



# ANNUAL REPORT



# MISSION CRITICAL SOLUTIONS SUPPORT GROWING END MARKETS

DIVERSIFIED  
END MARKETS → SUPPORTED BY MACRO  
THEMES CREATING GROWTH  
OPPORTUNITIES →

ENABLED BY GATES  
PRODUCTS

## DIVERSIFIED INDUSTRIAL



→ **AUTOMATION**

## AUTOMOTIVE, ON-HIGHWAY, PERSONAL MOBILITY



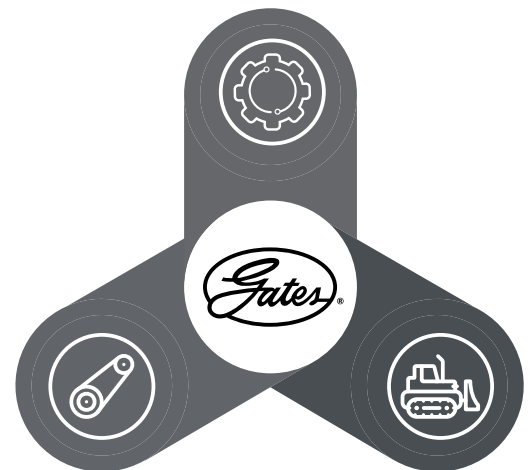
→ **TRANSPORTATION**

## AGRICULTURE, CONSTRUCTION, & ENERGY



→ **INFRASTRUCTURE**

**HIGHLY  
ENGINEERED**



**NATURAL  
REPLACEMENT  
CYCLES**

**MISSION  
CRITICAL**



# GATES IS THERE

## GATES PRODUCT SUITE

## GATES TARGET MARKETS & APPLICATIONS

### AUTOMATION – DIVERSIFIED INDUSTRIAL



General Manufacturing

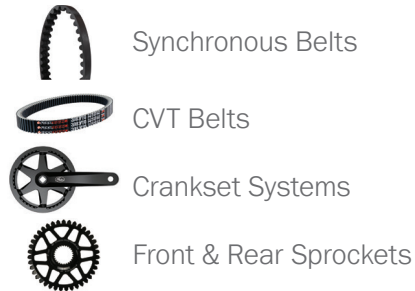


Warehousing / Logistics



Food & Beverage

### TRANSPORTATION – PERSONAL MOBILITY



Bicycles



Scooters, Motorcycles and Power Sports



### TRANSPORTATION – AUTOMOTIVE REPLACEMENT



Mature Markets

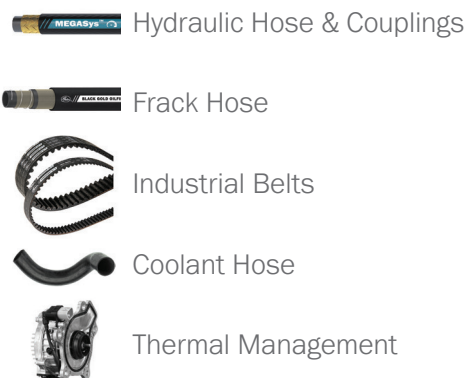


Emerging Markets



Heavy Duty

### INFRASTRUCTURE – OFF-HIGHWAY AND ENERGY & RESOURCES



New Construction / Retrofit



Energy / Mining

# 2023

## AT A GLANCE

### \$3.6B

REVENUE  
0.7% CORE GROWTH

### \$747M

ADJ. EBITDA  
20.9% MARGIN

### \$410M

FREE CASH FLOW  
109.6% CONVERSION

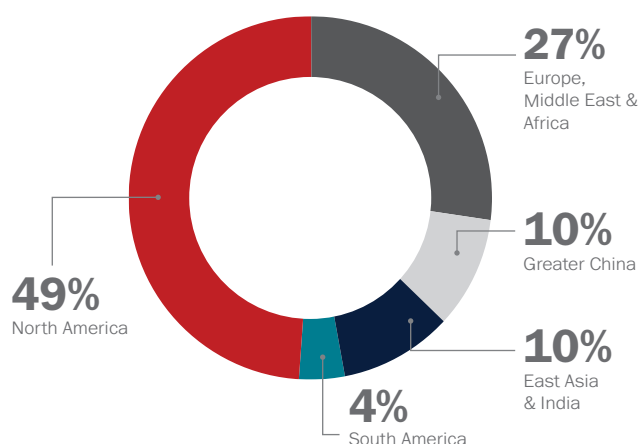
### \$1.36

ADJ. EPS  
19% GROWTH

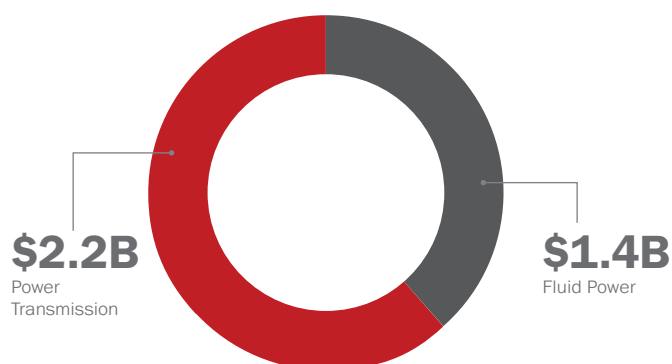
### 23.0%

ROIC  
300 BPS GROWTH

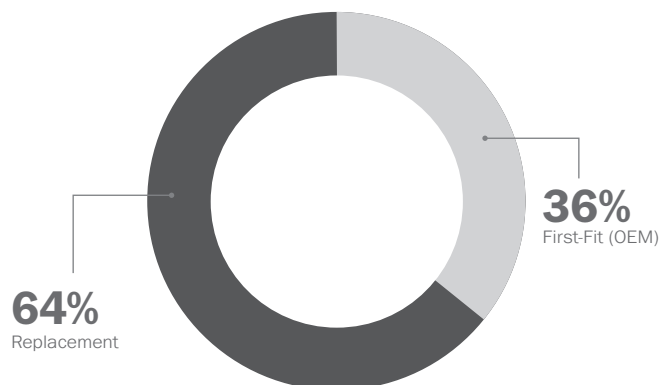
#### GEOGRAPHIES



#### SEGMENTS

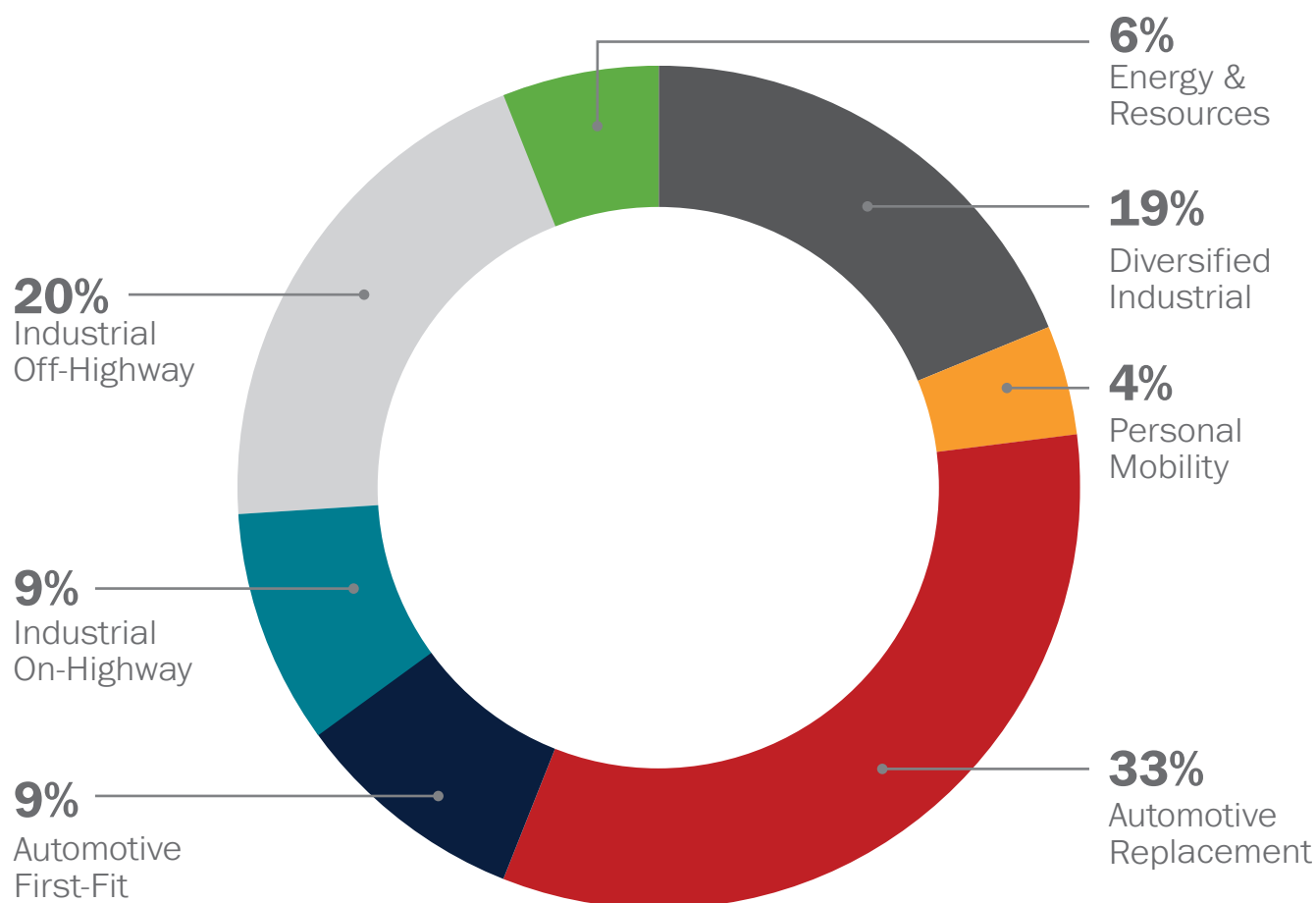


#### CHANNELS



This Annual Report includes certain non-GAAP financial measures, which management believes are useful to investors. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. For additional information, please see the section Non-GAAP Measures in Item 7 of this report as well as the supplemental reconciliations at the end of this document.

# END MARKETS SUPPORTED BY SECULAR TAILWINDS.



Numerous secular trends support demand for our products across end markets. Propulsion technologies in personal mobility and automotive applications are being electrified. The global car parc continues to grow and age. Global infrastructure is broadly outdated and demand for traditional and renewable energy capabilities is rising. A focus on efficiency and sustainability is

driving increasing levels of automation in factories and warehouses along with an increase in freight transportation. This demand is supplemented by our innovations in materials science to convert industrial chain to belts. Gates products play mission-critical roles in all of these trends, enabling reliable, efficient and safe operation across a wide range of applications.



# DEAR FELLOW SHAREHOLDERS:

In 2023, the Gates team delivered strong operating and financial results in an uncertain demand environment, once again proving the resiliency of our organization. In addition, we continued to invest in our product portfolio, processes and people to strengthen our business for the future.

## **SOLID OPERATING PERFORMANCE IN AN UNCERTAIN MACRO ENVIRONMENT**

**Our operating performance improved measurably as 2023 progressed and culminated in nearly a 300-basis point year-over-year increase in our gross margin to 38.1%.**

Our team accomplished the margin improvement while encountering uneven demand trends in many end markets globally, which resulted in nearly 1% core revenue growth for the year. Furthermore, we made additional progress on key enterprise initiatives during the year, which we believe positions us to generate increased profitability in the future. Our strong margin performance, coupled with disciplined capital management, helped us deliver 110% free cash flow conversion and contributed to a 0.5x reduction in our net leverage ratio year-over-year. We believe 2023 was representative of the value proposition that we offer investors.

“ Our operating performance improved measurably as 2023 progressed and culminated in nearly a 300-basis point year-over-year increase in our gross margin to 38.1% ”



## INNOVATING TO DRIVE FUTURE GROWTH AND EFFICIENCIES

### **We continue to invest in our product portfolio innovation.**

In 2023, we advanced the refreshment of our portfolio and introduced several new products which helped progress our vitality rate<sup>1</sup> closer to our mid-term goal of 20%. The backbone of our innovation strategy is our materials science expertise which drives enhancements to existing products and applications and supports entry into new markets. We recently announced a partnership with CoolIT Systems to supply advanced solutions to support the cooling needs of today's advanced data centers. In addition, we remain focused on expanding our digital capabilities. In 2023, we launched our Design Power™ Mobile app to enable machine design engineers and factory operations teams to design drives ubiquitously. We believe this tool, along with our other commercial initiatives, should promote further customer interest in belt drives and increased conversions from existing chain applications. Gates has been an innovator for more than a century and we intend to expand our relevancy as the 21st century unfolds.

**Our innovation focus also applies to our manufacturing processes and supply chain.** We leverage our materials science expertise to design more efficient product constructions and employ new engineered polymer families to reduce energy usage and waste. As an example, in our wire braid hydraulic hose portfolio, we achieved a 64% reduction in unique constructions and more than a 40% decrease in individual specs compared to the prior offering. Also, we made additional strides in 2023 fortifying our supply chain by broadening the number of qualified suppliers and reengineering our products to optimize our raw material consumption. In certain cases, we have developed formulations that substitute equivalent raw materials into product families at a lower cost with the same or improved performance. We executed the initiatives without sacrificing quality. Enterprise-wide, we reduced our cost of poor quality and defect rates relative to 2022. We are highly focused on continuous improvement and our teams are well-positioned to deliver incremental efficiencies and enhancements in the future.

## PRESERVING AND STRENGTHENING HUMAN CAPITAL

**Our people are important to our success.** Our efforts to deploy best-in-class safety practices in our operations are yielding favorable results. In 2023, we improved our safety metrics and realized a double-digit percentage decline year-over-year in recordable injuries. Also, we continue to implement strategies to provide our best and brightest with upward mobility. We expanded our employee mentorship program to connect experienced leaders with talented junior employees and total

participation increased 45% year-over-year in 2023. We also added three new leadership development programs and participation increased 198%. In 2023, with the promotion of one of our important senior leaders, 40% of our executive officers are now female. Our Diversity, Equity & Inclusion initiatives continue to gain traction and our efforts are being acknowledged highlighted by our recent recognition from Newsweek and Plant-A Insights Group as being one of America's Greatest Workplaces 2024. Our leadership team prioritizes building the next group of Gates leaders internally and broadening opportunities across the enterprise.

## WE BELIEVE OUR FINANCIAL POSITION HAS NEVER BEEN STRONGER AND OUR OPPORTUNITY HAS NEVER BEEN BETTER

**Our operating execution in 2023 contributed favorably to our balance sheet improvement.** We ended 2023 with a net leverage ratio of 2.3x, our lowest net leverage ratio as a public company. Our net leverage ratio reduction was accompanied by meaningful shareholder return of capital during the year, highlighted by the \$250 million share repurchase we executed in May. During the year, we facilitated the ongoing monetization of Blackstone's ownership position, which resulted in a significant increase in our public float. Blackstone ended 2023 with slightly above 36% ownership of our shares. As such, we are no longer a controlled company per New York Stock Exchange rules. Our strengthening financial position is creating enhanced capital deployment and strategic optionality for our enterprise in the mid-term. We believe we are in strong position to deliver attractive returns in the future.

**I want to thank all our associates for their commitment and dedication during 2023.** Collectively, our team recovered nicely in 2023 after experiencing challenges in 2022 and helped advance our enterprise initiatives. I also extend my gratitude to our shareholders for their commitment, confidence, and trust. We are highly focused on delivering above market growth, expanding margins, and higher free cash flows through mid-decade. I believe the best days are in front of our company.

Sincerely,



**Ivo Jurek**  
Chief Executive Officer

<sup>1</sup> Measured as the percentage of sales coming from new products introduced in the last five years.

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 30, 2023**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 001-38366**

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**Gates Industrial Corporation plc**

(Exact Name of Registrant as Specified in its Charter)

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**England and Wales**

(State or other jurisdiction of  
incorporation or organization)

**1144 Fifteenth Street, Denver, Colorado**

(Address of principal executive offices)

**98-1395184**

(I.R.S. Employer  
Identification Number)

**80202**

(Zip Code)

**(303) 744-1911**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Ordinary Shares, \$0.01 par value per share	GTES	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$1,701.4 million.

As of February 5, 2024, there were 264,271,455 ordinary shares of \$0.01 par value outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with its 2024 annual general meeting of shareholders are incorporated by reference into Part III.

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## **Forward-looking Statements**

This Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (this “annual report” or “report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that reflect our current estimates and expectations with respect to, among other things, our future operations and financial performance. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “predicts,” “intends,” “trends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. You should not place undue reliance on these forward-looking statements. Although such statements are based on management’s current estimates and expectations and/or currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain and are subject to risks and uncertainties that could cause our actual results to differ materially from what may be inferred from such statements. Factors that could cause or contribute to such differences include those described under “Part I - Item 1A. Risk Factors” of this annual report. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this annual report and in our other periodic filings with the Securities and Exchange Commission (the “SEC”). Gates Industrial Corporation plc undertakes no obligation to update or supplement any forward-looking statements as a result of new information, future events or otherwise, except as required by law.

## **Website Disclosure**

We use our website ([www.gates.com](http://www.gates.com)) as a channel of distribution of company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings and public conference calls, and webcasts. In addition, you may automatically receive email alerts and other information about Gates Industrial Corporation when you enroll your email address by visiting the “Investor Resources—Email Alerts” section of our website at <https://investors.gates.com>. The contents of our website and any alerts are not, however, a part of this report.

## **ABOUT THIS ANNUAL REPORT**

### **Financial Statement Presentation**

Gates Industrial Corporation plc is a public limited company that was incorporated under the Companies Act 2006 on September 25, 2017 and is registered in England and Wales.

Certain monetary amounts, percentages and other figures included elsewhere in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

All amounts in this annual report are expressed in United States of America (the “U.S.”) dollars, unless indicated otherwise.

### **Certain Definitions**

As used in this annual report, unless otherwise noted or the context requires otherwise:

- “Gates,” the “Company,” “we,” “us” and “our” refer to Gates Industrial Corporation plc and its consolidated subsidiaries;
- “Fiscal 2023” refers to the fiscal year ended December 30, 2023, “Fiscal 2022” refers to the fiscal year ended December 31, 2022, and “Fiscal 2021” refers to the fiscal year ended January 1, 2022;
- “Blackstone” or “our Sponsor” refer to investment funds affiliated with Blackstone Inc., which together own approximately 36.4% of our outstanding ordinary shares as of December 30, 2023; and
- “Board” refers to Gates’ board of directors.



## PART I

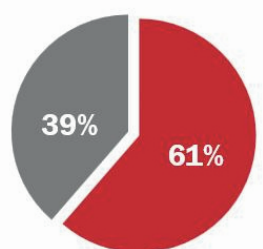
### Item 1. Business

We are a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. We offer a broad portfolio of products to diverse replacement channel customers, and to original equipment manufacturers (“first-fit”) as specified components, with the majority of our revenue coming from replacement channels. Our products are used in applications across numerous end markets, including: automotive replacement and first-fit; diversified industrial; industrial off-highway; industrial on-highway; and personal mobility. Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. We sell our products globally under the Gates brand, which is recognized by distributors, equipment manufacturers, installers and end users as a premium brand for quality and technological innovation; this reputation has been built over more than 110 years since Gates’ founding in 1911.

Within the diverse end markets we serve, our highly engineered products are often critical components in applications for which the cost of downtime is high relative to the cost of our products, resulting in the willingness of end users to pay a premium for superior performance and availability. These applications subject our products to normal wear and tear, resulting in natural, and often preventative, replacement cycles that drive high-margin, recurring revenue. Our product portfolio represents one of the broadest ranges of power transmission and fluid power products in the markets we serve, and we maintain long-standing relationships with a diversified group of well-known customers throughout the world. As a leading designer, manufacturer and marketer of highly engineered, mission-critical products, we have become an industry leader across most of our end markets and the regions in which we operate.

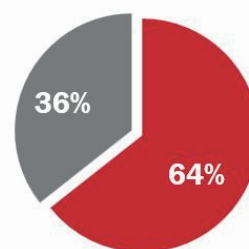
Gates’ business is well-balanced and diversified across products, channels and geographies, as highlighted in the following charts showing breakdowns of our Fiscal 2023 net sales of \$3,570.2 million.

#### BY PRODUCT CATEGORY



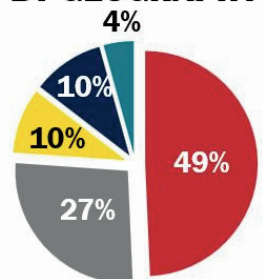
■ Power Transmission  
■ Fluid Power

#### BY CHANNEL



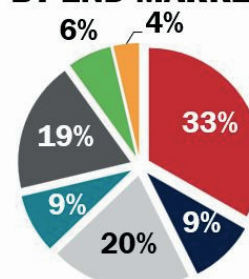
■ Replacement  
■ First-Fit

#### BY GEOGRAPHY



■ North America  
■ Europe, Middle East & Africa  
■ Greater China  
■ East Asia & India  
■ South America

#### BY END MARKET



■ Automotive Replacement  
■ Automotive First-Fit  
■ Industrial Off-Highway  
■ Industrial On-Highway  
■ Diversified Industrial  
■ Energy & Resources  
■ Personal Mobility

## Our History

In 1911, Charles Gates, Sr. purchased the Colorado Tire and Leather Company, a manufacturer of steel-studded bands of leather that attached to tires to extend their mileage. In 1917, the Company commercialized the V-belt, which used rubber and woven threading instead of rope belts, which were more commonly used at that time. In 1963, we built the first of many international facilities in Erembodegem, Belgium, followed by Jacarei, Brazil, in 1973. In 1986, we acquired the Uniroyal Power Transmission Company, which included a controlling interest in a joint venture that laid the groundwork for Gates' growth in the Asia-Pacific region.

In 1996, Gates was acquired by a publicly held conglomerate based in the United Kingdom ("U.K."), Tomkins plc, which was itself acquired in 2009 by Onex Partners and the Canada Pension Plan Investment Board, who proceeded to divest certain of Tomkins plc's businesses under a new parent entity, Pinafore Holdings B.V. Gates was acquired by Blackstone in July 2014 and in 2015 established a new executive leadership team with Ivo Jurek as Chief Executive Officer. In January 2018, Gates completed an initial public offering ("IPO"), listing on the New York Stock Exchange ("NYSE").

## Our Solutions

We operate our business on a product-line basis through our two reporting segments - *Power Transmission* and *Fluid Power*. See Note 4 to our audited consolidated financial statements included elsewhere in this report for additional information.

