>\$ 543.6</b>	<b>\$ 388.4</b>	<b>\$ 141.4</b>	<b>32.9%</b>	<b>\$ 78.9</b>	<b>\$ 0.94</b>
<b>FY20 Adjusted Margins</b>		<b>28.8%</b>	<b>20.6%</b>	<b>7.5%</b>			

## Non-GAAP Reconciliations (cont'd)

(\$ in millions)	Three months ended June 30,		Year ended June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to Kennametal, reported	\$ 35.1	\$ (9.1)	\$ 54.4	\$ (5.7)
Add back:				
Interest expense	6.6	11.3	46.4	35.2
Interest income	0.2	(1.6)	0.9	(2.4)
Provision for income taxes, reported	16.5	18.3	6.2	7.0
Depreciation	28.3	27.0	110.7	106.0
Amortization	4.0	3.4	14.0	13.8
<b>EBITDA</b>	<b>\$ 90.7</b>	<b>\$ 49.3</b>	<b>\$ 232.6</b>	<b>\$ 154.0</b>
<b>Margin</b>	<b>17.6%</b>	<b>13.0%</b>	<b>12.6%</b>	<b>8.2%</b>
Adjustments:				
Restructuring and related charges	5.5	17.9	40.4	82.4
Partial annuitization of Canadian pension plans	2.7	-	2.7	-
Goodwill and other intangible asset impairment charges	-	-	-	28.5
Loss on divestiture	-	-	-	6.5
<b>Adjusted EBITDA</b>	<b>98.9</b>	<b>67.2</b>	<b>275.6</b>	<b>271.3</b>
<b>Adjusted Margin</b>	<b>19.2%</b>	<b>17.7%</b>	<b>15.0%</b>	<b>14.4%</b>



## Non-GAAP Reconciliations (cont'd)

(\$ in millions, except percents)	Metal Cutting Sales	Metal Cutting Operating Income	Infrastructure Sales	Infrastructure Operating Income
Q4 FY21 Reported Results	\$ 311.8	\$ 33.1	\$ 204.2	\$ 27.6
Reported Operating Margin		10.6%		13.5%
Restructuring and related charges	-	3.5	-	1.9
Q4 FY21 Adjusted Results	\$ 311.8	\$ 36.6	\$ 204.2	\$ 29.5
Q4 FY21 Adjusted Operating Margin		11.7%		14.5%

(\$ in millions, except percents)	Metal Cutting Sales	Metal Cutting Operating Income	Infrastructure Sales	Infrastructure Operating Income
Q4 FY20 Reported Results	\$ 226.9	\$ 0.2	\$ 152.1	\$ 15.4
Reported Operating Margin		0.1%		10.1%
Restructuring and related charges	-	14.0	-	4.0
Q4 FY20 Adjusted Results	\$ 226.9	\$ 14.2	\$ 152.1	\$ 19.4
Q4 FY20 Adjusted Operating Margin		6.3%		12.7%

## Non-GAAP Reconciliations (cont'd)

(\$ in millions, except percents)	Metal Cutting		Infrastructure	
	Metal Cutting Sales	Metal Cutting Operating Income	Infrastructure Sales	Infrastructure Operating Income
FY21 Reported Results	\$ 1,150.7	\$ 45.9	\$ 690.7	\$ 59.5
Reported Operating Margin		4.0%		8.6%
Restructuring and related charges	-	35.6	-	4.8
FY21 Adjusted Results	\$ 1,150.7	\$ 81.4	\$ 690.7	\$ 64.3
FY21 Adjusted Operating Margin		7.1%		9.3%

(\$ in millions, except percents)	Metal Cutting		Infrastructure	
	Metal Cutting Sales	Metal Cutting Operating Income	Infrastructure Sales	Infrastructure Operating Income
FY20 Reported Results	\$ 1,178.1	\$ 1.0	\$ 707.3	\$ 23.1
Reported Operating Margin		0.1%		3.3%
Restructuring and related charges	-	73.7	-	15.3
Goodwill and other intangible asset impairment charges	-	30.2	-	-
FY20 Adjusted Results	\$ 1,178.1	\$ 104.9	\$ 707.3	\$ 38.4
FY20 Adjusted Operating Margin		8.9%		5.4%