We sell our products under the Gates brand in all of the geographies and end markets we serve, as well as under select customer brands in certain markets. Our Power Transmission segment includes elastomer drive belts and related components used to efficiently transfer power in a broad range of applications. Power transmission products represented approximately 61% of our total net sales for Fiscal 2023. Our Fluid Power segment includes hoses, tubing and fittings designed to convey hydraulic fluid at high pressures in both mobile and stationary applications, and other high-pressure and fluid transfer hoses. Our fluid power products represented approximately 39% of our net sales for Fiscal 2023.

Our power transmission and fluid power products are often critical to the functioning of the equipment, process or system in which they are components, such that the cost of downtime or potential equipment damage is high relative to the cost of our products. Our products are therefore replaced not only as a result of normal wear and tear, but also pre-emptively as part of ongoing, normal maintenance to the broader system.

We have a broad portfolio of both power transmission and fluid power products in the end markets we serve. We have a long history of focusing on customer engagement and training, driving product innovation and providing best-in-class order fulfillment services.

***Power Transmission.*** Our power transmission solutions transfer power, convey materials and provide motion control. They are used in applications in which belts, chains, cables, geared transmissions or direct drives transfer power from an engine motor or other source of mechanical power to another part or system. Our belts are made of highly engineered polymer formulations, fabrics or textiles (made from a variety of polymer or natural fibers) and embedded cords for reinforcement (which may be made from polymers such as polyesters or aramids, fiberglass or high performance carbon fibers). Many of these materials are proprietary to Gates. Within our Power Transmission segment, we offer solutions across the following key application platforms:

- *Stationary drives:* fixed drive systems such as those used in a factory driving a machine or pump, on a grain elevator driving the lift auger or in a distribution center driving automated equipment such as conveyor lines or robotic picking machines;
- *Mobile drives:* drives on a piece of mobile machinery such as the threshing and separation drives on a combine harvester;
- *Engine systems:* synchronous drives and related components for cam shaft drives, auxiliary drives and asynchronous accessory drives for air conditioning ("A/C") compressors, power steering, alternators and starter/generator systems; and
- *Personal mobility:* drives on motorcycles, scooters, bicycles, both traditional and electric, as well as on snowmobiles and other power sports vehicles that are used to transfer power between the power source and the drive wheel(s) or track.

Customers choose power transmission solutions based on a number of factors, including application requirements such as load, speed, gear ratio, temperature, operating environment, ease of maintenance, noise, efficiency and reliability, as well as the support they receive from their suppliers, including application-specific engineering services. Belt-based drive systems have many advantages over other alternatives, as they are typically clean, low-maintenance, lubrication-free, quiet with low-vibration, lightweight, compact, energy-efficient, durable and reliable.

Belt-based power transmission drives typically consist of either a synchronous belt (such as a timing belt) or an asynchronous belt (such as a V-belt, continuously-variable transmission (“CVT”) belt or Micro-V® belt) and related components (sprockets, pulleys, mechanical water pumps, tensioners or other accessories). In addition, we also manufacture metal drive components and assemble certain product kits for the automotive replacement channel.

*Asynchronous Belts.* Asynchronous belts are our highest-volume products and are used in a broad range of applications. We were a pioneer in the design and manufacturing of V-belts, which draw their name from the shape of their profile. We also manufacture “ribbed” V-belts, which are belts with lengthwise V-shaped grooves, which we market under the Micro-V® name. This design results in a thinner belt for the same drive surface, making it more flexible and offering improved efficiency.

In industrial end markets, asynchronous belts have a wide variety of applications, including use in pump drives, manufacturing lines, HVAC systems, industrial, truck, bus and marine engines, forestry and mining equipment and many other applications. CVT systems often found in scooters, power sports vehicles and other applications use a specialized V-belt known as a CVT belt. In automotive applications, our asynchronous belts perform functions that include transferring power from the crankshaft to accessory drive components such as the alternator, A/C compressor, power steering system, water pump and, in some vehicles, a belt/starter generator system used in start/stop accessory drive systems to improve fuel economy.

Recently, Gates introduced a new Micro-V® platform for engine accessory drive systems. The combination of newly developed material compounds and product design utilizes less material, reduces belt weight and results in lower bending stiffness. These improvements enable tighter pulley configurations and reduced drive bending losses as compared to previous belt technologies; lower losses result in benefits such as reduced energy consumption, CO<sub>2</sub> emissions and heat generation.

*Synchronous Belts.* Synchronous belts, also known as timing belts, are non-slipping mechanical drive belts. They have molded teeth and run over matching toothed pulleys or sprockets. Synchronous belts experience no slippage and are often used to transfer high levels of power or to control motion for indexing or timing purposes, as well as for linear positioning and positive drive conveying. They are typically used instead of chains or gears and we believe they have a number of advantages over these alternatives, including less noise, no need for lubrication, improved durability and performance and a more compact design.

Examples of industrial applications include use in HVAC systems, food processing and bottling plants, mining and agricultural equipment, automated warehouse systems and robotics. Our synchronous belts are also utilized in personal mobility vehicles, including both traditional and electric motorcycles, bicycles and scooters, applications in which clean, quiet performance is often valued. In automotive applications, our synchronous belts are used to synchronize the rotation of the engine crankshaft with the camshaft in a valve train system, as well as in electric power steering, parking brake and accessory drive systems which are present in internal-combustion, hybrid and electric vehicles.

In recent years, Gates also launched the PowerGrip® GT®4, a high-torque synchronous belt for industrial applications. This new belt leverages Gates’ materials science and process engineering capabilities, to provide a belt construction that replaces chloroprene-based elastomers with an advanced ethylene elastomer formulation that is more environmentally friendly. It has the highest power-carrying capacity in its segment, a wider operating temperature range and increased chemical resistance, allowing for narrower drives and a broad range of applications to be served with both first-fit and replacement channel customers. In recent years, Gates launched the Carbon Drive CDC® synchronous belt designed for commuter bicycle applications and in Fiscal 2022 Gates launched the Carbon Drive Moto X5 synchronous belt designed specifically for mid-motor, sit-down electric scooters and motorcycles typically found in commuting applications in the rapidly evolving Asian market. In Fiscal 2022, Gates launched an updated version of Gates Design Power, an award-winning new digital toolkit consisting of six modules, including four all-new applications and substantially upgraded versions of well-known Gates digital tools, Design IQ™ and Design Flex Pro™. Among the all-new programs is the industry-first Mobility Drive Analysis tool aimed at making it easier for engineers from bicycle, scooter, motorcycle, and power sports Original Equipment Manufacturers (“OEM”) to design Gates’ clean, quiet, durable and low-maintenance Carbon Drive belt systems into their next-generation vehicles to further accelerating conversion from chain and other technologies. In Fiscal 2023, Gates announced the launch of the mobile version of Gates Design Power, putting advanced digital design tools to support the engineering of belt drive systems on customers’ mobile devices. Additionally, Gates expanded its G-Force product portfolio by introducing the G-Force

Workhorse CVT belt for specialty and recreation vehicles. The G-Force Workhorse belt offers more longevity and increased compatibility for end users relative to its predecessor.

**Metal Drive Components.** We source, manufacture and sell tensioners, idlers, pulleys, sprockets and other components used in belt drive systems. These products are designed and engineered to work efficiently with our belts. Tensioners are devices that maintain a constant tension in the belt drive system, thereby ensuring proper function and preventing loss of power or system failure. Tensioners typically employ a spring-loaded arm and a damping mechanism to help control tension in a belt drive system. Idlers, which sometimes also perform as tensioners, are used to take up extra belt length. Gates' pulleys and sprockets are precisely engineered for positive press fit, designed to optimize the performance and durable working service life of the belt drive system.

**Kits.** Our kits for the automotive replacement channel include all of the parts needed by an automotive service shop to perform a replacement of one of our products. Kits are created for specific vehicle makes and models and typically include belts, tensioners and idlers, and will sometimes also include water pumps, which are often replaced simultaneously with a timing belt due to the relatively high labor component in the total cost of a typical replacement. Our kits are convenient for service technicians as they eliminate the need for more complicated product sourcing. On a comparable quantity basis, kits typically sell at a premium to a loose belt and the individual related components.

Our power transmission products are used in a broad range of applications in end markets including: automotive replacement and first-fit, diversified industrial, industrial off-highway, industrial on-highway, energy and resources, and personal mobility. The majority of our Fiscal 2023 net sales came from replacement channels, which provide high-margin, recurring revenue streams and are driven by attractive market trends. The bulk of our power transmission replacement business resides in developed regions, in which a large, aging installed base of equipment follows a natural maintenance cycle and is served by well-established distribution channels. For example, a combine harvester can have over 25 high-performance belts that are typically replaced at regular intervals, depending on wear and tear, with end users having access to replacement parts through a large network of distributors. Similarly, in the mature automotive aftermarket such as North America and Europe, maintenance intervals are well defined, and miles (or kilometers) driven per vehicle and the average vehicle age have generally been increasing, leading to more wear and tear on vehicles. A smaller portion of our power transmission replacement business is generated in emerging markets, which generally have a smaller base of installed equipment and relatively nascent distribution channels. As they continue to develop, these replacement channels in emerging markets represent a significant long-term opportunity for growth. In addition to our power transmission replacement business, we also serve a wide variety of well-known first-fit customers across all of our end markets.

**Fluid Power.** Our fluid power solutions are used in applications in which hoses and rigid tubing assemblies either transfer power hydraulically or convey fluids, gases or granular materials from one location to another. Within our Fluid Power segment, we offer solutions across the following key application platforms:

- *Stationary hydraulics:* applications within stationary machinery, such as an injection molding machine or a manufacturing press;
- *Mobile hydraulics:* applications used to power various implements in mobile equipment used in construction, agriculture, mining and other heavy industries;
- *Vehicle systems:* applications in thermal management, emissions reduction, turbocharger, air intake and other systems for electric, hybrid and internal combustion passenger and commercial vehicles; and
- *Other industrial:* applications in which hoses are used to convey fluids, gases or granular material across several industries such as food and beverage, other process industries, and oil and gas drilling and refining.

Customers choose fluid power solutions based on a number of factors, including application-specific product performance parameters such as pressure and temperature ratings, corrosion and leak resistance, weight, flexibility, abrasion resistance and cleanliness, as well as compliance with standards and product availability. Attributes associated with the supplier, including brand, global footprint and reputation for reliability, quality and service, are also considered.

**Hydraulics.** Our hydraulics product line is comprised of hoses, couplings, tubing and fittings, offered either as standalone products or completed assemblies. Our hydraulic products are key components of hydraulic systems in both stationary and mobile equipment applications across end-markets such as construction, agricultural and forestry equipment, as well as in a wide range of manufacturing applications. We provide a full selection of hose sizes and construction types for use in a wide variety of operating requirements and conditions. Hydraulic hoses are made of elastomers reinforced with steel wire or a textile-based yarn, and typically



operate at very high pressures, often in extreme environmental conditions. These products are designed for applications that require high levels of quality and durability.

Our hydraulic couplings, fittings and tubing are engineered to match the product performance of our hydraulic hoses. The high-pressure nature of hydraulic systems requires that these products have high levels of performance similar to those found in our hydraulic hoses. The ultimate performance of a hydraulic assembly, in which our products function as part of a hydraulic circuit, depends not only on how well the components are made, but also on how well they complement each other. Our hydraulic fittings are manufactured in a wide assortment of sizes and configurations to ensure we meet the wide range of installation requirements in these systems. We also provide Gates-engineered and third-party crimping systems to ensure a proper interface is obtained between our hoses and these metal components to create high-quality, robust hydraulic assemblies.

In recent years, Gates introduced a new premium product family consisting of hydraulic hoses that are lighter weight and more flexible. Made with a high-performance reinforcement and robust, abrasion-resistant cover, the MXT line of hydraulic hose is comprised of universally applicable, high-performance products that meet the needs of a wide range of applications. Subsequently, we launched the MXG line of hydraulic hose, a flexible, light-weight solution with increased durability and temperature performance, designed to replace conventional spiral hoses typically used in the most demanding applications. We also launched a smart e-crimper, which is a machine used to attach fittings to hydraulic hoses. In addition to convenient, web-enabled access to training content and product crimp specs, this new crimper can be used with Gates' intuitive mobile eCrimp app. In Fiscal 2022, we launched the ProV hose family in Europe, which is an addition to our Pro Series product portfolio that leverages technologies developed and first launched in our MXT and MXG product lines.

*Thermal and Emissions Management.* Our thermal and emissions management and related products perform a variety of fluid conveyance, emissions reduction and efficiency improvement functions in electric, hybrid and internal combustion passenger and commercial vehicles. In electric applications, Gates offers hose and electric water pump solutions for the thermal management system regulating the battery, inverter, motor(s) and passenger compartment. In internal combustion applications, Gates primarily provides thermal management hose and water pumps for engine cooling, selective catalytic reduction hoses that are part of systems that reduce harmful emissions from diesel engines and hoses for functions that improve air intake and engine efficiency. In Fiscal 2021, we launched a new line of ThermalPro electric water pumps for OEM and aftermarket applications, broadening Gates presence in hybrid and battery electric vehicle as well as other thermal management applications like data center cooling.

*Industrial Hose.* Our industrial hoses are used to transfer a wide range of substances - chemicals, food, beverages, petroleum, fuels, bulk materials, water, steam and air - to meet the requirements of a diverse range of applications, including manufacturing, mining, oil and gas drilling, marine, agriculture, industrial cleaning and construction. Our application engineering teams work with customers to assist them in selecting the appropriate hose solution to safely meet their operational needs. We leverage our materials science expertise to design hoses that perform at varying pressures and levels of resistance to chemicals, oil, abrasion, ozone, flame and both hot and cold temperatures. For performance in extreme environments, many of our industrial hoses feature both crush-resistant and flexible designs. Gates industrial hoses are highly engineered to meet or exceed a multitude of industry standards and certifications, and are offered in a range of diameters, lengths and colors to allow customers to differentiate the hoses in applications. We also offer a wide range of couplings to provide complete assembly solutions.

Our fluid power products are used in numerous applications in end markets including automotive replacement and first-fit; diversified industrial; industrial off-highway; industrial on-highway; energy and resources; and personal mobility. The largest portion of our Fiscal 2023 fluid power revenue came from replacement markets. Within these replacement markets, the majority of our revenue came from industrial applications.

## **Our Diverse End Markets**

Our products play essential roles in a diverse range of applications across a wide variety of end markets including the following:

- automotive replacement and first-fit end markets;
- diversified industrial applications from automated manufacturing and logistics systems to everyday consumer applications such as printers, power washers, automatic doors and vacuum cleaners;
- industrial off-highway applications such as agriculture and construction;
- industrial on-highway commercial vehicles such as heavy-duty trucks and buses;

- energy and resources markets such as oil, gas and mining; and
- personal mobility such as scooters, motorcycles, bicycles, all-terrain vehicles (ATVs) and snowmobiles.

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. Key indicators include industrial production, industrial sales and manufacturer shipments.

Our products are sold in over 130 countries across our four commercial regions: (1) the Americas; (2) Europe, Middle East & Africa (“EMEA”); (3) Greater China; and (4) East Asia & India. We have a long-standing presence in each of these regions.

## **Our Channels**

We sell our power transmission and fluid power products both as replacement components and as specified components on original equipment to customers worldwide. During Fiscal 2023, approximately 64% of our net sales were generated from replacement channels and 36% from first-fit channels globally. Our mix of replacement channel sales to first-fit sales varies by region based on our market strategy and the maturity of the equipment fleet and channel. For example, in emerging markets such as China and India, replacement channels are developing. We believe that enhancing our brand visibility, including through our first-fit presence in these emerging markets will allow us to better develop the replacement channels as they mature over time. By contrast, in North America and EMEA, where there are long-established replacement markets, approximately 67% and 70% of our Fiscal 2023 net sales, respectively, were derived from these higher-margin replacement channels.

**Replacement.** The majority of our sales are generated from customers in replacement channels, who primarily serve a large base of end users with installed equipment that follows a natural maintenance cycle. Our ability to help replacement channel partners maximize revenue is an important part of our value proposition. These customers miss sales opportunities if a required product cannot be obtained quickly, either from a short-lead time order or on-hand inventory.

In addition to our products, we offer digital tools and other content to distributors, installers and end users of equipment containing our products. We also assist with customer training on product installation and early identification of wear-and-tear on components, which helps drive sales for our channel customers while mitigating the risk of equipment failure for end users.

**First-Fit.** We work closely with our first-fit customers (also referred to as OEMs) by providing application engineering expertise to assist them with equipment design and selecting the right products to optimize performance. Close interactions between our research and development (“R&D”) organization and customer technical teams provide input into our innovation and product development processes. We selectively participate in first-fit projects, focusing on opportunities where we are able to differentiate with technology and innovative solutions.

## **Customers**

We maintain long-standing relationships with many customers, who range from regional or local distributors to large, global multinational distributors and OEMs. No single customer accounted for more than 10% of our Fiscal 2023 net sales.

## **Sales and Marketing and Distribution Organization**

Our sales and distribution operations are structured to serve our customers efficiently across the globe. We have field representatives who possess local knowledge of customers and their product and application requirements, as well as established distribution networks in each region, giving us the capability to usually meet our customers’ product availability needs on short lead times.

## **Manufacturing**

Our commercial capabilities are complemented by our “in-region, for region” manufacturing footprint, which generally allows us to manufacture products in close proximity to our customers around the world. This model also yields advantages in supply resiliency, avoidance of long logistics routes and associated greenhouse gas (“GHG”) emissions and foreign exchange/tariff costs. We have power transmission and fluid power operations in each commercial region and typically manufacture products for both first-fit customers and replacement customers in the same factory, which provides for sharing of raw material inputs, improved factory loading and demand leveling, as well as optimization of capital expenditures. We operate manufacturing facilities and service centers as well as several major technical centers giving us a presence in 30 countries throughout the world. Our in-country deployment of

manufacturing and technical resources gives us the capability to meet customer needs rapidly and satisfy regional variations in product preference, while our scale allows us to service global customers on a world-wide basis.

## **Competition**

We operate in competitive markets and industries that are very fragmented. Consequently, we have many competitors across our various markets and product offerings. These competitors and the degree of competition vary by product line, geography, end market and channel. Although each of our markets and product offerings has many competitors, no single competitor competes with us across all of our products, solutions, channels and end markets. Our global presence and the importance of product availability make it difficult for smaller, regional and low-cost country manufacturers to penetrate our markets. We generally differentiate ourselves on the basis of product performance and quality, innovation, breadth of portfolio, customer support and training, service level, fill rates and product availability.

## **Research, Development and Intellectual Property**

Advanced R&D is performed primarily at certain R&D centers in the U.S. and Western Europe. These teams focus on developing advanced materials, product constructions and manufacturing processes in support of new and improved products. We also have commercialization and field application engineering teams in all of our regions that are located close to customers in support of their businesses.

As of December 30, 2023, we held more than 2,100 patents and patent applications and 3,500 trademarks in various jurisdictions, and have elected to protect a variety of technologies and processes as trade secrets. While no individual patent or group of patents, taken alone, is considered critical to our business, collectively our patents and trademarks provide meaningful protection for our products and technical innovations.

## **Materials and Suppliers**

We use a wide variety of materials, resulting in a highly diversified mix of inputs, which are sourced from a variety of suppliers around the world. Generally, we seek to obtain materials in the regions where our products are manufactured to minimize lead times, as well as transportation and other costs. We continually seek to manage commodity and raw material costs using various strategies, including working with our customers and suppliers on pricing and costs, exploring material substitution opportunities, combining purchase requirements across regions and changing or qualifying new suppliers when appropriate.

## **Government Regulation**

Our operations, products and properties are subject to extensive U.S. and foreign federal, state, local, and provincial laws and regulations relating to health, safety and environment (“HSE”) protection, including laws and regulations governing air emissions, wastewater discharges, waste management and disposal, substances in products, trade control laws, anti-corruption laws, data protection and privacy laws, and workplace health and safety, as well as the investigation and clean-up of contaminated sites. Under certain environmental laws, the obligation to investigate and remediate contamination at a facility may be imposed on current and former owners, lessees or operators or on persons who may have sent waste to that facility for disposal. We are currently performing environmental investigations and/or remediation at a number of former and current facilities in the U.S. and Canada and are incurring costs in relation to a number of offsite waste disposal sites. For more information, see “Item 1A. Risk Factors - Risks Related to Legal and Regulatory Matters”.

## **Human Capital**

As of December 30, 2023, we employed approximately 14,700 full time employees worldwide. Approximately 6,800 of our employees are in North America, 4,300 in EMEA, 2,800 in Greater China and East Asia & India, and 800 in South America. Approximately 68% of our work force consists of production employees, while approximately 24% of our global workforce was female and 76% male. Of approximately 1,200 managerial employees, 19% were female, and 40% of our executive officers were female.

Some of our employees are members of labor unions, and over many years we have been able to maintain successful relationships with the unions and employment organizations. To date, employee relations have been flexible and constructive as we continue to pursue lean manufacturing improvements in our plants. Gates employs agency contractors, temporary employees and contract employees as a relatively small percentage of our workforce. The number of associates in these categories typically varies with demand on our factories and distribution centers. Gates employs a small number of part-time associates across the globe.

### ***Oversight and Governance***

Our Board, with the assistance of its compensation committee, is actively engaged in the oversight of the Company's human capital management, including reviewing the following topics: the Company's workforce overview; the Company's stock incentive plans; the Company's performance relative to the acquisition and retention of talent, leadership and development programs, development planning for executives and critical roles, employee engagement, culture and diversity, equity & inclusion initiatives as well as other initiatives and plans to help ensure that we have talent positioned to deliver on our strategy. Our Board and its compensation committee also oversee the management continuity planning process, including reviewing, and evaluating the succession plans relating to our chief executive officer and other executive officer positions.

### ***Health and safety***

We care about our employees and we believe that our commercial success is linked to a safe and healthy workforce. We are therefore committed to responsible business practices through the establishment, implementation, and maintenance of the Gates Global HSE Standards Manual. We strive for zero injuries and an incident-free workplace and have achieved significant progress towards this goal through targeted risk reduction activities, improved case management, increased accountability to corrective action identification and closure, and more effective safety observation programs.

### ***Total rewards***

Our compensation philosophy is to offer a compensation program that enables us to attract, motivate, reward and retain high-caliber employees who are capable of creating and sustaining value for our shareholders over the long-term and to design compensation and benefit programs that provide a fair and competitive compensation opportunity in order to appropriately reward employees for their contributions to our success. Globally, we offer the opportunity to earn short-term and long-term incentive awards to eligible employees, including manufacturing incentive programs to many of our production employees.

### ***Employee development and training***

Gates is committed to developing and unlocking the potential of our people and we make significant investments in training and professional development. Our learning and development framework supports the development of leadership and professional skills in three ways: on-the-job, learning from others, and participating in formal training programs. Some of the specific global and regional development experiences we offer include: a global mentoring program that promotes a diverse and inclusive culture and knowledge transfer opportunities between our mentors and mentees; a six-tiered leadership development program beginning with a program for those who aspire to be leaders, to first-time managers and continues through a career journey up to a program that supports our senior executives in their roles; structured development and succession planning process that identifies key talent and develops our employees to continue working toward their career goals; and early career programs designed to develop talent in different areas of the business, such as engineering and commercial. For our production employees, we provide skills-based training and certification opportunities.

### ***Diversity, equity and inclusion***

The Gates management team is committed to creating and sustaining an inclusive workplace that understands and values individual differences across demographics, experiences and perspectives. We strive to foster an environment where every employee has an equal opportunity to be heard, can contribute their thoughts, and be recognized for their individual efforts. We want to ensure



that collaborative and respectful business practices in a performance-based, supportive environment enable every employee to realize their career ambitions. To that end, we have a Diversity, Equity & Inclusion (“DE&I”) Steering Committee, consisting of executive leadership, which works with our DE&I Council, consisting of highly talented and collaborative non-executive team members, to foster a culture of belonging that embraces our workforce's unique backgrounds, talents, and viewpoints. In 2022, the DE&I Council formalized three main committees to drive our multi-year DE&I strategy and deliver awareness and best practices: Communications, Culture & Branding; Diversity Recruitment; and Career & Leadership Development.

The DE&I Council also launched three Business Resource Groups in North America (Pan-Asian American, LGBTQ+, and Veterans & Families) to continue creating an environment that encourages relationship building and accepts each of our employees' individual attributes and experiences. Additionally, the DE&I Council also created a 2023 calendar of North America diversity events, refreshed our DE&I website, updated our global mentoring program, and established relationships with minority-serving institutions for future engagement. Our leadership team conducted roundtables to determine plans to expand our DE&I initiatives outside of North America for 2024. Our ongoing efforts aim to drive awareness on the importance of DE&I and engage employees across our communities through a variety of partnerships and outreach to identify opportunities for meaningful connection and support of local efforts.

Additionally, the charter for the Nominating and Governance Committee of our Board requires that such committee review and make recommendations regarding the composition and size of the Board to ensure the Board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds.

### **Where You Can Find More Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the internet at the SEC’s website at <http://www.sec.gov>. Our SEC filings are also available on our website, free of charge, at <http://investors.gates.com> as soon as reasonably practicable after they are filed with or furnished to the SEC.

We maintain an internet site at <http://www.gates.com>. We use our website as a channel of distribution of company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings and public conference calls, and webcasts. In addition, you may automatically receive email alerts and other information about Gates when you enroll your email address by visiting the “Investor Resources—Email Alerts” section of our website at [investors.gates.com/investor-resources](http://investors.gates.com/investor-resources). Our website and the information contained on or connected to that site are not incorporated into this report.

## Item 1A. Risk Factors

*The risk factors noted in this section, and other factors noted throughout this annual report, describe certain risks and uncertainties that could cause our actual results to differ materially from those contained in any forward-looking statement and should be considered carefully in evaluating our company and our business.*

*In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, financial condition and results of operations. We have implemented our Enterprise Risk Management ("ERM") process to identify and address significant risks. Our ERM process is a company-wide initiative that is designed with the intent of prioritizing risks and allocating appropriate resources to address such risks.*

*Management has identified and prioritized critical risks based on the severity and likelihood of each risk and assigned risk owners to address each major identified risk area and lead action plans to monitor and mitigate risks, where possible. Our Board provides oversight of the ERM process and regularly reviews identified critical risks. The Audit Committee of our Board also reviews major financial risk exposures and the steps management has taken to monitor and control them.*

*Our goal is to proactively manage risks in a structured approach and in conjunction with the strategic planning process, with the intent to preserve and enhance shareholder value. However, these and other risks and uncertainties could cause our results to vary materially from recent results or from our anticipated future results. The risk factors and uncertainties described below, together with information incorporated by reference or otherwise included elsewhere in this annual report, should be carefully considered.*

*Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business.*

### **Risks Related to Economic and Market Conditions**

***We are subject to economic, political and other risks associated with international operations that could adversely affect our business and our strategy to capitalize on our global reach.***

A substantial portion of our operations are conducted and located outside the U.S. For Fiscal 2023, approximately 63% of our net sales originated from outside of the U.S. We have manufacturing, sales and service facilities spanning five continents and sell to customers in over 130 countries. Moreover, a significant amount of our manufacturing functions and sources of our raw materials and components are from emerging markets such as China, India and Eastern Europe. Accordingly, our business and results of operations, as well as the business and results of operations of our vendors and customers, are subject to risks associated with doing business internationally, including:

- changing economic conditions in the global and regional end markets we serve, which could impact the level of demand for our products, as a portion of our revenues are derived from customers in cyclical industries that typically are adversely affected by downward economic cycles;
- macroeconomic factors beyond the Company's control, such as recent significant volatility around material and logistics availability, inflation, supply chain and labor challenges;
- political, social or economic instability, civil unrest, terrorist attacks, conflicts or war (such as the ongoing conflicts in Eastern Europe and the Middle East), public health crises (including pandemics), natural disasters (including as a result of climate change), widespread cybersecurity incidents, and other catastrophic events may disrupt economic activities (including demand for and production and distribution of our products) and our workforce in affected countries or globally;
- imposition of additional sanctions, tariffs or other trade restrictions or embargoes, as well as import and export licensing and control requirements;
- volatility of global financial markets, including interest rate fluctuations and hyperinflation or deflation in the countries in which we operate;
- exchange rate fluctuations, as well as currency restructurings, the imposition of currency restrictions, and limitations on repatriation of earnings, that could affect our ability to realize a profit or our ability to readily access global cash balances;
- partial or total expropriation by local, state or national governments;
- compliance with or effect of complying with complex and changing laws, regulations and policies of foreign governments, including differing and, in some cases, more stringent labor, sustainability (such as environmental, social, and governance ("ESG") related) and HSE regulations as well as limitations on our ability to enforce our legal rights and remedies;

- differing local product preferences and product requirements; and
- difficulties involved in staffing and managing widespread operations, including challenges in enforcing corporate policies, which may be different than the normal business practices of local cultures.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable. Certain regions, including Latin America, Asia, Eastern Europe, the Middle East and Africa, are generally more economically and politically volatile than the U.S. and as a result, our operations in these regions could be subject to more significant or frequent fluctuations in sales and operating income. Further, our industry has been impacted by the ongoing uncertainty surrounding tariffs and international trade relations, particularly with China, and it is difficult for us to predict the impact future trade measures will have on our business and operations in the future. Because a significant percentage of our operating income in recent years has come from these regions, adverse fluctuations in the operating results in these regions could have a material adverse impact on our results of operations in future periods.

While we have adopted certain operational and financial measures to reduce the risks associated with doing business internationally, such measures may not be successful and any one of the risks listed above may have a material adverse effect on our financial condition and results of operations.

***We may be unable to obtain raw materials or other manufacturing inputs at favorable prices in sufficient quantities, or at the time we require them.***

We purchase our energy, steel, aluminum, rubber-based materials, chemicals, polymers and other key manufacturing inputs from outside sources. We do not traditionally have long-term pricing contracts with raw material suppliers. The costs of these raw materials have been volatile historically and are influenced by factors that are outside of our control. In recent years, the prices and availability of energy, metal alloys, polymers and certain other of our raw materials have fluctuated significantly, exacerbated by inflation and global disruptions such as the Russia-Ukraine conflict. If we are unable to pass increases in the costs of our raw materials on to our customers on a timely basis or at all, maintain current pricing, or are otherwise unable to offset these cost increases, our operating margins and results of operations may be materially adversely affected.

Additionally, our businesses compete globally for raw materials and key production inputs. The availability of qualified suppliers and of key inputs may be disrupted by market disturbances or any number of geopolitical factors, including political unrest and significant weather events. Such disruptions may require additional capital or operating expenditures by us or force reductions in our production volumes. In the event of an industry-wide general shortage of certain raw materials or key inputs, or a shortage or discontinuation of certain raw materials or key inputs from one or more of our suppliers, we may not be able to arrange for alternative sources of certain raw materials or key inputs. Any such shortage may materially adversely affect our competitive position versus companies that are able to better or more cheaply source such raw materials or key inputs.

***We may experience adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key channel partners.***

Certain of our businesses sell a significant amount of their products to key channel partners, including distributors, which have valuable relationships with end users. Some of these channel partners may also sell our competitors' products, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these channel partners, or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business, financial condition and results of operations. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, such as destocking, can also significantly impact our results of operations in any given period. For example, customer stocking patterns in recent years have fluctuated due to changes in demand resulting from the COVID-19 pandemic and trade relations, which has impacted our results of operations. In addition, the consolidation of channel partners and customers in certain of our end markets could adversely impact our profitability.

## Risks Related to Our Business and Industry

***We are dependent on the continued operation of our manufacturing facilities, supply chains, distribution systems and information technology systems, and a major disruption or closure, including as a result of a catastrophic event, could have a material adverse effect on our business.***

If any of our manufacturing facilities, supply chains, distribution systems or technology systems were to experience a catastrophic loss or ongoing closure or disruption due to adverse weather or natural disasters (including as a result of climate change), labor unrest, public health crises such as pandemics, terrorist attacks or armed conflicts, cyberattacks, power loss, telecommunications failure, significant mechanical failure of our equipment or other catastrophic event or government responses thereto, it could adversely affect our employees, data centers or critical business of information technology systems, our ability to produce and distribute our products or conduct normal business operations, and our reputation and, ultimately, result in a potential loss of customers and sales or significantly increased operating costs, including large repair and replacement expenses. These risks could be exacerbated to the extent our disaster recovery plans do not adequately address the event. For example, the COVID-19 pandemic had adverse effects on our business, operating results, cash flows and/or financial condition, including due to the impact of: disruptions in service within our operations, among our key suppliers and supply chains, or other third parties; facility closures or disruptions; challenges in product delivery; and changes and challenges to our workforce, particularly in China.

The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against losses. Additionally, we have in the past and may in the future make investments in new or existing manufacturing facilities that could lead to disruption or closure, or to consolidate manufacturing facilities to adapt our production capacity to changing market conditions. The costs of such disruptions or closures may have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to accurately forecast demand or meet significant increases in demand for our products.***

Certain of our businesses operate with short lead times, and we order raw materials and supplies and plan production based on discussions with our customers and internal forecasts of demand. If we are unable to accurately forecast demand for our products, in terms of both volume and specific products, or react appropriately to abrupt changes in demand, we may experience delayed product shipments and customer dissatisfaction. If demand increases significantly from current levels, both we and our suppliers may have difficulty meeting such demand, particularly if such demand increases occur rapidly. Additionally, we may carry excess inventory if demand for our products decreases below projected levels. Failure to accurately forecast demand or meet significant increases in demand could have a material adverse impact on our business, financial condition and operating results.

***We have taken, and continue to take, cost-reduction and other restructuring actions that may expose us to additional risk and we may not be able to maintain the level of cost reductions that we have achieved.***

We have been implementing cost reduction and restructuring actions in all of our businesses and have discontinued product lines, consolidated or relocated manufacturing operations and reduced our employee population in some locations. The impact of these cost-reduction and restructuring actions on our sales and profitability may be influenced by many factors and we may not be able to maintain the level of cost savings that we have achieved. In connection with the implementation and maintenance of our cost reduction and restructuring measures, we may face delays in anticipated workforce reductions, a decline in employee morale and a potential inability to meet operational targets due to an inability to retain or recruit key employees.

***Our revenue growth may be dependent on market acceptance of new product introductions and product innovations.***

The markets in which we operate are subject to technological change. Our long-term operating results depend upon our ability to continually develop, introduce, and market new and innovative products, to modify existing products, to respond to technological change, and to customize certain products to meet customer requirements and evolving sustainability and industry standards. The development of new product introductions and product innovations may require significant investment by us. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. For example, the increased adoption of electric vehicles may result in application requirements that are not supported by our current technologies. If we are unable to adapt to these changes, our business and results of operations may be adversely affected.



***Longer lives of parts used in our end markets may adversely affect demand for some of our replacement products.***

The average useful life of certain parts used in our end markets has increased in recent years due to innovations in technologies and manufacturing processes. Extending the life or durability of these parts may allow end users to replace parts less often depending on operating conditions. As a result, a portion of our sales in replacement markets may be displaced. If this trend continues, it could adversely impact our replacement market sales.

***Competition in the replacement market in emerging markets may limit our ability to grow in those markets.***

In emerging markets such as China, India, and Eastern Europe, the replacement markets are still nascent as compared to those in more developed nations. In these markets, we have focused on establishing brand visibility, including by building a first-fit presence in the end markets we serve. However, as the replacement markets in these regions grow, our products may not be selected as the replacement product based on local market requirements and other competitive factors, and there may be a material adverse effect on our replacement end market growth potential in these emerging markets.

***We may pursue strategic transactions, including acquisitions, divestitures, joint ventures, strategic alliances or investments, which could create risks and present unforeseen integration obstacles or costs.***

We consider strategic transactions on an ongoing basis, and regularly discuss potential acquisitions of complementary businesses or assets to expand our product portfolio and geographic presence, certain of which may be material. Strategic transactions, particularly investments in emerging markets, involve legal, economic, operational and political risks. We also encounter risks in the selection of appropriate investment and disposal targets, negotiation and execution of transactions, and integration of acquired businesses or assets.

Our efforts to integrate acquired businesses or assets could be affected by a number of factors beyond our control, such as general economic conditions and increased competition. In addition, the process of integrating these businesses or assets could cause the interruption of, or loss of momentum in, the activities of our existing business, diversion of management's attention, disruption as a result of infrastructure and information technology conversions, and other challenges, such as difficulty integrating key personnel and retaining customers and suppliers.

Pursuing strategic transactions could involve the use of a substantial amount of cash, assumption of liabilities and indemnification obligations, costly regulatory requirements, incurrence of a substantial amount of debt or issuance of a substantial amount of equity, and we may not be able to recoup our investment or achieve the synergies and economic benefits that we anticipated. Failure to successfully identify, consummate or integrate strategic transactions in a timely and cost-effective manner could have a material adverse effect on our business, financial condition and results of operation.

***We have investments in joint ventures that limit our ability to manage third-party risks associated with these ventures.***

We have investments in joint ventures that may involve risks such as the possibility that a co-venturer in an investment might become bankrupt, be unable to meet its capital contribution obligations, have economic or business interests or goals that are inconsistent with our business interests or goals, or take actions that are contrary to our instructions or to applicable laws and regulations. Actions by a co-venturer or other third party could expose us to claims for damages, financial penalties and reputational harm, any of which could adversely affect our business and operations. In addition, we may agree to guarantee indebtedness incurred by a joint venture or provide standard indemnifications to lenders for loss liability or damage occurring as a result of our actions or actions of the joint venture. Such a guarantee or indemnity may be on a joint and several basis with a co-venturer, in which case we may be liable in the event that our co-venturer defaults on its guarantee obligation. The non-performance of a co-venturer's obligations may cause losses to us in excess of the capital we have invested or committed. Although our joint ventures may generate positive cash flow, in some cases we may choose to leave cash in the joint venture rather than distribute it, either to support future investments within the joint venture or because it may be costly to distribute.

***The loss or financial instability of any significant customer or customers could adversely affect our business.***

A substantial part of our business is concentrated with a few customers, and we have certain customers that are significant to our business. During Fiscal 2023, our top ten customers accounted for approximately 23% of our consolidated net sales and accounted for approximately 27% of our trade accounts receivable balance as of December 30, 2023, and our largest customer accounted for approximately 4% and 13% of our Fiscal 2023 consolidated net sales and trade accounts receivable balance as of December 30, 2023, respectively. The loss of one or more of these customers or other major customers, a deterioration in our relationship with any of them,

or their failure to pay amounts due to us could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our contracted backlog is comprised of future orders for our products from a broad number of customers. Defaults by any of the customers that have placed significant orders with us could have a significant adverse effect on our net sales, profitability and cash flow. Our customers may in the future default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons deriving from the general economic environment or circumstances affecting those customers in particular. If a customer defaults on its obligations to us, it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

***Societal responses to sustainability issues, including those related to climate change, could adversely affect our business and performance, including indirectly through impacts on our customers and value chain partners.***

Concerns over sustainability issues, including ESG issues and the impacts of climate change, have led and will continue to lead to governmental, private, and consumer efforts around the world to reduce or mitigate those issues. We and our customers and suppliers will need to respond to new laws and regulations as well as changes in consumer and customer behaviors, which could add substantial costs to our operations and those of our customers and partners. We may also experience a drop in demand for our products and services, particularly in certain sectors. We expect the impact on our customers to vary depending on their specific attributes, including reliance on or role in carbon-intensive activities. There is also a risk that we are unable to meet our sustainability objectives or the increasing expectations of our customers, employees, shareholders, and other stakeholders. In addition, our efforts to mitigate these risks, including by investing in sustainability initiatives, may not be successful in achieving their desired outcomes, which may include cost savings.

***We may not be able to maintain and enhance our strong brand on which we depend.***

Our brand has worldwide recognition and our success may be linked to our ability to maintain and enhance our brand image and reputation. In particular, we believe that maintaining and enhancing the Gates brand is critical to maintaining and expanding our customer base. Maintaining, promoting and enhancing our brand may require us to make substantial investments in areas such as product innovation, product quality, intellectual property protection, marketing and employee training, and these investments may not have the desired impact on our brand image and reputation. Moreover, sustainability topics and activities have been the subject of increased focus by certain of our stakeholders and regulators. Our business could be adversely impacted if we fail to achieve any of these objectives or if the reputation or image of our brand is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. If we are unable to maintain or enhance the image of our brand, it could materially adversely affect our business, financial condition and results of operations.

***Pricing pressures from our customers may materially adversely affect our business.***

We generate strong margins by selling premium products at premium prices. Accordingly, our margins could suffer if our customers are no longer willing to pay a premium for our product and service offerings. We continue to face pricing pressure from our customers in the automotive first-fit end market as well as other end markets. Virtually all vehicle manufacturers seek price reductions in both the initial bidding process and during the term of the award. If we are not able to offset price reductions through improved operating efficiencies, reduced expenditures, or new product introductions, those price reductions may have a material adverse effect on our results of operations.

## **Risks Related to Cybersecurity and Information Systems**

***Cyber-security vulnerabilities, threats and more sophisticated and targeted computer crimes could pose a risk to our systems, networks, products, solutions, services and data.***

Increased global cyber security vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks (such as the recent increasing use of “ransomware” and phishing attacks), as well as cyber-security failures resulting from human error, catastrophic events (such as fires, floods, hurricanes and tornadoes), and technological errors, pose a risk to our systems (including third-party systems utilized by us), products and data as well as potentially to our employees', customers', partners', suppliers' and third-party service providers' systems and data. An attack on our systems or those of certain of our vendors could result in security breaches, theft, lost or corrupted data, misappropriation of sensitive, confidential or personal data or information, loss of trade secrets and commercially valuable information, production downtimes and operational disruptions. We defend against attempted

cyber-attacks in the normal course of our business. For example, in February 2023, we experienced a malware attack that temporarily disrupted our normal business operations, including some disruption to sales, and resulted in additional costs of \$5.2 million in Fiscal 2023. We attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, but we remain potentially vulnerable to additional known or unknown threats. There is no assurance the financial or operational impact from such threats will not be material.

***Information systems failure may disrupt our business and result in financial loss and liability to our customers.***

We rely on information technology networks and systems, including the cloud-computing and third-party service providers, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. These information technology networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, malware and other vulnerabilities. If these information technology systems suffer severe damage or disruption and the issues are not resolved in a timely manner, our business, financial condition and operations could be materially adversely affected.

***Global privacy, data protection and data security requirements are highly complex, evolving rapidly, and may increase our costs to comply.***

To conduct our operations, we regularly move data across national borders, and consequently we are subject to a variety of continuously evolving and developing laws and regulations in the U.S. and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to us is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the General Data Protection Regulation (“GDPR”) adopted by the European Union (“EU”) greatly increased the jurisdictional reach of EU law and added a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, and many other countries and several states in the U.S. have proposed or adopted similar legislation. Other countries such as China, India, Thailand, Brazil and Argentina have enacted or are enacting data localization and privacy laws that require data to stay within their borders, as well as requiring that data subjects provide clear and concise consent on how collected data will be utilized. These evolving compliance and operational requirements impose significant costs that are likely to increase over time as the breadth and complexity of regulations continues to evolve internationally. We continue to monitor these developments and adjust our data handling practice in accordance with applicable law.

**Risks Related to Legal and Regulatory Matters**

***Existing or new laws and regulations, including but not limited to those relating to HSE and sustainability matters, may prohibit, burden, restrict or make significantly more costly the sale of our products and the operation of our business.***

Our operations, products and properties are subject to extensive foreign, federal, state, local and provincial laws and regulations relating to HSE and sustainability matters around the world. HSE and sustainability laws vary by jurisdiction but generally govern air emissions, wastewater discharges, material handling and transportation, waste management and disposal, product stewardship, toxicity and hazardous substances, and workplace health and safety, as well as the investigation and clean-up of contaminated sites. Failure to comply with such laws and regulations could have significant consequences on our business and operations, including the imposition of substantial fines and sanctions for violations, injunctive relief (including requirements that we limit or cease operations at affected facilities), and negative publicity.

HSE and sustainability related laws and regulations have become increasingly stringent and new laws and regulations or stricter interpretation or enforcement of existing laws and regulations could adversely affect our business, financial condition and results of our operations and product demand. This includes increasing legal requirements and global efforts to control emissions of carbon dioxide, methane, fluorinated and other GHGs in an effort to minimize the effect on climate change, which have the potential to influence the price of the energy and raw materials we purchase. For example, the enactment of the EU’s Carbon Border Adjustment Mechanism could increase the cost of materials we need for production in the EU or reduce the demand for our products manufactured for the EU market. GHG regulations and carbon taxes could also impact oil and gas production, a key demand driver of our industrial end markets, and reduce demand for our products by driving down the use of fossil fuels. The evolution of laws to restrict specific chemical substances in our products or impose labeling and other requirements, such as the EU’s Registration, Evaluation, Authorization, and Restriction of Chemical Substances (“REACH”) Regulation, and rising global concerns around microplastics, extended producer responsibility, plastic packaging or hazardous chemicals such as per-and polyfluoroalkyl substances (“PFAS”) could result in significant costs to us or limit our access to certain markets.