## Non-GAAP Reconciliations (cont'd)

<b>Three months ended June 30, 2021:</b>	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Kennametal</b>
Organic Sales Growth	30%	28%	29%
Foreign Currency Exchange Effect	6%	5%	6%
Business Days Effect	1%	1%	1%
<b>Sales Growth</b>	<b>37%</b>	<b>34%</b>	<b>36%</b>

<b>Three months ended June 30, 2020:</b>	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Kennametal</b>
Organic Sales Decline	(35%)	(29%)	(33%)
Foreign Currency Exchange Effect	(2%)	(2%)	(2%)
Business Days Effect	(1%)	(1%)	0%
Divestiture Effect	0%	(4%)	(2%)
<b>Sales Decline</b>	<b>(38%)</b>	<b>(36%)</b>	<b>(37%)</b>

<b>Year ended June 30, 2021</b>	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Kennametal</b>
Organic Sales Decline	(4%)	(3%)	(4%)
Foreign Currency Exchange Effect	2%	2%	2%
Divestiture Effect	0%	(1%)	0%
<b>Sales Decline</b>	<b>(2%)</b>	<b>(2%)</b>	<b>(2%)</b>

<b>Year ended June 30, 2020</b>	<b>Metal Cutting</b>	<b>Infrastructure</b>	<b>Kennametal</b>
Organic Sales Decline	(19%)	(18%)	(18%)
Foreign Currency Exchange Effect	(1%)	(1%)	(2%)
Divestiture Effect	0%	(3%)	(1%)
<b>Sales Decline</b>	<b>(20%)</b>	<b>(22%)</b>	<b>(21%)</b>

## Non-GAAP Reconciliations (cont'd)

### Metal Cutting

<b>Three months ended June 30, 2021:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	30%	37%	23%
Foreign currency exchange impact	2%	10%	8%
<b>Regional sales growth</b>	<b>32%</b>	<b>47%</b>	<b>31%</b>

### Infrastructure

<b>Three months ended June 30, 2021:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	35%	29%	14%
Foreign currency exchange impact	0%	15%	10%
<b>Regional sales growth</b>	<b>35%</b>	<b>44%</b>	<b>24%</b>

### Kennametal

<b>Three months ended June 30, 2021:</b>	<b>Americas</b>	<b>EMEA</b>	<b>Asia Pacific</b>
Constant currency regional sales growth	32%	35%	19%
Foreign currency exchange impact	2%	12%	9%
<b>Regional sales growth</b>	<b>34%</b>	<b>47%</b>	<b>28%</b>

## Non-GAAP Reconciliations (cont'd)

### Metal Cutting

#### Year ended June 30, 2021:

	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	(10%)	(3%)	3%
Foreign currency exchange impact	(1%)	5%	3%
Regional sales growth (decline)	(11%)	2%	6%

### Infrastructure

#### Year ended June 30, 2021:

	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	(8%)	(2%)	11%
Foreign currency exchange impact	2%	5%	4%
Divestiture impact	(2%)	0%	0%
Regional sales growth (decline)	(8%)	3%	15%

### Kennametal

#### Year ended June 30, 2021:

	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	(9%)	(3%)	6%
Foreign currency exchange impact	1%	5%	4%
Divestiture impact	(1%)	0%	0%
Regional sales growth (decline)	(9%)	2%	10%

## Non-GAAP Reconciliations (cont'd)

### Metal Cutting

Three months ended June 30, 2021:	General			
	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales growth (decline)	35%	50%	(7%)	4%
Foreign currency exchange impact	6%	9%	5%	7%
End market sales growth (decline)	41%	59%	(2%)	11%

### Infrastructure

Three months ended June 30, 2021:	General		
	Energy	Earthworks	Engineering
Constant currency end market sales growth	41%	12%	42%
Foreign currency exchange impact	3%	7%	5%
End market sales growth	44%	19%	47%