We have incurred, and will continue to incur, both operating and capital costs to comply with HSE, sustainability related and other laws and regulations, including costs associated with the investigation and clean-up of some of our current and former properties and offsite disposal locations. As the present and former operator of industrial properties that use and generate hazardous materials, we could be subject to additional liability for environmental contamination in the future, regardless of whether we caused such contamination.

Additionally, most U.S. states have passed laws that regulate or limit the use of aftermarket products in certain types of repair work. These laws include requirements relating to consumer disclosure, owner's consent regarding the use of aftermarket products in the repair process, and the requirement to have aftermarket products certified by an independent testing organization. Additional legislation of this kind may be introduced in the future. If additional laws prohibiting or restricting the use of aftermarket products are passed, it could have an adverse impact on our aftermarket products business.

Certain organizations test the quality and safety of vehicle replacement products. If these organizations decide not to test a particular vehicle product, or in the event that such organizations decide that a particular vehicle product does not meet applicable quality or safety standards, we may incur additional costs to meet such standards or experience a decrease in sales of such products, including as a result of a decision to discontinue sales of such product or insurance companies deciding to discontinue authorization of repairs using such product. Such events could adversely affect our business.

We are also subject to new and proposed rules and regulations of a number of governmental and self-regulatory bodies and organizations, such as the SEC, the NYSE, the EU, and the U.K. government, that require increased public disclosure of data related to sustainability issues and mandate additional requirements for sustainability related marketing claims. In addition, customers, investors, employees and other stakeholders are increasingly focused on sustainability matters and related disclosures and marketing claims. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention to comply with or meet those regulations and expectations. For example, we expect measuring and reporting information and metrics in compliance with the EU's recently enacted Corporate Sustainability Reporting Directive to be costly, difficult and time consuming. Our sustainability initiatives and goals could be difficult and expensive to implement, and we could be criticized for or subject to litigation related to the accuracy, adequacy, consistency or completeness of our sustainability disclosures and marketing claims or the scope or nature of our initiatives or goals or revisions thereto. Further, statements about our sustainability initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. If our sustainability related data, claims, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our sustainability goals on a timely basis, or at all, our reputation and financial results could be adversely affected and we could be exposed to litigation.

***We are subject to anti-corruption laws in various jurisdictions, as well as other laws governing our international operations. If we fail to comply with these laws we could be subject to civil or criminal penalties, other remedial measures, and legal expenses.***

Our operations are subject to one or more anti-corruption laws in various jurisdictions, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.K. Bribery Act of 2010, and other anti-corruption laws that generally prohibit employees and intermediaries from making improper payments for the purpose of obtaining or retaining business or gaining some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential anti-corruption violations, and we participate in joint ventures and relationships with third parties whose actions could potentially subject us to liability under anti-corruption laws. We are subject to other laws and regulations governing our operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Assets Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations, and transfer pricing regulations (collectively, "Trade Control Laws"). We are also subject to U.K. corporate criminal laws governing the failure to prevent the facilitation of tax evasion pursuant to the Criminal Finances Act 2017 ("Criminal Finances Act").

We have instituted policies, procedures and ongoing training of employees with regard to business ethics, designed to ensure that we and our employees comply with anti-corruption laws, Trade Control Laws and the Criminal Finances Act. However, there is no assurance that our efforts have been and will be effective in ensuring that we will comply with all applicable anti-corruption laws or other legal requirements. If we are subject to an investigation of a potential violation or are found not in compliance with anti-corruption laws, Trade Control Laws or the Criminal Finances Act, we may incur legal expenses and experience reputational harm, and could be subject to criminal and civil penalties and sanctions that could have a material adverse impact on our business, financial condition, and results of operations.

***We may be subject to recalls or product liability claims, or may incur costs related to product warranties, which could have a material adverse impact on our business, financial condition, and results of operations.***

Meeting or exceeding many government-mandated product safety and stewardship standards is costly and requires manufacturers to remedy defects, including through recall campaigns if the products do not comply with HSE standards. If we, our customers or government regulators determine that a product is defective or does not comply with such standards prior to the start of production, the launch of a product could be delayed until such defect is remedied. The costs associated with any protracted delay of a product launch or a recall campaign to remedy defects in products that have been sold could be substantial.

We face an inherent risk of product liability claims if an alleged product failure results in a claim for injury or loss. The likelihood of receiving defective materials and related product failure and resulting liability claims may increase due changes in our supplier network, such as low-cost country sourcing. Litigation is inherently unpredictable and these claims, regardless of their outcome, may be costly, divert management attention and adversely affect our reputation. Although we have liability insurance, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or will be adequate. In addition, even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

From time to time, we receive product warranty claims from our customers, pursuant to which we may be required to bear costs of repair or replacement of certain of our products. Vehicle manufacturers are increasingly requiring their outside suppliers to participate in the warranty of their products and to be responsible for the operation of these component products in new vehicles sold to consumers. Warranty claims may range from individual customer claims to full recalls of all products in the field. In some cases, these claims could have a material adverse effect on our business.

***Failure to develop, obtain, adequately protect or enforce our intellectual property rights could adversely affect our business, and third parties could allege that our products infringe on their intellectual property rights, adversely affecting our business.***

Our success depends on our ability to develop technologies and inventions used in our products and to brand such products to obtain intellectual property rights and to protect and enforce such intellectual property rights worldwide. In this regard, we rely on U.S. and foreign patent, trademark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions; however, procuring, enforcing, and defending patents on our products in all jurisdictions throughout the world would be prohibitively expensive, and the laws of certain foreign countries may not protect or allow enforcement of intellectual property rights to the same extent as the laws of the U.S.

Even if we obtain patents or other intellectual property rights in our new technologies and inventions, the scope of such rights may not be sufficiently broad to afford us any significant commercial advantage over our competitors. In addition, the technologies and inventions developed by our engineers in the future may not prove to be as valuable as those of competitors, or competitors may develop similar or identical technologies and inventions independently of us and before we do.

Competitors and other third parties may challenge the ownership, validity, and/or enforceability of our patents or other intellectual property rights. Competitors may also use our technologies in jurisdictions where we do not pursue and obtain patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but where the ability to enforce our patent rights is not as strong as in the U.S. These products may compete with our products, and our intellectual property rights may not be effective or sufficient to prevent such competition.

Further, our efforts to enforce our intellectual property rights against infringers may not prove successful and will generally be time consuming and expensive. Successful assertion of our intellectual property rights depends on the judicial strength and willingness of the issuing jurisdictions to enact and enforce sufficient intellectual property laws. To the extent we assert our intellectual property rights against third parties, adequate remedies may not be available. If we are unsuccessful in challenging such products on the basis of patent, trademark or other intellectual property misappropriation, continued sales of such imitating products may adversely affect



our market share and impact customer perceptions and demand for our products. For example, although we routinely conduct anti-counterfeiting activities in multiple jurisdictions, we have encountered counterfeit reproductions of our products that infringe on our intellectual property rights. We expect pirates to continue counterfeiting certain of our products using our trademarks, which has led to, and will likely continue to cause, loss of sales. It is difficult to police such counterfeiting, particularly on a worldwide basis, and the actions we take to stop such counterfeiting and to establish trademarks and other intellectual property rights may not be adequate to prevent such counterfeiting activities by others. Conversely, third parties may assert infringement or other misappropriation claims against us based on their patents, trademarks or other intellectual property rights. For example, first-fit manufacturers continue to seek and obtain utility and design patents to support claims of intellectual property infringement against manufacturers and distributors of aftermarket products in efforts to restrict or eliminate the sale of aftermarket products.

Any claim relating to intellectual property infringement that is successfully asserted against us may require us to pay substantial damages, including treble damages (if we are found to be willfully infringing another party's patents) for past use of the asserted intellectual property, and royalties and other consideration going forward if we are forced to take a license. In addition, if any such claim were successfully asserted against us, we could be restricted or prohibited from manufacturing, selling or otherwise commercializing certain of our products, product candidates or other technology. Even if infringement claims against us are without merit, we will likely incur significant expenses investigating and defending such claims and, even if we prevail, may divert management attention from other business concerns.

In addition, certification by independent organizations of certain of our aftermarket products may be revoked or adversely affected by first-fit manufacturer claims. Lack of certification may negatively impact us because many major insurance companies recommend or require the use of aftermarket products only if they have been certified by an independent certifying organization.

***We are subject to risks from litigation, legal and regulatory proceedings and obligations, and our insurance may not provide coverage or may not fully cover future losses we may incur related to these proceedings and obligations or otherwise.***

We face an inherent business risk of exposure to various types of claims, lawsuits and proceedings. We may be involved in tax, intellectual property, product liability, product warranty, environmental and antitrust claims and lawsuits, and other legal, antitrust and regulatory proceedings arising in the ordinary course of our business. Although it is not possible to predict with certainty the outcome of every claim, lawsuit or proceeding and the range of probable loss, we believe these claims, lawsuits and proceedings will not individually or in the aggregate have a material impact on our results. However, we could, in the future, be subject to various claims, lawsuits and proceedings, and we may incur judgments or enter into settlements of lawsuits and proceedings that are not covered or not sufficiently covered by insurance. Further, the insurance we carry may not be adequate to protect against unforeseen and damaging events, such as work stoppages and damage to facilities, equipment or reputation. We supply products to industries that are subject to inherent risks, including equipment defects, malfunctions and failures, and natural disasters (including as a result of climate change), which could expose us to liability. These exposures could have a material adverse effect on our business, financial condition and results of operations.

## **Risks Related to Human Capital Management**

***If we lose our senior management or key personnel, our business may be materially and adversely affected.***

The success of our business is largely dependent on our senior management team, as well as on our ability to attract and retain other qualified key personnel. In addition, there continues to be significant demand in our industry for skilled workers. It cannot be assured that we will be able to retain all our current senior management personnel and attract and retain other necessary personnel, including skilled workers, necessary for the development of our business. Further, in the event we do lose key personnel, the success of our business may depend on whether we have appropriate succession plans in place and can implement such plans to identify and integrate new personnel. The loss of the services of senior management and other key personnel or the failure to attract additional personnel and implement succession plans as required could have a material adverse effect on our business, financial condition and results of operations.

***We may be materially adversely impacted by work stoppages and other labor matters, including labor shortages and turnover.***

Labor is a primary component of operating our business. As of December 30, 2023, we had approximately 14,700 full time employees worldwide. Certain of our employees are represented by various unions under collective bargaining agreements, or by various regional works councils. While we have no reason to believe that we will be impacted by work stoppages and other labor matters, we cannot ensure that future issues with our labor unions or works councils, or with the labor unions of our customers and vendors will be resolved favorably or that we will not encounter future strikes, work stoppages, or other types of labor conflicts. Increased unionization, new labor legislation or changes in regulations could disrupt our operations, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies. Additionally, we have experienced, and may continue to experience, labor shortages, turnover and increased labor costs due to general macroeconomic factors. Any of these factors may have a materially adverse effect on us or may limit our flexibility in managing our workforce.

***Certain of our defined benefit pension plans are underfunded, and additional cash contributions may be required.***

Certain of our employees in the U.S., the U.K., Canada, Mexico, Germany and Japan are participants in defined benefit pension plans which we sponsor and/or to which we have contribution obligations. As of December 30, 2023, the net pension obligation of our underfunded defined benefit pension plans globally was \$61.7 million on a Topic 715 “Compensation-Retirement Benefits” basis. The amount of our contributions to our underfunded plans will depend upon asset returns, funding assumptions, regulatory requirements and a number of other factors and, as a result, the amount we may be required to contribute to such plans in the future may vary. Such cash contributions to the plans will reduce the cash available for our business such as the payment of interest expense on our notes or our other indebtedness.

**Risks Related to Tax Matters**

***Changes in our effective tax rate or additional tax liabilities could adversely impact our net income.***

We are subject to income taxes as well as non-income based taxes in the U.K., the U.S. and various other jurisdictions in which we operate. The laws and regulations in these jurisdictions are inherently complex and the Company and its subsidiaries will be obliged to make judgments and interpretations about the application of these laws and regulations to the Company and its subsidiaries and their operations and businesses, including those related to any restructuring of intercompany operations, holdings or financings; the valuation of intercompany services; cross-border payments between affiliated companies; and the related effects on income tax, value added tax (“VAT”) and transfer tax. Further, our tax liabilities could be adversely affected by numerous other factors, including income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred income tax assets and liabilities, and changes in tax laws and regulations. We are regularly under audit by taxing authorities in certain of the jurisdictions in which we operate. Although we believe our tax estimates are reasonable, including our estimates of reserves for unrecognized tax benefits related to the implementation of our European corporate center in 2019, any changes in our judgments and interpretation of tax laws or any material differences as a result of the audits could result in unfavorable tax adjustments that have an adverse effect on our overall tax liability.

***Changes in tax laws could result in additional tax liabilities.***

Changes in tax laws can and do occur. Changes to tax laws may require the Company to make significant judgment in determining the appropriate provision and related accruals for these taxes; and, as a result, such changes could result in substantially higher taxes and a significant adverse effect on our results of operations, financial conditions and liquidity. In addition, the Organization for Economic Co-operation and Development (“OECD”), which represents a coalition of member countries, has recommended fundamental tax reforms affecting the taxation of multinational corporations, including the Base Erosion and Profit Shifting project, which in part aims to address international corporate tax avoidance. Countries have already enacted significant measures in this regard. The OECD has undertaken another project to address the tax challenges of the digitization of the economy. Further work is currently being undertaken by the OECD on its proposal to reform international allocation of taxing rights by allocating a greater share of taxing rights to countries where consumers are located, regardless of the physical presence of a business (“Pillar One”), and to implement a global minimum tax (“Pillar Two”). In December 2021, the OECD published its Pillar Two model rules and, in December 2022, the E.U. Commission adopted a Directive to implement Pillar Two in the E.U. and required all 27 EU member states to adopt local legislation during 2023 to implement Pillar Two rules, which are to apply in respect of the fiscal years beginning from December 31, 2023. The U.K. has implemented certain elements of the Pillar Two proposal with effect in relation to accounting periods commencing on or after December 31, 2023, and during 2023 the U.K. released draft legislation to (i) implement further elements of the OECD agreed Pillar Two model rules in the U.K. and (ii) make proposed amendments to the Pillar Two rules

that have already been implemented. All sets of proposals are subject to exemptions and exclusions. Pillar One is generally intended to apply only to entities that are members of a consolidated group with an annual global turnover of at least €20 billion and profitability exceeding 10%, and Pillar Two is generally intended to apply only to entities that are members of a consolidated group with an annual revenue of at least €750 million. However, the details of the proposals are complex and are subject to significant uncertainty, and consultation in respect of certain aspects of the proposals is ongoing. While the impact on the Company will need to be determined by reference to the final rules, we do not currently anticipate a material impact.

Additionally, the U.K.'s withdrawal from the E.U. has resulted in changes (which are ongoing) to the interpretation and application of tax laws and which overall could lead to significant changes in the U.K. tax burden of the Company. Specifically, the group can no longer benefit from certain EU Directives when repatriating cash or paying interest to U.K. companies. This may lead to increased tax costs when paying dividends and interest intra-group.

Other developments to the tax regime in the U.K., the U.S. or in other countries in which we operate could materially affect our tax burden and/or have a negative impact on our ability to compete in the global marketplace.

***Relevant tax authorities may no longer treat us as being exclusively a resident of the U.K. for tax purposes.***

We are a company incorporated in the U.K. Current U.K. tax law provides that we will be regarded as being U.K. resident for tax purposes from incorporation and shall remain so unless (i) we are concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) that has a double tax treaty with the U.K., and (ii) there is a tiebreaker provision in that tax treaty which allocates exclusive residence to that other jurisdiction. Based upon our management and organizational structure, we believe that we should be regarded solely as resident in the U.K. from our incorporation for tax purposes. However, because this analysis is highly factual and may depend on future changes in our management and organizational structure, there can be no assurance regarding the final determination of our tax residence. Not being treated exclusively as a resident of the U.K. for tax purposes could result in adverse tax consequences to us.

## **Risks Related to Our Indebtedness**

***Our substantial leverage and subsidiary structure could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy, or our industry or our ability to pay our debts, and could divert our cash flow from operations to debt payments.***

As of December 30, 2023, the total principal amount of our debt was \$2,471.9 million. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

If we incur substantial additional debt, from time to time, the risks related to our high level of debt could increase.

We are a holding company, and our consolidated assets are owned by, and our business is conducted through, our subsidiaries. Earnings from these subsidiaries are our primary source of funds for debt payments and operating expenses. If our subsidiaries are restricted from making distributions, our ability to meet our debt service obligations or otherwise fund our operations may be impaired. Moreover, there may be restrictions on payments by subsidiaries to their parent companies under applicable laws, including laws that require companies to maintain minimum amounts of capital and to make payments to shareholders only from profits. As a result, although a subsidiary of ours may have cash, we may not be able to obtain that cash to satisfy our obligation to service our outstanding debt or fund our operations.

***Despite our current level of indebtedness, we may be able to incur substantially more debt and enter into other transactions which could further exacerbate the risks to our financial condition described above.***

We may be able to incur significant additional indebtedness in the future to finance working capital, capital expenditures, investments, acquisitions, or for other purposes. Although certain of the agreements governing our existing indebtedness contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. Additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our debt instruments. To the extent new debt is added to our current debt levels, the substantial leverage risks described in the immediately preceding risk factor would increase.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.***

While interest rates had remained at historically low levels in past years, the Federal Reserve Board increased the federal funds rate in 2022 and 2023 and could increase rates in the future. As a result, interest rates on our credit facility or other variable rate debt could be higher or lower than current levels. As of December 30, 2023, after taking into account our interest rate derivatives, \$648.9 million (equivalent), or 26.3%, of our outstanding debt had variable interest rates. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

***Certain of our debt agreements impose significant operating and financial restrictions on our subsidiaries and us that could prevent us from capitalizing on business opportunities.***

The credit agreements that govern our senior secured term loan facilities and the indenture that governs our notes impose significant operating and financial restrictions on our subsidiaries. These restrictions limit the ability of certain of our subsidiaries to, among other things: incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; merge or consolidate; or transfer or sell assets.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include similar or more restrictive covenants. We cannot ensure that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants.

Our failure to comply with the restrictive covenants described above as well as other terms of our other indebtedness or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our results of operations and financial condition could be adversely affected.

***Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our results of operations and our financial condition.***

If there is an event of default under any of the agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flows would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments.

## **Risks Related to the Ownership of our Ordinary Shares**

### ***Our Sponsor has significant influence over us and its interests may conflict with ours in the future.***

Our Sponsor beneficially owned approximately 36% of our outstanding ordinary shares as of December 30, 2023. Moreover, under our articles of association (the “Articles”) and our shareholders agreement with our Sponsor, for so long as our Sponsor and its affiliates retain significant ownership of us, such Sponsor will be able to significantly influence the composition of our Board and the approval of actions requiring shareholder approval through their voting power. Accordingly, for such period of time, our Sponsor will have significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers. In particular, for so long as our Sponsor continues to own a significant percentage of our ordinary shares, such Sponsor may be able to prevent a change of control of our company or a change in the composition of our Board and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive other shareholders of an opportunity to receive a premium for ordinary shares as part of a sale of our company and ultimately might affect the market price of our ordinary shares.

Our Sponsor engages in a broad spectrum of activities. In the ordinary course of its business activities, our Sponsor may engage in activities where its interests conflict with our interests or those of our shareholders. Our shareholders’ agreement provides that neither our Sponsor nor any of its affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Our Sponsor also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, our Sponsor may have an interest in our pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to us and our shareholders.

### ***Because we have no current plans to pay dividends on our ordinary shares, our shareholders may not receive any return on their investments unless they sell their ordinary shares for a price greater than that which they paid.***

We have no current plans to pay dividends on our ordinary shares. The declaration, amount and payment of any future dividends on our ordinary shares will be at the sole discretion of our Board. Our Board may take into account general economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our shareholders or by our subsidiaries to us, and such other factors as our Board may deem relevant. In addition, our ability to pay dividends is limited by our senior secured credit facilities and notes and may be limited by covenants of other indebtedness we or our subsidiaries incur in the future. As a result, our shareholders may not receive any return on an investment in our ordinary shares unless such shares are sold for a price greater than that which was paid for them.

### ***Our shareholders may be diluted by the future issuance of additional ordinary shares in connection with our incentive plans, acquisitions or otherwise.***

Our shareholders adopted a resolution authorizing our Board to allot our ordinary shares and to grant rights to subscribe for or convert any security into such shares for the consideration and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. Additionally, we have reserved 19.0 million ordinary shares for issuance under our Omnibus Incentive Plan, including 8.2 million shares available for grant as of December 30, 2023. Any ordinary shares that we issue, including under our Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the holders of our ordinary shares.

### ***Future issuances of ordinary shares by us, and the availability for resale of shares held by our Sponsor, may cause the market price of our ordinary shares to decline.***

Sales of a substantial number of our ordinary shares in the public market, or the perception that these sales could occur, could substantially decrease the market price of our ordinary shares.

Pursuant to a registration rights agreement, we granted our Sponsor the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act covering resales of our ordinary shares held by them or to participate in future registration of securities by us. In Fiscal 2022, we filed an automatically effective shelf registration statement on Form S-3 that, among other things, registers (i) an indeterminate amount of securities we may issue in the future, and (ii) the resale of 178,587,591 outstanding ordinary shares held by our Sponsor. Shares held by our Sponsor also may be sold pursuant to Rule 144 under the Securities Act subject to certain volume, manner of sale, and other limitations. In Fiscal 2023, our Sponsor sold an aggregate of approximately 82.3 million of our ordinary shares, including approximately 21.9 million ordinary shares repurchased by us. The market price of our ordinary shares declined immediately after the announcement of these sales and could drop significantly in the



future if we or our Sponsor sell additional shares or are perceived by the market as intending to sell them. In addition, our Sponsor has pledged, hypothecated or granted security interests in substantially all of the ordinary shares held by it pursuant to a margin loan agreement and any foreclosure upon those shares could result in sales of a substantial number of ordinary shares in the public market, which could substantially decrease the market price of our ordinary shares.

***We may issue a new class or classes of shares whose terms could adversely affect the voting power or value of our ordinary shares.***

Our articles of association, as amended, authorize us to issue, subject to the limit therein on the authority of our Board to allot new shares of the Company, without the approval of the holders of our ordinary shares, a new class or classes of shares, including preference shares, with nominal value in any currency. Such shares may be issued with, or have attached to them, such powers, designations, preferences, voting rights, rights and terms of redemption, and relative participating, optional or other special rights and qualifications, limitations and restrictions as the Board may determine, including rights to (a) receive dividends (which may include rights to receive preferential or cumulative dividends), (b) distributions made on a winding up of the Company, and (c) be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of shares, at such price or prices (subject to the Companies Act 2006 (“Companies Act”)) or at such rates of exchange and with such adjustments as may be determined by our Board.

The terms of one or more classes of shares could adversely impact the voting power of our ordinary shares. For example, we might grant holders of a new class of shares the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to a new class of shares could affect the residual value of our ordinary shares.

***U.S. investors may have difficulty enforcing civil liabilities against our Company, our directors or members of our senior management.***

There is doubt as to whether English courts would enforce certain civil liabilities under U.S. securities laws in original actions or in judgments of U.S. courts based upon these civil liability provisions. In addition, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in the U.K. An award for monetary damages under the U.S. securities laws would be considered punitive if it does not seek to compensate the claimant for loss or damage suffered and is intended to punish the defendant. The enforceability of any judgment in the U.K. will depend on the particular facts of the case as well as the laws and treaties in effect at the time. The U.S. and the U.K. do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

***The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.***

We are incorporated under English law. The rights of holders of our ordinary shares are governed by English law, including the provisions of the Companies Act, and by our Articles. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations.

The U.K. City Code on Takeovers and Mergers (the “Takeover Code”) applies, among other things, to an offer for a public company whose registered office is in the U.K. and whose securities are not admitted to trading on a regulated market in the U.K. if the company is considered by the Panel on Takeovers and Mergers (the “Takeover Panel”) to have its place of central management and control in the U.K. This is known as the “residency test.” Under the Takeover Code, the Takeover Panel will determine whether we have our place of central management and control in the U.K. by looking at various factors, including the structure of our Board, the functions of the directors and where they are resident. If at the time of a takeover offer, the Takeover Panel determines that we have our place of central management and control in the U.K., we would be subject to a number of rules and restrictions, including but not limited to the following: (i) our ability to enter into deal protection arrangements with a bidder would be extremely limited; (ii) we might not, without the approval of our shareholders, be able to perform certain actions that could have the effect of frustrating an offer, such as issuing shares or carrying out acquisitions or disposals; and (iii) we would be obliged to provide equality of information to all bona fide competing bidders. Our Sponsor has an interest in over 30% of our voting share capital, and therefore, if the Takeover Panel were to determine that we were subject to the Takeover Code, our Sponsor would be able to increase its aggregate holding in us without triggering the requirement under Rule 9 of the Takeover Code to make a cash offer for the outstanding shares in the issuer. The Takeover Panel previously confirmed to our representatives that, on the basis of our Board, it does not consider the Takeover Code to apply to the Company, although that position is subject to change if our place of central management and control is subsequently found to move to the U.K.

***Our Articles provide that the courts of England and Wales have exclusive jurisdiction to determine shareholder and derivative disputes, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, former directors, officers or employees.***

Our Articles provide that the courts of England and Wales have exclusive jurisdiction to determine any dispute brought by a shareholder in that shareholder's capacity as such, or related to or connected with any derivative claim in respect of a cause of action vested in the Company or seeking relief on behalf of the Company, against the Company and/or the Board and/or any of the directors, former directors, officers or other employees individually, arising out of or in connection with these Articles or (to the maximum extent permitted by applicable law) otherwise. This choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that the shareholder believes is favorable for disputes with us or our directors, former directors, officers or other employees, which may discourage lawsuits against us and our directors, former directors, officers and employees. The rights of stockholders under Delaware law and shareholders under English law in relation to the bringing of shareholder suits differ in several significant respects. Any person or entity purchasing or otherwise acquiring or holding any interest in our ordinary shares shall be deemed to have notice of and to have consented to the provisions of our governing documents described above, as they may be amended from time to time.

***Transfers of our shares outside DTC may be subject to stamp duty or stamp duty reserve tax in the U.K., which would increase the cost of dealing in our shares.***

We strongly encourage investors to hold ordinary shares in book-entry form through the facilities of The Depository Trust Company ("DTC") as transfers outside of DTC may be subject to U.K. stamp duty or stamp duty reserve tax ("SDRT") which would increase the cost of dealing in our shares. A transfer of title in the ordinary shares held within DTC to a purchaser out of DTC and any subsequent transfers that occur outside the DTC system, will generally attract a charge to U.K. stamp duty or SDRT at a rate of 0.5% of any consideration payable for such transfer, which is payable by the transferee of the ordinary shares. Any such duty must be paid and the relevant transfer document, if any, stamped by HM Revenue & Customs ("HMRC") before the transfer can be registered in our company books. However, if those ordinary shares are redeposited into DTC or any other depository receipt system or clearance service, the redeposit will generally attract stamp duty or SDRT, at the rate of 1.5% of the value of the shares, which will normally be paid by the transferor.

***If our ordinary shares are not eligible for continued deposit and clearing within the facilities of DTC, then transactions in our securities may be disrupted and/or our ability to issue shares under our equity compensation plans may be restricted.***

The facilities of DTC are a widely used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. Our ordinary shares are currently eligible for deposit and clearing within the DTC system. DTC generally has discretion to cease to act as a depository and clearing agency for the ordinary shares including to the extent that any changes in U.K. law affect the stamp duty or SDRT position in relation to the ordinary shares. If DTC were to determine that our ordinary shares are not eligible for continued deposit and clearance within its facilities, our ordinary shares may not be eligible for continued listing on the NYSE and trading in our ordinary shares would be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could have a material adverse effect on the market price of our ordinary shares and our access to the capital markets.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 1C. Cybersecurity**

##### **Risk Management and Strategy**

The Company's cybersecurity program is designed to ensure our technology environment is operating and maintained in accordance with best practices, utilizing the National Institute of Standards and Technology framework as a key component of its approach to risk management. To identify, assess, and manage cybersecurity threat risks, the Company:

- maintains a 24-hour cybersecurity team to continuously monitor its technology systems and emerging threat types and to respond to identified vulnerabilities;
- deploys a variety of defenses, including automatic blocking of potential cybersecurity threats;

- utilizes third-party system scanning tools, cybersecurity threat intelligence reports as well as cybersecurity threat reports from its business partners, each of which assists our monitoring efforts;
- utilizes a scoring system to prioritize non-urgent mitigation activities;
- completes annual third-party testing, the results of which are discussed with the Company's Audit Committee, and periodic third-party table-top exercises and gap assessments;
- maintains a mandatory internal educational program for employees, including phishing simulations, required courses at the time of hire and annually thereafter, and microlearning courses throughout the year, to ensure continual awareness of new and emerging threats;
- has adopted information technology policies applicable to its employees, including the Company's Acceptable Use Policy, Dual Use Device Policy, Information Security Policy, Password Policy and Security Incident Response Plan ("SIRP").

The Company conducts reputational analysis and security reviews for certain of its vendors to manage cybersecurity threats from the use of third-party services.

We continue to make investments to enhance the protection of our information technology systems and our business from cybersecurity incidents, including maintaining a cybersecurity insurance policy. For a discussion of whether and how any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition, please see Item 1A. Risk Factors—"Risks Related to Cybersecurity and Information Systems" for further information.

## **Governance**

Our Board, with the assistance of its audit committee ("Audit Committee"), oversees the Company's cybersecurity programs and strategies. At least annually, the Board receives a report on the Company's information technology strategy, including cybersecurity measures, from our Chief Information Officer ("CIO"). The Audit Committee oversees the Company's guidelines and policies with respect to risk assessment and risk management, including risk exposures related to information security, cybersecurity and data protection, and the steps management has taken to monitor and control such exposures. At least quarterly, the Audit Committee receives a report from our CIO on the Company's cybersecurity risks and mitigation activities, including reports of any significant cybersecurity incident affecting the Company.

Assessment and management of the Company's risks from cybersecurity threats is led by our Chief Information Security Officer ("CISO") and our CIO to whom our CISO reports. Our CISO maintains our SIRP and manages day-to-day incident identification, assessment and management and continuously updates our CIO on such matters. Our CIO and CISO lead our overall cybersecurity risk management program, including ongoing assessments of system vulnerabilities and mitigation efforts. Our CISO or CIO escalates cybersecurity incidents to other members of the Company's leadership, as appropriate. In addition, to ensure cybersecurity risks are considered within the Company's ERM process, our CIO serves on our Enterprise Risk Committee which directs the ERM process.

Our CISO has over 11 years of experience assisting organizations in responding to cybersecurity incidents, serving as a chief information security officer for the past five years. He holds a Certified Information Systems Security Professional certification and a master's degree in information technology management, with an emphasis on cybersecurity. He has also completed several supplemental courses on cyber incident response, including SANS 504 - Hacker Tools, Techniques, and Incident Handling.

Our CIO has over 20 years of experience in cybersecurity. He founded and built Internet start-ups and Internet Service Providers, protecting them from threats, and responding to cybersecurity events. He has rebuilt and directed cybersecurity departments in global public companies for the last six years. He is an advisory board member for various cybersecurity and technology companies and holds a B.S. in Computer Science and an MBA.

## **Item 2. Properties**

We operate from over 100 locations in 30 countries across the Americas, Europe, Asia, Australia and Africa. Our corporate headquarters is located in Denver, Colorado, and we also maintain regional headquarters in Denver, Luxembourg, Shanghai, and Singapore.

Included in our property, plant and equipment are land and buildings with a net carrying amount of \$212.4 million as of December 30, 2023, compared to \$214.0 million as of December 31, 2022, representing manufacturing facilities, service centers,

distribution centers and offices located throughout the world, but predominantly in North America. As of December 30, 2023, Gates owned 30 of these facilities, including 23 manufacturing or service centers.

We also lease a number of locations around the world, primarily distribution centers and offices, none of which is individually material to our operations. Refer to Note 12 to the audited consolidated financial statements included elsewhere in this report for additional information regarding our lease commitments.

Management believes that the Company's properties are suitable and adequate for its current and anticipated business operations.

### **Item 3. Legal Proceedings**

Gates is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business. Gates is also, from time to time, party to legal proceedings and claims in respect of environmental obligations, product liability, intellectual property and other matters which arise in the ordinary course of business and against which management believes meritorious defenses are available.

While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will have a material adverse effect upon our financial position, results of operations or cash flows.

### **Item 4. Mine Safety Disclosures**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities**

#### **Market Information**

Our ordinary shares are traded on the NYSE under the symbol “GTES”. As of February 5, 2024, there were three holders of record of our ordinary shares. This does not include a substantially greater number of holders whose ordinary shares are held by these record holders, including through banks, brokers, and other institutions.

#### **Dividends**

We have no current plans to pay dividends on our ordinary shares. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. We are a holding company and have no direct operations; accordingly, we will only be able to pay dividends from funds we receive from our subsidiaries. In addition, the ability of our subsidiaries to pay dividends will be limited by covenants in our existing indebtedness and may be limited by the agreements governing any indebtedness we or our subsidiaries may incur in the future.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

### **Item 6. [Reserved]**



## **Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this annual report. This discussion and analysis addresses Fiscal 2023 compared to Fiscal 2022.*

*For discussion and analysis of our financial condition and results of operations for Fiscal 2022 compared to Fiscal 2021, see Management's Discussion and Analysis of Financial Condition and Results of Operations, in Part II, Item 7 of our Annual Report on Form 10-K for Fiscal 2022, which is incorporated herein by reference. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in "Forward-Looking Statements" and "Risk Factors" above.*

### **Our Company**

We are a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. We offer a broad portfolio of products to diverse replacement channel customers, and to original equipment manufacturers ("first-fit") as specified components, with the majority of our revenue coming from replacement channels. Our products are used in applications across numerous end markets, including: automotive replacement and first-fit; diversified industrial; industrial off-highway; industrial on-highway; and personal mobility. Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. We sell our products globally under the Gates brand, which is recognized by distributors, equipment manufacturers, installers and end users as a premium brand for quality and technological innovation; this reputation has been built over more than 110 years since Gates' founding in 1911.

Within the diverse end markets we serve, our highly engineered products are often critical components in applications for which the cost of downtime is high relative to the cost of our products, resulting in the willingness of end users to pay a premium for superior performance and availability. These applications subject our products to normal wear and tear, resulting in natural, and often preventative, replacement cycles that drive high-margin, recurring revenue. Our product portfolio represents one of the broadest ranges of power transmission and fluid power products in the markets we serve, and we maintain long-standing relationships with a diversified group of well-known customers throughout the world. As a leading designer, manufacturer and marketer of highly engineered, mission-critical products, we have become an industry leader across most of our end markets and the regions in which we operate.

### **Business Trends**

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization and not with any single end market given the diversification of our business and high exposure to replacement channels. This diversification limits our exposure to trends in any given end market. In addition, a majority of our sales are generated from customers in replacement channels, who serve primarily a large base of installed equipment that follows a natural maintenance cycle that is somewhat less susceptible to various trends that affect our end markets. Such trends include infrastructure investment and construction activity, agricultural production and related commodity prices, commercial and passenger vehicle production, miles driven and fleet age, evolving regulatory requirements related to emissions and fuel economy and oil and gas prices and production. Key indicators of our performance include industrial production, industrial sales and manufacturer shipments.

During Fiscal 2023, sales into replacement channels accounted for approximately 64% of our total net sales. Our replacement sales cover a very broad range of applications and industries and, accordingly, are highly correlated with industrial activity and utilization and not a single end market. Replacement products are principally sold through distribution partners that may carry a very broad line of products or may specialize in products associated with a smaller set of end market applications.

During Fiscal 2023, sales into first-fit channels accounted for approximately 36% of our total net sales. First-fit sales are to a variety of industrial and automotive customers. Our industrial first-fit customers cover a diverse range of industries and applications and many of our largest first-fit customers manufacture construction and agricultural equipment.

Our operations are supported largely by local supply chains. Where necessary, we have taken steps to qualify additional suppliers to ensure we are able to maintain continuity of supply. Although we have not experienced any significant operational disruptions to date, we have incurred meaningful operational inefficiencies. During Fiscal 2023, previous challenges related to supply chains, logistics, and inflation continued to ease, which improved our productivity and expanded our profitability. We continue to make progress on improving our inventory position and turnover to meet our customer demands.

Global conflicts, such as the conflict between Russia and Ukraine and the sanctions and counter-sanctions imposed in response to it, created increased economic uncertainty and operational complexity both in Europe, Middle East and Africa (“EMEA”) and globally, particularly in 2022 and early 2023.

During 2022, our operations in China were further impacted by the COVID-19 pandemic and related government actions, resulting in a modest loss of production, sales and profitability as well as decreased customer demand and labor availability. Although these conditions improved in 2023, we may experience future production or distribution disruptions associated with public health crises where individual locations are temporarily closed or productivity is reduced by government mandates or as a result of supply chain or labor disruptions, which could place further constraints on our ability to produce or deliver our products and meet customer demand or increase our costs. We may also continue to experience periods of inconsistency in customer demand.

We continue to monitor the macroeconomic environment, geopolitical conditions, and industry trends that may impact our business. While we may experience a certain level of inventory de-stocking from our customers and slower demand in the first half of 2024 as a result of the current economic environment, we are optimistic to see a rebound of demand later in the year and the continued normalization of the operating environment in 2024.

## Results for the year ended December 30, 2023 compared to the results for the year ended December 31, 2022

### Summary Gates Performance

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Net sales	\$ 3,570.2	\$ 3,554.2
Cost of sales	2,211.3	2,303.6
<b>Gross profit</b>	<b>1,358.9</b>	<b>1,250.6</b>
Selling, general and administrative expenses	882.2	853.7
Transaction-related expenses	2.2	2.1
Asset impairments	0.1	1.1
Restructuring expenses	11.6	9.5
Other operating expenses	0.2	0.2
<b>Operating income from continuing operations</b>	<b>462.6</b>	<b>384.0</b>
Interest expense	163.2	139.4
Other expense (income)	14.1	(13.2)
<b>Income from continuing operations before taxes</b>	<b>285.3</b>	<b>257.8</b>
Income tax expense	28.3	14.9
<b>Net income from continuing operations</b>	<b>\$ 257.0</b>	<b>\$ 242.9</b>
Adjusted EBITDA <sup>(1)</sup>	\$ 747.0	\$ 680.6
Adjusted EBITDA margin	20.9 %	19.1 %

<sup>(1)</sup> See “—Non-GAAP Measures” for a reconciliation of Adjusted EBITDA to net income from continuing operations, the closest comparable GAAP measure, for each of the periods presented.

### ***Net sales***

Net sales during Fiscal 2023 were \$3,570.2 million, compared to \$3,554.2 million during the prior year, an increase of 0.5%, or \$16.0 million, driven primarily by a \$200.4 million benefit from pricing, partially offset by the impact of lower volumes. In addition, our net sales for Fiscal 2023 were adversely impacted by movements in average currency exchange rates of \$8.9 million compared to the prior year, principally due to the strengthening of the U.S. dollar against a number of currencies, in particular the Chinese Renminbi, Turkish Lira, Canadian Dollar, Japanese Yen and Indian Rupee, partially offset by the weakening of the U.S. dollar against the Mexican Peso and the Euro. As such, core sales increased by \$24.9 million, or 0.7%, during Fiscal 2023 compared to the prior year.

The overall core sales improvements were primarily driven by increases in sales to customers in our automotive channels, with automotive replacement sales up by 6.1% and automotive first fit sales up by 7.5%. The majority of this growth was focused in EMEA, Greater China and South America, where automotive sales grew by 15.4%, 6.9% and 15.4%, respectively, during Fiscal 2023 compared to the prior year. Total sales to industrial end markets decreased by 3.2% during Fiscal 2023 compared to the prior period, particularly driven by a decrease in sales in the diversified industrial and personal mobility end markets of 7.1% and 24.6%, respectively, in comparing to the prior period. Particularly, the diversified industrial end market experienced sales declines of 12.4%, 3.5% and 12.8%, respectively, in EMEA, North America and Greater China during Fiscal 2023 compared to the prior year. Personal mobility experienced sales declines of 28.5% and 28.8%, respectively, in North America and EMEA during Fiscal 2023 compared to the prior year.

### ***Cost of sales***

Cost of sales for Fiscal 2023 was \$2,211.3 million, compared to \$2,303.6 million for the prior year, a decrease of 4.0%, or \$92.3 million. This decrease was primarily attributable to lower volumes, favorable movements in average currency exchange rates and improved inbound freight costs totaling \$154.2 million, partially offset by lower absorption of fixed costs and higher inflation related costs.

### ***Gross profit***

As a result of the factors described above, gross profit for Fiscal 2023 was \$1,358.9 million, compared to \$1,250.6 million for the prior year period, an increase of 8.7% or \$108.3 million. Our gross profit margin increased by 290 basis points to 38.1% for Fiscal 2023.

### ***Selling, general and administrative expenses***

SG&A expenses for Fiscal 2023 were \$882.2 million compared to \$853.7 million for the prior year. This increase of \$28.5 million was driven primarily by an increase in labor and benefits expense of \$38.4 million, partially offset by lower share-based compensation costs of \$16.9 million largely due to the March 2022 vesting of certain pre-IPO options as discussed further in Note 18 to the condensed consolidated financial statements included elsewhere in this report.

### ***Transaction-related expenses***

Transaction-related expenses of \$2.2 million were incurred during Fiscal 2023, related primarily to the secondary offerings completed in May, August, and December of 2023, fees for amending the New Dollar Term Loans in October 2023 and certain other corporate transactions. Transaction-related expenses of \$2.1 million were incurred during the prior year, related primarily to the secondary offering completed in March 2022 and certain other corporate transactions.

### ***Restructuring expenses***

Our restructuring initiatives are primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs, and to streamline our SG&A back-office functions.

Restructuring and other strategic initiatives during Fiscal 2023 related primarily to relocating certain production activities in China and Mexico, which included severance and other costs of \$4.5 million and \$3.0 million, respectively. Additionally, we incurred \$0.7 million in severance and other costs related to optimizing production in Europe and \$0.9 million of non-severance labor and benefit costs related to relocation and integration of certain support functions into our regional shared service center in Europe. Other restructuring costs during the period included \$3.4 million for legal and consulting expenses, as well as activities associated with prior period facility closures or relocations in several countries.

Restructuring and other strategic initiatives during Fiscal 2022 related primarily to our ongoing European reorganization, including \$2.5 million of labor, severance and other costs related to relocating certain production activities within Europe during Fiscal 2022, in addition to severance costs of \$2.4 million during the year related to relocation and integration of certain support functions into our regional shared service center. We also incurred \$3.5 million of costs during Fiscal 2022 in relation to the suspension of our operations in Russia, which included severance costs of \$0.7 million, an impairment of inventories of \$1.1 million (recognized in cost of sales), and an impairment of fixed and other assets of \$1.1 million (recognized in asset impairments). Other restructuring costs incurred during the period related to facility relocations and other legal and consulting costs.

### *Interest expense*

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Debt:		
—Dollar Term Loans	\$ 113.7	\$ 71.2
—Euro Term Loan	—	19.0
—Dollar Senior Notes	35.5	35.4
—Other loans	1.8	1.0
	<b>151.0</b>	<b>126.6</b>
Amortization of deferred issuance costs	9.1	10.0
Other interest expense	3.1	2.8
	<b>\$ 163.2</b>	<b>\$ 139.4</b>

Details of our long-term debt are presented in Note 15 to the consolidated financial statements included elsewhere in this report.

Interest on debt for Fiscal 2023 increased by \$24.4 million when compared to the prior year primarily due to higher interest rates on the Dollar Term Loans, partially offset by the impact of derivatives. In addition, interest expense on other loans increased by \$0.8 million during Fiscal 2023 due to higher interest rates and higher borrowing amounts under the asset-backed revolver.

Amortization of deferred issuance costs during Fiscal 2022 included the accelerated amortization of \$2.2 million due to the repayment of the Euro Term Loan on November 16, 2022. Additional deferred issuance costs incurred from issuing the New Dollar Term Loans in November 2022 added to amortization expense in Fiscal 2023.

### ***Other expenses (income)***

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Interest income on bank deposits	\$ (17.5)	\$ (3.6)
Foreign currency loss (gain) on net debt and hedging instruments	4.2	(10.2)
Net adjustments related to post-retirement benefits	(3.0)	(6.5)
Foreign currency loss on hyperinflation remeasurement	22.6	2.4
Other	7.8	4.7
	<u>\$ 14.1</u>	<u>\$ (13.2)</u>

Other expenses for Fiscal 2023 were \$14.1 million, compared to an income of \$13.2 million in the prior year. The economies of Türkiye and Argentina are both designated as highly inflationary economies under U.S. GAAP. The functional currencies for a portion of our Türkiye operations and our Argentina operations were each previously changed from their local currency to the U.S. dollar as a result of applying highly-inflationary accounting treatment. During Fiscal 2023, the foreign currency remeasurement loss related to translation adjustments for entities that operate in highly inflationary economies increased by \$20.2 million compared to the prior year period. Additionally, this change was also driven by the impact of net movements in foreign currency exchange rates on net debt and hedging instruments and higher interest costs on post-retirement obligations based on the most recent actuarial valuations, partially offset by increased interest income on our bank deposits.