### Kennametal

Three months ended June 30, 2021:	General				
	Energy	Earthworks	Engineering	Transportation	Aerospace
Constant currency end market sales growth (decline)	28%	12%	37%	50%	(7%)
Foreign currency exchange impact	4%	7%	6%	9%	5%
End market sales growth (decline)	32%	19%	43%	59%	(2%)

## Non-GAAP Reconciliations (cont'd)

### Metal Cutting

Year ended June 30, 2021:	General			
	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales growth (decline)	(1%)	4%	(34%)	(12%)
Foreign currency exchange impact	2%	3%	1%	2%
End market sales growth (decline)	1%	7%	(33%)	(10%)

### Infrastructure

Year ended June 30, 2021:	General		
	Energy	Earthworks	Engineering
Constant currency end market sales decline	(11%)	(3%)	0%
Foreign currency exchange impact	2%	2%	6%
Divestiture impact	(1%)	0%	(4%)
End market sales growth (decline)	(10%)	(1%)	2%

### Kennametal

Year ended June 30, 2021:	General				
	Energy	Earthworks	Engineering	Transportation	Aerospace
Constant currency end market sales growth (decline)	(11%)	(3%)	(1%)	4%	(34%)
Foreign currency exchange impact	1%	2%	3%	3%	1%
Divestiture impact	0%	0%	(1%)	0%	0%
End market sales growth (decline)	(10%)	(1%)	1%	7%	(33%)

## Non-GAAP Reconciliations (cont'd)

<b>Net Debt</b> (in millions)	<b>Three months ended</b>			
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
Total debt (gross)	\$ 600.5	\$ 1,094.5	\$ 592.6	\$ 991.7
Less: cash and cash equivalents	154.0	606.7	182.0	556.2
<b>Net debt</b>	<b>\$ 446.4</b>	<b>\$ 487.8</b>	<b>\$ 410.6</b>	<b>\$ 435.6</b>

<b>(\$ in millions)</b>	<b>Three months ended June</b>		<b>Year ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net cash flow from operating activities	\$ 96.5	\$ 77.7	\$ 235.7	\$ 223.7
Purchases of property, plant and equipment	(33.2)	(38.1)	(127.3)	(244.2)
Proceeds from disposals of property, plant and equipment	3.1	(0.2)	4.3	2.6
<b>Free operating cash flow</b>	<b>\$ 66.4</b>	<b>\$ 39.4</b>	<b>\$ 112.7</b>	<b>\$ (17.8)</b>



## Non-GAAP Reconciliations (cont'd)

<b>(in thousands, except percents)</b>	<b>6/30/2021</b>	<b>3/31/2021</b>	<b>12/31/2020</b>	<b>9/30/2020</b>	<b>6/30/2020</b>	<b>Average</b>
Current assets	\$ 1,004,807	\$ 966,916	\$ 948,686	\$ 935,721	\$ 1,440,812	
Current liabilities	437,394	425,553	402,641	415,573	898,080	
Working capital, GAAP	\$ 567,413	\$ 541,363	\$ 546,045	\$ 520,148	\$ 542,732	
Excluding items:						
Cash and cash equivalents	(154,047)	(114,307)	(103,188)	(98,290)	(606,684)	
Other current assets	(71,470)	(73,235)	(73,123)	(78,700)	(73,698)	
Total excluded current assets	(225,517)	(187,542)	(176,311)	(176,990)	(680,382)	
Adjusted current assets	779,290	779,374	772,375	758,731	760,430	
Revolving and other lines of credit and notes payable to banks	(8,365)	(18,745)	(34,979)	(46,458)	(500,368)	
Other current liabilities	(251,370)	(242,327)	(233,509)	(233,039)	(233,071)	
Total excluded current liabilities	(259,735)	(261,072)	(268,488)	(279,497)	(733,439)	
Adjusted current liabilities	177,659	164,481	134,153	136,076	164,641	
Primary working capital	\$ 601,631	\$ 614,893	\$ 638,222	\$ 622,655	\$ 595,789	\$ 614,638
			<b>Three Months Ended</b>			
	<b>6/30/2021</b>	<b>3/31/2021</b>	<b>12/31/2020</b>	<b>9/30/2020</b>	<b>Total</b>	
Sales	\$ 515,971	\$ 484,658	\$ 440,507	\$ 400,305	\$ 1,841,441	
Primary working capital as a percentage of sales						33.4%