### ***Income tax expense (benefit)***

For Fiscal 2023, we had an income tax expense of \$28.3 million on pre-tax income of \$285.3 million, which resulted in an effective tax rate of 9.9% compared to an income tax expense of \$14.9 million on pre-tax income of \$257.8 million, which resulted in an effective tax rate of 5.8% for Fiscal 2022.

The effective tax rate for Fiscal 2023 was driven primarily by tax benefits related to \$13.3 million of manufacturing incentives, \$12.3 million of unrecognized tax benefits primarily due to audit settlement, \$9.9 million of company-owned life insurance deductions, \$8.8 million of change in valuation allowance, and \$4.4 million of state tax provision (net of federal benefit); offset by tax expense related to \$7.4 million of tax on international operations, \$1.7 million of currency exchange rate movements and \$1.0 million of net other expense.

The effective tax rate for Fiscal 2022 was driven primarily by tax benefits related to \$53.1 million of changes in valuation allowance (offset by \$53.1 million of tax on international operations) including \$15.3 million for the partial release of valuation allowance on deferred tax assets for U.S. foreign tax credits, \$25.2 million of unrecognized tax benefits primarily due to \$26.4 million of lapsed statute of limitations, \$10.0 million of manufacturing incentives, \$8.1 million of company-owned life insurance deductions, and \$0.6 million of state tax provision (net of federal benefit); offset by tax expense related to \$53.1 million of tax on international operations, \$5.4 million of net other expense and \$4.8 million related to currency exchange rate movement.

In December 2021, the OECD published its Pillar Two model rules, which generally provide for a minimum effective tax rate of 15%. In December 2022, the E.U. Commission adopted a Directive to implement Pillar Two in the E.U., containing detailed rules for top up tax in respect of certain low taxed entities. In July 2022, the U.K. released draft legislation to implement the OECD agreed Pillar Two model rules in the U.K., which is expected to apply for accounting periods beginning on or after December 31, 2023. All sets of proposals are subject to exemptions and exclusions, and are generally intended to apply only to entities that are members of a consolidated group with an annual revenue of at least €750 million. However, while the detail of the proposals is subject to change and the impact on the Company will need to be determined by reference to the final rules, we do not currently anticipate a material impact.

### ***Deferred Income Tax Assets and Liabilities***

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized.



As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may materially impact our financial statements.

After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2023 that it was more likely than not that deferred income tax assets in the U.S. related to net operating losses totaling \$2.1 million are realizable as a result of changes in estimates of taxable profits against which these losses can be utilized. In Fiscal 2022 we determined that it was more likely than not that deferred income tax assets in the U.S. related to foreign tax credits totaling \$15.3 million are realizable as a result of changes in estimates of taxable profits against which these credits can be utilized.

### ***Adjusted EBITDA***

Adjusted EBITDA for Fiscal 2023 was \$747.0 million, compared to \$680.6 million in the prior year, an increase of 9.8% or \$66.4 million. The Adjusted EBITDA margin was 20.9% for Fiscal 2023, a 180 basis point improvement from the prior year. The increase in Adjusted EBITDA was driven primarily by the increase in gross profit of \$108.3 million, as described above, partially offset by higher labor and benefit expenses.

For a reconciliation of net income to Adjusted EBITDA for each of the periods presented and the calculation of the Adjusted EBITDA margin, see “—Non-GAAP Measures.”

### **Analysis by Operating Segment**

#### ***Power Transmission (61.4% of Gates’ net sales for the year ended December 30, 2023)***

(dollars in millions)	For the year ended		Period over period change
	December 30, 2023	December 31, 2022	
Net sales	\$ 2,191.2	\$ 2,173.7	0.8%
Adjusted EBITDA	\$ 460.6	\$ 404.0	14.0%
Adjusted EBITDA margin	21.0 %	18.6 %	

Net sales in Power Transmission for Fiscal 2023 increased by 0.8%, or \$17.5 million, driven primarily by a \$116.3 million benefit from pricing, partially offset by the impact of lower volumes. In addition, Power Transmission net sales were adversely impacted by movements in average currency exchange rates of \$18.9 million. As such, core sales increased by 1.7%, or \$36.4 million, compared to the prior year.

Power Transmission’s overall core sales to automotive customers grew by 8.1% during Fiscal 2023, compared to the prior year periods. Automotive growth during Fiscal 2023 was focused in EMEA, South America and Greater China, which experienced core sales growth of 15.4%, 16.6% and 6.3%, respectively, compared to the prior year period. The overall growth in power transmission core sales was partially offset by a 7.6% decline of sales in the industrial channel during Fiscal 2023, compared to the prior year. The decline within the industrial channel was focused in EMEA and North America, with core sales declines of 17.9% and 8.4%, respectively, compared to the prior year period. Personal mobility and diversified industrial experienced declines of 26.9% and 7.8%, respectively, compared to the prior year period, primarily in North America and EMEA.

Power Transmission Adjusted EBITDA for Fiscal 2023 increased by 14.0% or \$56.6 million compared to the prior year, driven primarily by the benefit from pricing, partially offset by lower volumes and higher inflation-related costs. As a result, the Adjusted EBITDA margin for Fiscal 2023 was 21.0%, a 240 basis point increase from the prior year.

***Fluid Power (38.6% of Gates' net sales for the year ended December 30, 2023)***

(dollars in millions)	For the year ended		Period over period change
	December 30, 2023	December 31, 2022	
Net sales	\$ 1,379.0	\$ 1,380.5	(0.1%)
Adjusted EBITDA	\$ 286.4	\$ 276.6	3.5%
Adjusted EBITDA margin	20.8 %	20.0 %	

Net sales in Fluid Power for Fiscal 2023 decreased by 0.1%, or \$1.5 million, compared to the prior year, driven primarily by the impact of lower volumes, mostly offset by an \$84.1 million benefit from pricing. In addition, Fluid Power net sales were favorably impacted by movements in average currency exchange rates of \$10.0 million. As such, core sales decreased by 0.8%, or \$11.5 million compared to the prior year.

Fluid Power's core sales decline in Fiscal 2023 was driven by decreased sales to both industrial and automotive customers. Sales to industrial channels decreased by 1.0%, and automotive channels declined by 0.2%, respectively, compared to the prior year period. The decline of industrial sales were primarily in North America, South America and Greater China, which had declines of 1.3%, 18.5% and 13.2%, respectively, compared to the prior year period. The agriculture and diversified industrial end markets, which drove most of the industrial sales, had declines of 11.9% and 5.7%, respectively. This decline was partially offset by an increase in sales to the energy end market of 7.5%.

Fluid Power Adjusted EBITDA for Fiscal 2023 increased by 3.5%, or \$9.8 million compared to the prior year period, driven primarily by pricing, partially offset by lower volumes and increased labor and benefits cost. As a result, the Adjusted EBITDA margin was 20.8%, an 80 basis point improvement from the prior year.

## **Liquidity and Capital Resources**

### ***Treasury Responsibilities and Philosophy***

Our primary liquidity and capital resource needs are for working capital, debt service requirements, capital expenditures, share repurchases, facility expansions and acquisitions. We expect to finance our future cash requirements with cash on hand, cash flows from operations and, where necessary, borrowings under our revolving credit facilities. We have historically relied on our cash flow from operations and various debt and equity financings for liquidity.

From time to time, we enter into currency derivative contracts to manage currency transaction exposures. Similarly, from time to time, we may enter into interest rate derivatives to maintain the desired mix of floating and fixed rate debt.

As market conditions warrant, we and/or our Sponsor may from time to time seek to repurchase securities that we have issued or loans that we have borrowed in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any such purchases may be funded by existing cash or by incurring new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may relate to a substantial amount of a particular tranche of debt, with a corresponding reduction, where relevant, in the trading liquidity of that debt. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for U.S. federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which may be material, and result in related adverse tax consequences to us.

It is our policy to retain sufficient liquidity throughout the capital expenditure cycle to maintain our financial flexibility. We do not have any meaningful debt maturities until 2026; however, we regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure, and may refinance all or a portion of our indebtedness on or before maturity. We do not anticipate any material long-term deterioration in our overall liquidity position in the foreseeable future, and believe that we have adequate liquidity and capital resources for the next twelve months.

## Cash Flow

### *Year ended December 30, 2023 compared to the year ended December 31, 2022*

Cash provided by operating activities was \$481.0 million during Fiscal 2023 compared to cash provided by operating activities of \$265.8 million during the prior year period, driven primarily by an improvement of \$194.6 million in trade working capital movement, combined with improved operating performance in Fiscal 2023 and a decrease of \$7.3 million in taxes paid. These increases in operating cash flows are partially offset by an increase of \$36.4 million cash paid for interest in the current year period.

Net cash used in investing activities during Fiscal 2023 was \$81.8 million, compared to \$90.7 million in the prior year period. The decrease of cash used in investing activities was primarily driven by decreased capital expenditures of \$15.6 million in Fiscal 2023 compared to the prior year period, partially offset by a \$6.0 million increase in net cash paid under company-owned life insurance policies.

Net cash used in financing activities was \$258.3 million during Fiscal 2023, compared to \$253.1 million in the prior year period. Fiscal 2023 outflows were primarily related to the \$251.7 million paid to acquire shares under a share repurchase program through an intermediary from Blackstone as further described in Note 19 to the consolidated financial statements included elsewhere in this report, as compared to \$175.9 million paid to acquire shares under a share repurchase program in Fiscal 2022. The increase of cash outflows for share repurchases compared to the prior year period was partially offset by decreased debt issuance costs paid of \$22.0 million in Fiscal 2023, \$12.3 million lower debt repayments net of borrowings, and \$10.5 million in lower dividends paid to non-controlling interest shareholders in Fiscal 2023.

## Indebtedness

Our long-term debt, consisting principally of two secured term loans and the U.S. dollar denominated unsecured notes, was as follows:

(dollars in millions)	Carrying amount		Principal amount	
	As of December 30, 2023	As of December 31, 2022	As of December 30, 2023	As of December 31, 2022
Debt:				
—Secured				
Dollar Term Loans	\$ 1,870.3	\$ 1,883.3	\$ 1,903.9	\$ 1,923.4
—Unsecured				
Dollar Senior Notes	581.2	579.7	568.0	568.0
	<u>\$ 2,451.5</u>	<u>\$ 2,463.0</u>	<u>\$ 2,471.9</u>	<u>\$ 2,491.4</u>

We refer to the term loans denominated in U.S. dollars as the “Dollar Term Loans” and the unsecured senior notes denominated in U.S. dollars as the “Dollar Senior Notes”. Details of our long-term debt are presented in Note 15 to the consolidated financial statements included elsewhere in this annual report.

### *Debt drawings and redemptions*

During May 2023, we drew \$100.0 million under our asset-backed revolving credit facility to partially fund the purchase of shares under our share repurchase program, as discussed further in Note 19 to the consolidated financial statements included elsewhere in this annual report. The balance on the asset-backed revolving credit facility was fully paid off during the year ended December 30, 2023.

On November 16, 2022, we issued a new tranche of \$575.0 million of dollar-denominated term loans (“New Dollar Term Loans”) pursuant to an amendment to the credit agreement governing our term loan facilities, using the proceeds to extinguish the entire outstanding principal balance of €563.8 million under our Euro Term Loan facility plus €1.0 million accrued interest. The New Dollar Term Loans have substantially similar terms as the then-outstanding Dollar Term Loans (the “Existing Dollar Term Loans”), except bearing interest at the borrower’s option at either Term SOFR (as defined in the credit agreement) plus 3.50% margin per annum, subject to a 0.50% per annum Term SOFR floor, or at the base rate plus 2.50% per annum, subject to a 1.50% per annum base rate floor. The New Dollar Term Loans require quarterly amortization payments of 1% per annum based on the initial aggregate principal amount and mature in November 2029. Issuance discounts and costs totaling approximately \$23.2 million related to the issuance of the New Dollar Term Loan have been deferred and will be amortized to interest expense over the remaining term of the related borrowings using the effective interest method. The repayment of Euro Term Loan resulted in the accelerated recognition of \$2.2 million deferred financing costs (recognized in interest expense).

During March 2022, we drew \$70.0 million under our asset-backed revolving credit facility to partially fund the purchase of shares under our share repurchase program, as discussed further in Note 19 to the consolidated financial statements included elsewhere in this annual report. During Fiscal 2022, we paid down the borrowings on the asset-backed revolver and had no remaining outstanding balance as of December 31, 2022.

#### ***Dollar Term Loan credit agreement amendments***

On October 10, 2023, we amended the New Dollar Term Loans’ interest rate to be, at our option, either Term SOFR, subject to a floor of 0.50%, plus a margin of 3.00% per annum, or the base rate, subject to a 1.50% per annum floor, plus 2.00% per annum.

On March 1, 2023, we amended the Existing Dollar Term Loans, revolving credit facility and asset-backed revolver, which bore interest at LIBOR plus an applicable margin. The amendments modified the reference rates for borrowings in dollar from LIBOR to Term SOFR or Adjusted Term SOFR, as applicable. For further information on the facilities, see Note 15 to the consolidated financial statements included elsewhere in this annual report.

On November 16, 2022, we amended the credit agreement governing our term loan facilities to pay off and replace our Euro Term Loan with a new class of \$575.0 million of New Dollar Term Loans as described above.

#### ***Non-guarantor subsidiaries***

The majority of the Company’s U.S. subsidiaries are guarantors of the senior secured credit facilities.

For the twelve months ended December 30, 2023, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 74% of our net sales and 73% of our EBITDA as defined in the financial covenants attaching to the senior secured credit facilities. As of December 30, 2023, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 67% of our total assets and approximately 26% of our total liabilities.

#### ***Net Debt***

Net Debt is a non-GAAP measure representing the principal amount of our debt less the carrying amount of cash and cash equivalents. During Fiscal 2023, our Net Debt decreased by \$161.7 million from \$1,913.0 million as of December 31, 2022 to \$1,751.3 million as of December 30, 2023. Net Debt was impacted favorably by \$1.7 million due to movements in currency exchange rates. Excluding this impact, Net Debt decreased by \$160.0 million, which was driven primarily by cash provided by operating activities of \$481.0 million, partially offset by \$251.7 million paid to acquire shares under our share repurchase program, capital expenditures of \$71.4 million, and dividends paid to non-controlling interests of \$18.2 million during Fiscal 2023.

#### ***Borrowing Headroom***

As of December 30, 2023, our asset-backed revolving credit facility had a borrowing base of \$250.0 million, being the maximum amount we can draw down based on the current value of the secured assets. As of December 30, 2023, there were letters of credit outstanding against the facility amounting to \$29.7 million. We also have a secured revolving credit facility that provides for multi-currency revolving loans up to an aggregate principal amount of \$250.0 million, with no amounts drawn as of December 30, 2023. As of December 30, 2023, our total committed borrowing headroom was \$470.3 million, in addition to cash balances of \$720.6 million.

## Tabular Disclosure of Contractual Obligations

Our consolidated contractual obligations and commercial commitments are summarized in the following table which includes aggregate information about our contractual obligations as of December 30, 2023 and the periods in which payments are due, based on the earliest date on which we could be required to settle the liabilities. The table below excludes our gross liability for uncertain tax positions of \$79.4 million because the timing of cash settlement, if any, is unknown at this time.

Floating interest payments and payments and receipts on interest rate derivatives are estimated based on market interest rates prevailing at the balance sheet date. Amounts in respect of purchase obligations are items that we are obligated to pay in the future, but they are not required to be included on the consolidated balance sheet.

(dollars in millions)	Total	Earliest period in which payments are due			
		2024	2025 and 2026	2027 and 2028	2029 and beyond
Debt:					
—Principal	\$ 2,471.9	\$ 19.5	\$ 607.0	\$ 1,306.3	\$ 539.1
—Interest payments <sup>(1)</sup>	582.2	180.4	275.6	92.2	34.0
Finance leases	1.7	0.8	0.9	—	—
Operating leases	161.1	28.0	45.3	31.7	56.1
Post-retirement benefits <sup>(2)</sup>	10.3	10.3	—	—	—
Purchase obligations <sup>(3)</sup>	45.4	27.3	14.0	4.1	—
<b>Total</b>	<b>\$ 3,272.6</b>	<b>\$ 266.3</b>	<b>\$ 942.8</b>	<b>\$ 1,434.3</b>	<b>\$ 629.2</b>

- (1) Future interest payments include payments on fixed and floating rate debt. Floating rate interest payments are estimated based on forward market interest rates and terms prevailing as of December 30, 2023.
- (2) Post-retirement benefit obligations represent our expected cash contributions to defined benefit pension and other post-retirement benefit plans in 2024. It is not practicable to present expected cash contributions for subsequent years because they are determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations.
- (3) A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

## Cash Balances

As of December 30, 2023, our total cash and cash equivalents were \$720.6 million, compared to \$578.4 million as of December 31, 2022.

Restricted cash was \$3.4 million as of December 30, 2023, compared to \$3.0 million as of December 31, 2022, including \$0.5 million and \$0.6 million as of December 30, 2023 and December 31, 2022, respectively, both of which were held in escrow for insurance purposes. Cash held in our non-wholly owned Asian subsidiaries was \$182.4 million and \$161.3 million as of December 30, 2023 and December 31, 2022, respectively.

## Non-GAAP Measures

### EBITDA and Adjusted EBITDA

“EBITDA” is a non-GAAP measure that represents net income or loss from continuing operations for the period before the impact of income taxes, net interest and other expenses, depreciation and amortization. EBITDA is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense).



Management uses “Adjusted EBITDA” as its key profitability measure. This is a non-GAAP measure that represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. We use Adjusted EBITDA as our measure of segment profitability to assess the performance of our businesses, and it is used for total Gates as well because we believe it is important to consider our profitability on a basis that is consistent with that of our operating segments, as well as that of certain of our peer companies. We believe that Adjusted EBITDA should, therefore, be made available to securities analysts, investors and other interested parties to assist in their assessment of the performance of our businesses.

During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to major corporate transactions, including the acquisition of businesses, and equity and debt transactions;
- asset impairments;
- restructuring expenses, including severance-related expenses;
- credit loss related to a customer bankruptcy;
- cybersecurity incident expenses; and
- inventory adjustments related to certain inventories accounted for on the LIFO basis.

Differences exist among our businesses and from period to period in the extent to which their respective employees receive share-based compensation or a charge for such compensation is recognized. We therefore exclude from Adjusted EBITDA the non-cash charges in relation to share-based compensation in order to assess the relative performance of our businesses.

We exclude from Adjusted EBITDA acquisition-related costs that are required to be expensed in accordance with U.S. GAAP. We also exclude costs associated with major corporate transactions because we do not believe that they relate to our performance. Other items are excluded from Adjusted EBITDA because they are individually or collectively significant items that are not considered to be representative of the underlying performance of our businesses. During the periods presented, we excluded restructuring expenses and severance-related expenses that reflect specific, strategic actions taken by management to shutdown, downsize, or otherwise fundamentally reorganize areas of Gates’ business, and changes in the LIFO inventory reserve recognized in cost of sales for certain inventories that are valued on a LIFO basis. During inflationary or deflationary pricing environments, LIFO adjustments can result in variability of the cost of sales recognized each period as the most recent costs are matched against current sales, while historical, typically lower, costs are retained in inventory. LIFO adjustments are determined based on published pricing indices, which often are not representative of the actual cost changes or timing of those changes as experienced by our business. Excluding the impact from the application of LIFO therefore improves the comparability of our financial performance from period to period and with the Company’s peers, and more closely represents the physical flow of our inventory and how we manage the business.

EBITDA and Adjusted EBITDA exclude items that can have a significant effect on our profit or loss and should, therefore, be used in conjunction with, not as substitutes for, profit or loss for the period. Management compensates for these limitations by separately monitoring net income from continuing operations for the period.

The following table reconciles net income from continuing operations, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income from continuing operations	\$ 257.0	\$ 242.9	\$ 331.3
Income tax expense	28.3	14.9	18.4
Net interest and other expenses	177.3	126.2	134.4
Depreciation and amortization	217.5	217.2	222.6
<b>EBITDA</b>	<b>680.1</b>	<b>601.2</b>	<b>706.7</b>
Transaction-related expenses <sup>(1)</sup>	2.2	2.1	3.7
Asset impairments	0.1	1.1	0.6
Restructuring expenses	11.6	9.5	7.4
Share-based compensation expense	27.4	44.3	24.6
Inventory impairments and adjustments <sup>(2)</sup> (included in cost of sales)	7.4	20.9	1.4
Severance expenses (included in cost of sales)	0.4	0.8	—
Severance expenses (included in Finance and administration expenses)	1.0	0.5	0.7
Credit loss related to customer bankruptcy (included in SG&A) <sup>(3)</sup>	11.4	—	—
Cybersecurity incident expenses <sup>(4)</sup>	5.2	—	—
Other items not directly related to current operations	0.2	0.2	(9.3)
<b>Adjusted EBITDA</b>	<b>\$ 747.0</b>	<b>\$ 680.6</b>	<b>\$ 735.8</b>

- <sup>(1)</sup> Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.
- <sup>(2)</sup> Inventory impairments and adjustments include the reversal of the adjustment to remeasure certain inventories on a LIFO basis. The recent inflationary environment has caused LIFO values to drop below FIFO values because LIFO measurement results in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.
- <sup>(3)</sup> On January 31, 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the bankruptcy proceedings, we evaluated our potential risk and exposure relating to our outstanding pre-petition accounts receivable balance from the customer and recorded a \$11.4 million pre-tax charge during Fiscal 2023 to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.
- <sup>(4)</sup> On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

### ***Adjusted EBITDA Margin***

Adjusted EBITDA margin is a non-GAAP measure that represents Adjusted EBITDA expressed as a percentage of net sales. We use Adjusted EBITDA margin to measure the success of our businesses in managing our cost base and improving profitability.

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net sales	\$ 3,570.2	\$ 3,554.2	\$ 3,474.4
Adjusted EBITDA	\$ 747.0	\$ 680.6	\$ 735.8
Adjusted EBITDA margin	20.9 %	19.1 %	21.2 %

### Core sales growth reconciliations

Core sales growth is a non-GAAP measure that represents net sales for the period excluding the impacts of movements in average currency exchange rates and the first-year impacts of acquisitions and disposals, when applicable. We present core revenue growth because it allows for a meaningful comparison of year-over-year performance without the volatility caused by foreign currency gains or losses or the incomparability that would be caused by impacts of acquisitions or disposals. Management believes that this measure is therefore useful for securities analysts, investors and other interested parties to assist in their assessment of the operating performance of our businesses. The closest GAAP measure is net sales.