## Non-GAAP Reconciliations (cont'd)

<b>(in thousands, except percents)</b>	<b>6/30/2020</b>	<b>3/31/2020</b>	<b>12/31/2019</b>	<b>9/30/2019</b>	<b>6/30/2019</b>	<b>Average</b>
Current assets	\$ 1,440,812	\$ 966,723	\$ 1,035,912	\$ 1,065,389	\$ 1,190,827	
Current liabilities	898,080	383,131	409,110	418,719	461,726	
Working capital, GAAP	\$ 542,732	\$ 583,592	\$ 626,802	\$ 646,670	\$ 729,101	
Excluding items:						
Cash and cash equivalents	(606,684)	(85,230)	(105,210)	(113,522)	(182,015)	
Other current assets	(73,698)	(60,550)	(97,824)	(67,106)	(57,381)	
Total excluded current assets	(680,382)	(145,780)	(203,034)	(180,628)	(239,396)	
Adjusted current assets	760,430	820,943	832,878	884,761	951,431	
Revolving and other lines of credit and notes payable to banks	(500,368)	(4,500)	(2,102)	(3,528)	(157)	
Other current liabilities	(233,071)	(213,569)	(233,848)	(216,517)	(248,661)	
Total excluded current liabilities	(733,439)	(218,069)	(235,950)	(220,045)	(248,818)	
Adjusted current liabilities	164,641	165,062	173,160	198,674	212,908	
Primary working capital	\$ 595,789	\$ 655,881	\$ 659,718	\$ 686,087	\$ 738,523	\$ 667,200
			<b>Three Months Ended</b>			
		<b>6/30/2020</b>	<b>3/31/2020</b>	<b>12/31/2019</b>	<b>9/30/2019</b>	<b>Total</b>
Sales		\$ 379,053	\$ 483,084	\$ 505,080	\$ 518,088	\$ 1,885,305
Primary working capital as a percentage of sales						35.4%

## 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>6/30/2018</b>	<b>3/31/2018</b>	<b>12/31/2017</b>	<b>9/30/2017</b>	<b>6/30/2017</b>	<b>Average</b>
Current assets	\$ 1,546,166	\$ 1,240,587	\$ 1,128,382	\$ 1,075,915	\$ 1,113,901	
Current liabilities	886,531	477,790	407,621	396,967	461,478	
Working capital, GAAP	\$ 659,635	\$ 762,797	\$ 720,761	\$ 678,948	\$ 652,423	
Excluding items:						
Cash and cash equivalents	(556,153)	(221,906)	(159,940)	(110,697)	(190,629)	
Other current assets	(63,257)	(70,926)	(68,057)	(64,874)	(55,166)	
Total excluded current assets	(619,410)	(292,832)	(227,997)	(175,571)	(245,795)	
Adjusted current assets	926,756	947,755	900,385	900,344	868,106	
Current maturities of long-term debt and capital leases, including notes payable	(400,200)	(1,399)	(1,360)	(1,252)	(925)	
Other current liabilities	(264,428)	(256,186)	(215,669)	(209,373)	(244,831)	
Total excluded current liabilities	(664,628)	(257,585)	(217,029)	(210,625)	(245,756)	
Adjusted current liabilities	221,903	220,205	190,592	186,342	215,722	
Primary working capital	\$ 704,853	\$ 727,550	\$ 709,793	\$ 714,002	\$ 652,384	\$ 701,716
	<b>Three Months Ended</b>					
	<b>6/30/2018</b>	<b>3/31/2018</b>	<b>12/31/2017</b>	<b>9/30/2017</b>	<b>Total</b>	
Sales	\$ 646,119	\$ 607,936	\$ 571,345	\$ 542,454	\$ 2,367,854	
Primary working capital as a percentage of sales						29.6%