(dollars in millions)	For the year ended December 30, 2023		
	Power Transmission	Fluid Power	Total
Net sales for the year ended December 30, 2023	\$ 2,191.2	\$ 1,379.0	\$ 3,570.2
Impact on net sales of movements in currency rates	18.9	(10.0)	8.9
Core revenue for the year ended December 30, 2023	2,210.1	1,369.0	3,579.1
Net sales for the year ended December 31, 2022	2,173.7	1,380.5	3,554.2
Increase (decrease) in net sales on a core basis (core revenue)	\$ 36.4	\$ (11.5)	\$ 24.9
Core sales growth	1.7 %	(0.8)%	0.7 %

(dollars in millions)	For the year ended December 31, 2022		
	Power Transmission	Fluid Power	Total
Net sales for the year ended December 31, 2022	\$ 2,173.7	\$ 1,380.5	\$ 3,554.2
Impact on net sales of movements in currency rates	149.2	35.9	185.1
Core revenue for the year ended December 31, 2022	2,322.9	1,416.4	3,739.3
Net sales for the year ended January 1, 2022	2,216.3	1,258.1	3,474.4
Increase in net sales on a core basis (core revenue)	\$ 106.6	\$ 158.3	\$ 264.9
Core sales growth	4.8 %	12.6 %	7.6 %

### Net Debt

Management uses net debt, rather than the narrower measure of cash and cash equivalents and restricted cash which forms the basis for the consolidated statement of cash flows, as a measure of our liquidity and in assessing the strength of our balance sheet.

Management analyzes the key cash flow items driving the movement in net debt to better understand and assess Gates' cash performance and utilization in order to maximize the efficiency with which resources are allocated. The analysis of cash movements in net debt also allows management to more clearly identify the level of cash generated from operations that remains available for distribution after servicing our debt and after the cash impacts of acquisitions and disposals.

Net debt represents the net total of:

- the principal amount of our debt; and
- the carrying amount of cash and cash equivalents.

Net debt was as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
Principal amount of debt	\$ 2,471.9	\$ 2,491.4
Less: Cash and cash equivalents	(720.6)	(578.4)
<b>Net debt</b>	<b>\$ 1,751.3</b>	<b>\$ 1,913.0</b>

The principal amount of debt is reconciled to the carrying amount of debt as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
Principal amount of debt	\$ 2,471.9	\$ 2,491.4
Accrued interest	17.0	17.1
Deferred issuance costs	(37.4)	(45.5)
<b>Carrying amount of debt</b>	<b>\$ 2,451.5</b>	<b>\$ 2,463.0</b>

#### *Adjusted EBITDA adjustments for ratio calculation purposes*

The financial maintenance ratio in our revolving credit agreement and other ratios related to incurrence-based covenants (measured only upon the taking of certain actions, including the incurrence of additional indebtedness) under our revolving credit facility, our term loan facility and the indenture governing our outstanding notes are calculated in part based on financial measures similar to Adjusted EBITDA as presented elsewhere in this report, which financial measures are determined at the Gates Global LLC level and adjust for certain additional items such as severance costs, the pro forma impacts of acquisitions and the pro forma impacts of cost-saving initiatives. These additional adjustments during the last 12 months, as calculated pursuant to such agreements, resulted in a net benefit to Adjusted EBITDA for ratio calculation purposes of \$4.6 million.

Gates Industrial Corporation plc is not an obligor under our revolving credit facility, our term loan facility or the indenture governing our outstanding notes. Gates Global LLC, an indirect subsidiary of Gates Industrial Corporation plc, is the borrower under our revolving credit facility and our term loan facility and the issuer of our outstanding notes. The only significant difference between the results of operations and net assets that would be shown in the consolidated financial statements of Gates Global LLC and those for the Company that are included elsewhere in this report is a payable of \$333.6 million due to Gates Global LLC and its subsidiaries from indirect parent entities of Gates Global LLC as of December 30, 2023, compared to a payable of \$117.3 million as of December 31, 2022, and additional cash and cash equivalents held by the Company and other indirect parent entities of Gates Global LLC of \$3.5 million and \$6.4 million as of December 30, 2023 and December 31, 2022, respectively.

#### **Critical Accounting Estimates and Judgments**

Details of our significant accounting policies are set out in Note 2 to our audited consolidated financial statements included elsewhere in this annual report.

When applying our accounting policies, we must make assumptions, judgments and estimates concerning the future that affect the reported amounts of assets, liabilities, revenue and expenses. We make these assumptions, estimates and judgments based on factors such as historical experience, the observance of trends in the industries in which we operate and information available from our customers and other outside sources. Due to the inherent uncertainty involved in making assumptions, estimates and judgments, the actual outcomes could be different. The policies discussed below are considered by management to be more critical than other policies because their application involves a significant amount of estimation uncertainty that increases the risk of a material adjustment to the carrying amounts of our assets and liabilities.

#### *Net Sales*

We derive our net sales primarily from the sale of a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

In most of our agreements with customers, we consider accepted customer purchase orders, which in some cases are governed by master sales agreements, to represent the contracts with our customers. Revenue from the sale of goods under these contracts is measured at the invoiced amount, net of estimated returns, early settlement discounts and rebates. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues. Where a customer has the right to return goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers.

Our transaction prices often include variable consideration, usually in the form of discounts and rebates that may apply to issued invoices. The reduction in the transaction price for variable consideration requires that we make estimates of the expected total qualifying sales to the relevant customers. These estimates, including an analysis for potential constraint on variable consideration, take into account factors such as the nature of the rebate program, historical information and expectations of customer and consumer behavior. Overall, the transaction price is reduced to reflect our estimate of the amount of consideration that is not probable of significant reversal.

We allocate the transaction price to each distinct performance obligation based on their relative standalone selling price. The product price as specified on the accepted purchase order or similar binding contract is considered to be the standalone selling price. In substantially all of our contracts with customers, our performance obligations are satisfied at a point in time, rather than over a period of time, when control of the product is transferred to the customer. This occurs typically at shipment. In determining whether control has transferred and the customer is consequently able to control the use of the product for their own benefit, we consider if there is a present right to payment, legal title and physical possession has been transferred, whether the risks and rewards of ownership have transferred to the customer, and if acceptance of the asset by the customer is more than perfunctory.

### ***Impairment of Goodwill and Other Indefinite-Lived Assets***

Goodwill and other indefinite-lived intangible assets are subject to an annual impairment test but are also tested for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

#### **Goodwill**

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition. Where goodwill is attributable to more than one reporting unit, the goodwill is determined by allocating the purchase consideration in proportion to their respective business enterprise values and comparing the allocated purchase consideration with the fair value of the identifiable assets and liabilities of the reporting unit.

Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

Management based the fair value calculations on a weighted blend of the income and market approaches. The income approach was based on cash flow forecasts derived from the most recent financial plans approved by the Board, in which the principal assumptions were those regarding sales growth rates, selling prices and changes in direct costs. Forecasts for the future years were based on region-specific growth or decline assumptions determined by management, taking into account market trends and strategic initiatives. The terminal growth rate for both reporting units was set at 2.5%, a rate that does not exceed the expected long-term growth rates in the respective principal end markets.

Management applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to each reporting unit. In each case, the discount rate was determined using a capital asset pricing model. The discount rates used in the impairment tests of goodwill during Fiscal 2023 were 12.1% and 11.5% for the Power Transmission and Fluid Power reporting units, respectively.

For both reporting units, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2023.

We base our fair value estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. In addition, we make certain judgments and assumptions in allocating goodwill between reporting units and in allocating shared assets and liabilities to determine the carrying values for each of our reporting units tested. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years.



## **Indefinite-Lived Assets Other than Goodwill**

To identify a potential impairment of indefinite-lived assets other than goodwill, the fair value of the asset is compared to its carrying amount. If the fair value of the indefinite-lived asset exceeds its carrying amount, it is not considered impaired. Fair value is calculated based on the anticipated net cash inflows and outflows related to the indefinite-lived asset.

During the periods covered by this annual report, we held an indefinite-lived brand and trade name intangible asset. We test the intangible for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

The fair value for our indefinite-lived brand and trade name intangible asset was determined using a relief from royalty valuation methodology in which the key assumptions included sales growth rates and an estimated royalty rate. Sales forecasts were determined on the same basis as those used for the annual impairment testing of goodwill (as described above).

Management applied discount rates to the calculated royalty savings that reflect current market assessments of the time value of money and the risks specific to each region in which those royalty savings arose. In each case, the discount rate was determined using a capital asset pricing model adjusted for a premium to reflect the higher risk specific to the nature of the intangible asset. The discount rate used in Fiscal 2023 impairment test was 12.9%. As a result of the impairment testing, no impairment was recognized during Fiscal 2023.

We base our fair value estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years.

## ***Taxation***

We are subject to income tax in most of the jurisdictions in which we operate. Management is required to exercise significant judgment in determining our provision for income taxes. Management's judgment is required in relation to unrecognized income tax benefits whereby additional current tax may become payable in the future following the audit by tax authorities of previously-filed tax returns. It is possible that the final outcome of these unrecognized income tax benefits may differ from management's estimates.

Management assesses unrecognized income tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized income tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Deferred income tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred income taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred income tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred income tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred income tax is provided on certain taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax-free manner.

We have recorded valuation allowances against certain of our deferred income tax assets and we intend to continue maintaining such valuation allowances until there is sufficient evidence to support the reduction of all or some portion of these allowances. During Fiscal 2023, we determined that it was more likely than not that certain deferred income tax assets in the U.S. totaling \$2.1 million were realizable. During Fiscal 2022, we determined that it was more likely than not that certain deferred income tax assets in the U.S. totaling \$15.3 million were realizable.

## Accounting Pronouncements Not Yet Adopted

Recently issued accounting pronouncements that may be relevant to our operations but have not yet been adopted are outlined in Note 3 to our audited consolidated financial statements included elsewhere in this annual report.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our market risk includes the potential loss arising from adverse changes in foreign currency exchange rates, interest rates, commodity prices, and the credit risk of our customers and third-party depository institutions that hold our cash and short-term deposits. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact. Our objective in managing these risks is to reduce fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rate movements.

On a regular basis, we monitor third-party depository institutions that hold our cash and short-term investments and we diversify these assets among counterparties to minimize exposure to any one of these entities. We also monitor the creditworthiness of our customers and suppliers to mitigate any adverse impact.

### Foreign Currency Exchange Risk

We have global operations and thus make investments and enter into transactions denominated in various foreign currencies. Our operating results are impacted by buying, selling and financing in currencies other than the functional currency of our operating companies. We monitor exposure to transactions denominated in currencies other than the functional currency of each country in which we operate, and enter into forward contracts to mitigate that exposure as needed. We also naturally hedge foreign currency through our production in the countries in which we sell our products.

In addition, we are exposed to currency risk associated with translating our non-U.S. dollar majority-owned subsidiaries' financial statements into U.S. dollars, which is our reporting currency. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. Translational foreign exchange risks arise predominantly on the potential decreases in the value of our earnings, cash balances and other net assets denominated in euro and other currencies when translated to U.S. dollars.

The currency profiles of our cash and debt are centrally managed as are decisions about the location of cash. The currency profile of cash and debt, after taking into account the effect of the currency swaps and forwards used to manage those profiles, were as follows:

(dollars in millions)	As of December 30, 2023		As of December 31, 2022	
<b>Cash and cash equivalents by currency:</b>				
—U.S. dollar	\$	343.9	\$	244.6
—Chinese Yuan Renminbi		105.2		115.9
—Indian Rupee		27.7		17.4
—Euro		41.8		32.2
—Japanese Yen		37.3		29.6
—Other		164.7		138.7
	<b>\$</b>	<b>720.6</b>	<b>\$</b>	<b>578.4</b>
<b>Principal amount of debt by currency:</b>				
—U.S. dollar	\$	1,385.9	\$	1,684.9
—Euro		835.4		806.5
—Chinese Yuan Renminbi		250.6		—
	<b>\$</b>	<b>2,471.9</b>	<b>\$</b>	<b>2,491.4</b>

As described in Note 13 to the audited consolidated financial statements included elsewhere in this annual report, during Fiscal 2023 we executed a USD to Chinese Yuan fixed-to-fixed cross currency swap with a notional principal amount of ¥1,784.0 million, designated as a net investment hedge of certain of our Chinese operations. During Fiscal 2022, we refinanced and replaced our Euro-denominated term loan with new U.S. Dollar term loans and executed additional cross currency swaps that have been designated as net investment hedges in the principal amount of €501.6 million, and as a result, the net investment hedging

designated on our Euro-denominated debt no longer exists. As of December 30, 2023, the aggregated notional principal amount of the cross currency swaps was €756.1 million and ¥1,784.0 million compared to €756.1 million as of December 31, 2022.

### Interest Rate Risk

Our prevailing market risk on interest rates is the potential fluctuation in interest costs and in the fair value of long-term debt resulting from movements in interest rates.

We use interest rate derivatives as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. The interest rate caps that we have entered into historically were designated as cash flow hedges and involved the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. The following table summarizes the key terms of the active interest rate derivatives held by the Company:

	Notional principal amount (millions)	Interest rate				
		Payable		Receivable		Variable rate index
		Variable	Fixed	Variable	Fixed	
As of December 30, 2023						
Maturity date:						
—June 2025	\$ 870.0	— %	2.5 %	5.4 %	— %	1 month Term SOFR
—November 2027	\$ 385.0	— %	7.6 %	8.9 %	— %	1 month Term SOFR
As of December 31, 2022						
Maturity date:						
—June 2025	\$ 870.0	— %	2.5 %	4.4 %	— %	1 month LIBOR
—November 2027	\$ 385.0	— %	7.6 %	7.8 %	— %	1 month Term SOFR

The interest rate profile of the Company's financial assets and liabilities, after taking into account the effect of the interest rate hedging activities, was as follows:

	As of December 30, 2023				As of December 31, 2022			
	Interest-bearing		Non-interest bearing	Total	Interest-bearing		Non-interest bearing	Total
(dollars in millions)	Floating rate	Fixed rate			Floating rate	Fixed rate		
Financial assets:								
Available-for-sale investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cash and cash equivalents	364.4	—	356.2	720.6	222.5	—	355.9	578.4
Restricted cash	—	—	3.4	3.4	—	—	3.0	3.0
	364.4	—	359.6	724.0	222.5	—	358.9	581.4
Financial liabilities:								
Debt	(648.9)	(1,823.0)	—	(2,471.9)	(668.4)	(1,823.0)	—	(2,491.4)
Obligations under finance leases	—	(1.7)	—	(1.7)	—	(2.4)	—	(2.4)
	(648.9)	(1,824.7)	—	(2,473.6)	(668.4)	(1,825.4)	—	(2,493.8)
	\$ (284.5)	\$ (1,824.7)	\$ 359.6	\$ (1,749.6)	\$ (445.9)	\$ (1,825.4)	\$ 358.9	\$ (1,912.4)

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Our debt facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. We aim to reduce liquidity risk by diversifying our funding sources, maintaining adequate headroom under our debt facilities and by staggering the maturities of our debt.

We have established long-term credit ratings of B1 Stable with Moody's and B+ Stable with Standard & Poor's. Credit ratings are subject to regular review by the credit rating agencies and may change in response to economic and commercial developments.

For the expected timing of contractual cash flows relating to our financing arrangements, see the table set out above under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations under Financing Arrangements and Other Commitments."

### *Commodity Risk*

We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials such as aluminum, steel and polymers are subject to price fluctuations, which could have a negative impact on our results. We primarily manage these risks through normal operating activities. We strive to pass along such commodity price increases to customers to avoid profit margin erosion and utilize lean initiatives and materials science capabilities to further mitigate the impact of commodity raw material price fluctuations as we achieve improved efficiencies. We historically have not entered into any derivative commodity instruments to manage the exposure to changing price risk for supplies, but we will continue to evaluate their viability.

### *Credit risk*

Our principal financial assets are cash and cash equivalents, derivatives, trade and other receivables and investments.

We regularly monitor third-party depository institutions that hold our cash and short-term investments, primarily for safety of principal and secondarily for maximizing yield on those funds. We diversify our cash and short-term investments among counterparties to minimize exposure to any one of these entities.

The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies.

To mitigate the credit risk attributable to our trade receivables, we perform credit verifications and monitor closely the creditworthiness of new and existing customers. The amounts presented in the balance sheet for trade receivables are net of allowances for expected credit losses. We develop expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Two customers of our North America businesses accounted for 12.5% and 9.6%, respectively, of our total trade accounts receivable balance as of December 30, 2023, compared to 15.3% and 8.4%, respectively, as of December 31, 2022. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

We have no other significant concentrations of credit risk as our exposure is spread over a large number of customers and counterparties.

## **Item 8. Financial Statements and Supplementary Data**

The information required by this Item is included as a separate section in this annual report. See Part IV. Item 15. “Exhibits, Financial Statement Schedules,” which is incorporated herein by reference.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this annual report. Based upon that evaluation required by paragraph (b) of Rules 13a-15 or 15d-15, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 30, 2023, the Company's disclosure controls and procedures were effective.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, misstatements due to error or fraud may not be prevented or detected on a timely basis.

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, performed an assessment of the effectiveness of the Company's internal control over financial reporting at December 30, 2023, utilizing the criteria discussed in the "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at December 30, 2023. Based on management's assessment, we have concluded that our internal control over financial reporting was effective at December 30, 2023.

Deloitte & Touche LLP (PCAOB ID No. 34), the independent registered public accounting firm that audited the Company's consolidated financial statements included elsewhere in this report, has issued an attestation report on our internal control over financial reporting as of December 30, 2023, as stated in its report which is included herein.

### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

### **Section 13(r) Disclosure**

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we hereby incorporate by reference herein Exhibit 99.1 of this report, which includes disclosures regarding activities at Mundys S.p.A. (formerly Atlantia S.p.A.), which may be, or may have been at the time considered to be, an affiliate of Blackstone and, therefore, our affiliate.

### **Trading Arrangements**

During the three months ended December 30, 2023, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.



## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

#### **Directors and Executive Officers**

The information called for by this Item 10 is incorporated by reference to our definitive proxy statement for our 2024 annual general meeting of shareholders (our “2024 Proxy Statement”), anticipated to be filed with the Securities and Exchange Commission within 120 days of December 30, 2023, under the headings “Proposal 1- Election of Directors,” “Corporate Governance,” and, if applicable, “Delinquent Section 16(a) Reports.”

#### **Code of Ethics**

We maintain a Code of Business Conduct and Ethics that applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, which is posted on our website at [www.gates.com](http://www.gates.com) under “About Us: Investor Relations: Governance: Governance Documents.” Our Code of Business Conduct and Ethics is a “code of ethics,” as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website. The information contained on, or accessible from, our website is not part of this annual report by reference or otherwise.

### **Item 11. Executive Compensation**

The information called for by this Item 11 is incorporated by reference to our 2024 Proxy Statement anticipated to be filed with the Securities and Exchange Commission within 120 days of December 30, 2023, under the headings “Executive Compensation” and “Corporate Governance - Compensation Interlocks and Insider Participation.”

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information called for by this Item 12 is incorporated by reference to our 2024 Proxy Statement anticipated to be filed with the Securities and Exchange Commission within 120 days of December 30, 2023, under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information called for by this Item 13 is incorporated by reference to our 2024 Proxy Statement anticipated to be filed with the Securities and Exchange Commission within 120 days of December 30, 2023, under the headings “Corporate Governance” and “Related-Person Transactions Policies and Procedures.”

### **Item 14. Principal Accountant Fees and Services**

The information called for by this Item 14 is incorporated by reference to our 2024 Proxy Statement anticipated to be filed with the Securities and Exchange Commission within 120 days of December 30, 2023, under the heading “Independent Registered Public Accounting Firm.”

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

The financial statements filed as part of this report are indexed below. Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included.

#### Index to Financial Statements

##### *Audited Consolidated Financial Statements of Gates Industrial Corporation plc and its subsidiaries:*

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Consolidated Statements of Operations for the fiscal years ended December 30, 2023, December 31, 2022, and January 1, 2022	F-3
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#### Exhibits

Exhibit No.	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Certificate of Incorporation of Gates Industrial Corporation plc	S-1	3.1	1/8/2018
3.2	Articles of Association of Gates Industrial Corporation plc, effective October 7, 2019	10-Q	3.2	11/6/2019
4.1	Description of Securities of Gates Industrial Corporation plc	10-K	4.1	2/10/2021
4.2	Indenture, dated as of November 22, 2019, by and among Gates Global LLC, Gates Corporation, the subsidiary guarantors named on the signature pages thereto and U.S. Bank National Association, as trustee, which includes the Form of 6.25% Senior Notes due 2026	8-K	4.1	11/27/2019
10.1	Shareholders Agreement	8-K	10.1	1/29/2018
10.2	Registration Rights Agreement	8-K	10.2	1/29/2018
10.3	Monitoring Fee Agreement	8-K	10.3	1/29/2018
10.4	Support and Services Agreement	8-K	10.4	1/29/2018
10.5	Agreement for the Provision of Depositary Services and Custody Services in respect of Gates Industrial Corporation plc Depositary Receipts	8-K	10.5	1/29/2018
10.6	Second Amended and Restated Credit Agreement, dated as of November 18, 2021, among the U.S. Borrower, the Canadian Borrower, the other guarantors party thereto, Citibank, N.A., as administrative agent and collateral agent and the other parties and lenders party thereto	8-K	10.2	11/22/2021
10.7	Amendment No. 1, dated as of March 1, 2023, to the Second Amended and Restated Credit Agreement, dated as of November 18, 2021, among the U.S. Borrower, the Canadian Borrower, the other guarantors party thereto, Citibank, N.A., as administrative agent and collateral agent and the other parties and lenders	10-Q	10.2	5/4/2023
10.8	Credit Agreement, dated as of July 3, 2014, among Omaha Holdings LLC, Gates Global LLC, the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent, collateral agent, swing line lender and L/C issuer, and the lenders party thereto	S-1	10.18	12/27/2017

10.9	Amendment No. 1 to Credit Agreement, dated as of April 7, 2017, among Omaha Holdings LLC, Gates Global LLC, the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as the additional B-1 euro term lender and additional B-1 dollar term lender	S-1	10.19	12/27/2017
10.10	Amendment No. 2 to Credit Agreement, dated as of November 22, 2017, among Omaha Holdings LLC, Gates Global LLC, the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as the additional B-2 euro term lender and additional B-2 dollar term lender	S-1	10.20	12/27/2017
10.11	Amendment No. 3, dated as of January 24, 2018, to the Credit Agreement dated as of July 3, 2014 among the Borrower, Omaha Holdings LLC, Gates Global LLC, the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the lenders party thereto	8-K	10.6	1/29/2018
10.12	Amendment No. 4, dated as of February 24, 2021, to the Credit Agreement dated as of July 3, 2014 among the Borrower, Omaha Holdings LLC, the other guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other parties and lenders party thereto	8-K	10.1	3/1/2021
10.13	Amendment No. 5, dated as of November 18, 2021, to the Credit Agreement, dated as of July 3, 2014 among the U.S. Borrower, Omaha Holdings LLC, the other guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other parties and lenders party thereto	8-K	10.1	11/22/2021
10.14	Amendment No. 6, dated as of November 16, 2022, to the Credit Agreement dated as of July 3, 2014 among the Borrower, Omaha Holdings LLC, the other guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the other parties and lenders party thereto	8-K	10.1	11/21/2022
10.15	Amendment No. 7, dated as of March 1, 2023, to the Credit Agreement dated as of July 3, 2014 among the Borrower, Omaha Holdings LLC, the other guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the other parties and lenders party thereto	10-Q	10.1	5/4/2023
10.16	Amendment No. 8, dated as of October 10, 2023, to the Credit Agreement dated as of July 3, 2014 among Omaha Holdings LLC, Gates Global LLC, Gates Corporation, the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the lenders party thereto	10-Q	10.1	11/3/2023
10.17	ABL Intercreditor Agreement, dated as of July 3, 2014, among Citibank, N.A., as ABL agent, Credit Suisse AG, Cayman Islands Branch, as cash flow agent, Gates Global LLC, Omaha Holdings LLC and the other grantors party thereto	S-1	10.23	12/27/2017
10.18	Security Agreement, dated as of July 3, 2014, among Omaha Holdings LLC, Gates Global LLC, the other grantors party thereto and Citibank, N.A., as collateral agent for the secured parties	S-1	10.24	12/27/2017
10.19	Security Agreement, dated as of July 3, 2014, among Tomkins Automotive Canada Limited, Gates Canada Inc. and Citibank, N.A., as collateral agent for the secured parties	S-1	10.25	12/27/2017
10.20	Security Agreement, dated as of July 3, 2014, among Omaha Holdings LLC, Gates Global LLC, the other grantors party thereto and Credit Suisse AG, Cayman Islands Branch, as collateral agent for the secured parties	S-1	10.26	12/27/2017
10.21	Gates Industrial Corporation plc 2014 Stock Incentive Plan†	10-K	10.15	2/14/2019
10.22	Form of Nonqualified Stock Option Agreement under the Gates Industrial Corporation plc 2014 Stock Incentive Plan (Pre-2017 grants to Ivo Jurek)†	10-K	10.16	2/14/2019
10.23	Form of Nonqualified Stock Option Agreement under the Gates Industrial Corporation plc 2014 Stock Incentive Plan (Pre-2017 grant to Tom Pitstick)†	10-K	10.17	2/14/2019
10.24	Form of Nonqualified Stock Option Agreement under the Gates Industrial Corporation plc 2014 Stock Incentive Plan (2017 grant to Ivo Jurek)†	10-K	10.18	2/14/2019
10.25	Form of Nonqualified Stock Option Agreement under the Gates Industrial Corporation plc 2014 Stock Incentive Plan (2017 grant to Tom Pitstick)†	10-K	10.19	2/14/2019
10.26	Form of Management Equity Subscription Agreement under the Gates Industrial Corporation plc 2014 Stock Incentive Plan†	10-K	10.20	2/14/2019

10.27	Gates Industrial Corporation plc 2015 Non-Employee Director Stock Incentive Plan†	10-K	10.21	2/14/2019
10.28	Form of Nonqualified Stock Option Agreement under the Gates Industrial Corporation plc 2015 Non-Employee Director Stock Incentive Plan†	10-K	10.22	2/14/2019
10.29	Gates Industrial Corporation plc 2018 Omnibus Incentive Plan†	10-Q	10.1	11/2/2018
10.30	Form of Option Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan†	10-Q	10.2	5/3/2018
10.31	Form of Time-Based Restricted Stock Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan†	10-Q	10.2	11/2/2018
10.32	Form of Time-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Non-Employee Director)†	10-Q	10.3	11/2/2018
10.33	Form of Time-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Employee)†	10-Q	10.4	11/2/2018
10.34	Form of Stock Appreciation Right Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan†	10-Q	10.5	11/2/2018
10.35	Form of Option Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (3 yr.)†	10-Q	10.1	5/8/2019
10.36	Form of Time-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Employee)†	10-Q	10.2	5/8/2019
10.37	Form of Time-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Non-Employee Director)†	10-Q	10.3	5/8/2019
10.38	Form of Performance-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan†	10-Q	10.4	5/8/2019
10.39	Special Option Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (5 yr.)†	10-Q	10.5	5/8/2019
10.40	Form of Time-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Executive Officer), effective January 1, 2020.†	10-K	10.34	2/21/2020
10.41	Form of Option Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (Executive Officer), effective January 1, 2020.†	10-K	10.35	2/21/2020
10.42	Form of Performance-Based Restricted Stock Unit Agreement under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan, effective January 1, 2020.†	10-K	10.36	2/21/2020
10.43	Gates Corporation Supplemental Retirement Plan, amended and restated effective March 8, 2018†	10-Q	10.1	5/3/2018
10.44	Form of Director and Officer Deed of Indemnity†	S-1	10.12	1/8/2018
10.45	Form of Executive Severance Plan†	S-1	10.15	12/27/2017
10.46	Form of Executive Change in Control Plan†	S-1	10.16	12/27/2017
21.1	Subsidiaries of the Registrant*			
23.1	Consent of Deloitte & Touche LLP*			
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*			
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*			
32.1	Certification by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**			
97.1	Incentive Clawback Policy (including form of Agreement)†*			
99.1	Section 13(r) Disclosure*			

- 101 The following financial information from Gates Industrial Corporation's Annual Report on Form 10-K for the year ended December 30, 2023, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the years ended December 30, 2023, December 31, 2022 and January 1, 2022 (ii) Consolidated Statements of Comprehensive Income for the years ended December 30, 2023, December 31, 2022 and January 1, 2022 (iii) Consolidated Balance Sheets as of December 30, 2023 and December 31, 2022, (iv) Consolidated Statements of Cash Flows for the years ended December 30, 2023, December 31, 2022 and January 1, 2022 (v) Consolidated Statements of Shareholders' Equity for the years ended December 30, 2023, December 31, 2022 and January 1, 2022, and (vi) Notes to the Consolidated Financial Statements.\*
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

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\* Filed herewith.

\*\* Furnished herewith.

† Management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

#### **Item 16. Form 10-K Summary**

Not applicable.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GATES INDUSTRIAL CORPORATION PLC  
(Registrant)

By: /s/ L. Brooks Mallard

Name: L. Brooks Mallard

Title: Chief Financial Officer

(On behalf of the Registrant and as Principal  
Financial Officer)

Date: February 8, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 8, 2024.

Signature	Title
<u>/s/ Ivo Jurek</u> Ivo Jurek	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ L. Brooks Mallard</u> L. Brooks Mallard	Chief Financial Officer (Principal Financial Officer)
<u>/s/ David M. Wisniewski</u> David M. Wisniewski	Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Neil P. Simpkins</u> Neil P. Simpkins	Director
<u>/s/ Fredrik J. Eliasson</u> Fredrik J. Eliasson	Director
<u>/s/ James W. Ireland, III</u> James W. Ireland, III	Director
<u>/s/ Stephanie K. Mains</u> Stephanie K. Mains	Director
<u>/s/ Seth Meisel</u> Seth Meisel	Director
<u>/s/ Wilson S. Neely</u> Wilson S. Neely	Director
<u>/s/ Alicia Tillman</u> Alicia Tillman	Director
<u>/s/ Peifang Zhang</u> Peifang Zhang	Director

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Gates Industrial Corporation plc

### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Gates Industrial Corporation plc and subsidiaries (the "Company") as of December 30, 2023 and December 31, 2022, the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity, for each of the three years in the period ended December 30, 2023, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

### **Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by

communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Goodwill and Other Intangible Assets — Refer to Notes 2, 10 and 11 to the financial statements***

***Critical Audit Matter Description***

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determined the fair value of its reporting units using a weighted blend of the income and the market approaches. Similarly, the Company's evaluation of its brands and trade names intangible assets involves the comparison of the fair value of the brands and trade names intangible assets to its carrying value. The Company determined the fair value of the brands and trade names intangible asset using a relief from royalty valuation methodology. The determination of the fair value for both the goodwill and brands and trade names intangible asset impairment analyses required management to make significant estimates and assumptions.

The goodwill balance was \$2,038.7 million as of December 30, 2023, of which \$700.2 million and \$1,338.5 million were allocated to the Fluid Power and Power Transmission reporting units, respectively. The fair values of the Fluid Power and Power Transmission reporting units exceeded their carrying values as of the measurement date and, therefore, no goodwill impairments were recognized. The brands and trade names intangible asset balance was \$469.4 million as of December 30, 2023. The fair value of the brands and trade names intangible asset exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

Given the significant estimates and assumptions management makes to estimate the fair value of goodwill and the brands and trade names intangible asset for its impairment analyses, performing audit procedures to evaluate the reasonableness of management's forecasts of future sales and the discount rates used in the impairment tests required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the forecasts of sales growth rates and the discount rate used by management to estimate the fair value of goodwill and the brands and trade names intangible asset included the following, among others:

- We tested the effectiveness of controls over management's goodwill and brands and trade names intangible asset impairment evaluations, including those over the determination of the fair value of goodwill and the brands and trade names intangible asset, and controls related to management's review of the assumptions described above.
- We evaluated management's ability to accurately forecast sales by comparing actual results to management's historical forecasts to determine if the difference between historical forecast and actual results would have a material impact on the goodwill and brands and trade names intangible asset impairment analyses.
- We evaluated the reasonableness of management's revenue forecasts by comparing to:
  - Macroeconomic data on projected growth
  - Internal communications to management and the Board of Directors
  - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company.
- With the assistance of our fair value specialists, we evaluated the reasonableness of management's revenue forecasts by comparing to historical and projected financial information of peer companies and other industry participants from external market sources.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate by:
  - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
  - Developing a range of independent estimates and comparing those to the discount rate selected by management

/s/ Deloitte & Touche LLP

Denver, Colorado

February 8, 2024

We have served as the Company's auditor since 2014.

**Gates Industrial Corporation plc**  
**Consolidated Statements of Operations**

	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
(dollars in millions, except per share amounts)			
Net sales	\$ 3,570.2	\$ 3,554.2	\$ 3,474.4
Cost of sales	2,211.3	2,303.6	2,135.2
<b>Gross profit</b>	<b>1,358.9</b>	<b>1,250.6</b>	<b>1,339.2</b>
Selling, general and administrative expenses	882.2	853.7	852.7
Transaction-related expenses	2.2	2.1	3.7
Asset impairments	0.1	1.1	0.6
Restructuring expenses	11.6	9.5	7.4
Other operating expenses (income)	0.2	0.2	(9.3)
<b>Operating income from continuing operations</b>	<b>462.6</b>	<b>384.0</b>	<b>484.1</b>
Interest expense	163.2	139.4	133.5
Other expenses (income)	14.1	(13.2)	0.9
<b>Income from continuing operations before taxes</b>	<b>285.3</b>	<b>257.8</b>	<b>349.7</b>
Income tax expense	28.3	14.9	18.4
<b>Net income from continuing operations</b>	<b>257.0</b>	<b>242.9</b>	<b>331.3</b>
Loss on disposal of discontinued operations, net of tax, respectively, of \$0, \$0 and \$0	0.6	0.4	—
<b>Net income</b>	<b>256.4</b>	<b>242.5</b>	<b>331.3</b>
Less: non-controlling interests	23.5	21.7	34.2
<b>Net income attributable to shareholders</b>	<b>\$ 232.9</b>	<b>\$ 220.8</b>	<b>\$ 297.1</b>
<b>Earnings per share</b>			
<b>Basic</b>			
Earnings per share from continuing operations	\$ 0.86	\$ 0.78	\$ 1.02
Earnings per share from discontinued operations	\$ —	\$ —	\$ —
<b>Earnings per share</b>	<b>\$ 0.86</b>	<b>\$ 0.78</b>	<b>\$ 1.02</b>
<b>Diluted</b>			
Earnings per share from continuing operations	\$ 0.84	\$ 0.77	\$ 1.00
Earnings per share from discontinued operations	\$ —	\$ —	\$ —
<b>Earnings per share</b>	<b>\$ 0.84</b>	<b>\$ 0.77</b>	<b>\$ 1.00</b>

The accompanying notes form an integral part of these consolidated financial statements.



**Gates Industrial Corporation plc**  
**Consolidated Statements of Comprehensive Income**

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
<b>Net income</b>	<b>\$ 256.4</b>	<b>\$ 242.5</b>	<b>\$ 331.3</b>
<b>Other comprehensive income (loss)</b>			
Foreign currency translation:			
—Net translation gain (loss) on foreign operations, net of tax expense, respectively, of \$(4.3), \$(2.5) and \$0.0	128.5	(159.5)	(105.6)
—(Loss) gain on net investment hedges, net of tax benefit, respectively, of \$5.4, \$8.6 and \$0.0	(27.8)	2.9	33.8
<b>Total foreign currency translation movements</b>	<b>100.7</b>	<b>(156.6)</b>	<b>(71.8)</b>
Cash flow hedges (interest rate derivatives):			
—Gain arising in the period, net of tax expense, respectively, of \$(1.8), \$(15.4) and \$(2.9)	5.6	46.3	8.8
—Reclassification to net income, net of tax benefit (expense), respectively, of \$6.0, \$(3.5) and \$(5.4)	(18.1)	10.4	16.2
<b>Total cash flow hedges movements</b>	<b>(12.5)</b>	<b>56.7</b>	<b>25.0</b>
Post-retirement benefits:			
—Current year actuarial movements, net of tax benefit (expense), respectively, of \$3.6, \$11.0 and \$(5.9)	(10.3)	(33.4)	21.6
—Reclassification of prior year actuarial movements to net income, net of tax benefit, respectively, of \$1.1, \$0.5 and \$0.0	(2.4)	(0.5)	0.1
<b>Total post-retirement benefits movements</b>	<b>(12.7)</b>	<b>(33.9)</b>	<b>21.7</b>
<b>Other comprehensive income (loss)</b>	<b>75.5</b>	<b>(133.8)</b>	<b>(25.1)</b>
<b>Comprehensive income for the period</b>	<b>\$ 331.9</b>	<b>\$ 108.7</b>	<b>\$ 306.2</b>
Comprehensive income attributable to shareholders:			
—Income arising from continuing operations	\$ 322.8	\$ 128.6	\$ 277.3
—Loss arising from discontinued operations	(0.6)	(0.4)	—
	<b>322.2</b>	<b>128.2</b>	<b>277.3</b>
Comprehensive income (loss) attributable to non-controlling interests	9.7	(19.5)	28.9
<b>Comprehensive income for the period</b>	<b>\$ 331.9</b>	<b>\$ 108.7</b>	<b>\$ 306.2</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Gates Industrial Corporation plc**  
**Consolidated Balance Sheets**

(dollars in millions, except share numbers and per share amounts)	As of December 30, 2023	As of December 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 720.6	\$ 578.4
Trade accounts receivable, net	768.2	808.6
Inventories	647.2	656.2
Taxes receivable	30.4	13.0
Prepaid expenses and other assets	234.9	221.2
<b>Total current assets</b>	<b>2,401.3</b>	<b>2,277.4</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	630.0	637.5
Goodwill	2,038.7	1,981.1
Pension surplus	8.6	10.1
Intangible assets, net	1,386.1	1,490.4
Right-of-use assets	120.1	132.2
Taxes receivable	18.5	15.1
Deferred income taxes	622.4	600.3
Other non-current assets	28.8	47.5
<b>Total assets</b>	<b>\$ 7,254.5</b>	<b>\$ 7,191.6</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Debt, current portion	\$ 36.5	\$ 36.6
Trade accounts payable	457.7	469.6
Taxes payable	36.6	23.5
Accrued expenses and other current liabilities	248.5	222.6
<b>Total current liabilities</b>	<b>779.3</b>	<b>752.3</b>
<b>Non-current liabilities</b>		
Debt, less current portion	2,415.0	2,426.4
Post-retirement benefit obligations	83.8	76.2
Lease liabilities	110.6	121.9
Taxes payable	79.4	79.5
Deferred income taxes	119.4	192.0
Other non-current liabilities	123.1	99.7
<b>Total liabilities</b>	<b>3,710.6</b>	<b>3,748.0</b>
Commitments and contingencies (Note 22)		
<b>Shareholders' equity</b>		
—Shares, par value of \$0.01 each - authorized shares: 3,000,000,000; outstanding shares: 264,259,788 (December 31, 2022: authorized shares: 3,000,000,000; outstanding shares: 282,578,917)	2.6	2.8
—Additional paid-in capital	2,583.8	2,542.1
—Accumulated other comprehensive loss	(828.5)	(917.8)
—Retained earnings	1,462.3	1,482.9
<b>Total shareholders' equity</b>	<b>3,220.2</b>	<b>3,110.0</b>
Non-controlling interests	323.7	333.6
<b>Total equity</b>	<b>3,543.9</b>	<b>3,443.6</b>
<b>Total liabilities and equity</b>	<b>\$ 7,254.5</b>	<b>\$ 7,191.6</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Gates Industrial Corporation plc**  
**Consolidated Statements of Cash Flows**

	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
(dollars in millions)			
<b>Cash flows from operating activities</b>			
Net income	\$ 256.4	\$ 242.5	\$ 331.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	217.5	217.2	222.6
Foreign exchange and other non-cash financing (income) expenses	(24.8)	5.8	33.2
Share-based compensation expense	27.4	44.3	24.6
Decrease in post-employment benefit obligations, net	(9.9)	(16.0)	(14.7)
Deferred income taxes	(65.7)	(79.7)	(94.3)
Asset impairments	0.1	2.6	2.0
Other operating activities	5.3	6.6	3.7
Changes in operating assets and liabilities:			
—Accounts receivable	45.6	(129.3)	(22.3)
—Inventories	24.5	2.9	(192.4)
—Accounts payable	(17.8)	(15.9)	99.6
—Prepaid expenses and other assets	22.3	50.3	(41.3)
—Taxes payable	(14.5)	(24.4)	38.7
—Other liabilities	14.6	(41.1)	(8.3)
<b>Net cash provided by operating activities</b>	<b>481.0</b>	<b>265.8</b>	<b>382.4</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(61.2)	(77.6)	(77.7)
Purchases of intangible assets	(10.2)	(9.4)	(9.3)
Cash paid under company-owned life insurance policies	(18.2)	(11.6)	(11.2)
Cash received under company-owned life insurance policies	6.6	6.0	2.4
Proceeds from the sale of property, plant and equipment	1.2	—	—
Other investing activities	—	1.9	9.8
<b>Net cash used in investing activities</b>	<b>(81.8)</b>	<b>(90.7)</b>	<b>(86.0)</b>
<b>Cash flows from financing activities</b>			
Issuance of shares	18.7	15.9	4.6
Repurchase of shares	(251.7)	(175.9)	(10.6)
Proceeds from long-term debt	100.0	645.0	—
Payments of long-term debt	(119.6)	(676.9)	(91.0)
Debt issuance costs paid	(1.3)	(23.3)	(11.7)
Dividends paid to non-controlling interests	(18.2)	(28.7)	(26.6)
Other financing activities	13.8	(9.2)	(13.3)
<b>Net cash used in financing activities</b>	<b>(258.3)</b>	<b>(253.1)</b>	<b>(148.6)</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	1.7	(1.5)	(11.0)
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>142.6</b>	<b>(79.5)</b>	<b>136.8</b>
Cash and cash equivalents and restricted cash at the beginning of the period	581.4	660.9	524.1
<b>Cash and cash equivalents and restricted cash at the end of the period</b>	<b>\$ 724.0</b>	<b>\$ 581.4</b>	<b>\$ 660.9</b>
<b>Supplemental schedule of cash flow information</b>			
Interest paid	\$ 155.1	\$ 118.7	\$ 121.2
Income taxes paid	\$ 110.5	\$ 117.8	\$ 83.0
Accrued capital expenditures	\$ 0.6	\$ 1.9	\$ 1.0

The accompanying notes form an integral part of these consolidated financial statements.

**Gates Industrial Corporation plc**  
**Consolidated Statements of Shareholders' Equity**

(dollars in millions)	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity	Non- controlling interests	Total equity
<b>As of January 2, 2021</b>	\$ 2.9	\$ 2,456.8	\$ (805.4)	\$ 1,151.4	\$ 2,805.7	\$ 379.3	\$ 3,185.0
Net income	—	—	—	297.1	297.1	34.2	331.3
Other comprehensive (loss), net	—	—	(19.8)	—	(19.8)	(5.3)	(25.1)
<b>Total comprehensive (loss) income</b>	—	—	(19.8)	297.1	277.3	28.9	306.2
Other changes in equity:							
—Issuance of shares	—	4.6	—	—	4.6	—	4.6
—Shares withheld for employee taxes	—	(0.7)	—	—	(0.7)	—	(0.7)
—Repurchase and cancellation of shares	—	—	—	(10.6)	(10.6)	—	(10.6)
—Share-based compensation	—	23.4	—	—	23.4	0.1	23.5
—Dividends paid to non-controlling interests	—	—	—	—	—	(26.6)	(26.6)
<b>As of January 1, 2022</b>	<b>2.9</b>	<b>2,484.1</b>	<b>(825.2)</b>	<b>1,437.9</b>	<b>3,099.7</b>	<b>381.7</b>	<b>3,481.4</b>
Net income	—	—	—	220.8	220.8	21.7	242.5
Other comprehensive (loss), net	—	—	(92.6)	—	(92.6)	(41.2)	(133.8)
<b>Total comprehensive (loss) income</b>	—	—	(92.6)	220.8	128.2	(19.5)	108.7
Other changes in equity:							
—Issuance of shares	—	15.9	—	—	15.9	—	15.9
—Shares withheld for employee taxes	—	(1.4)	—	—	(1.4)	—	(1.4)
—Repurchase and cancellation of shares	(0.1)	—	—	(175.8)	(175.9)	—	(175.9)
—Share-based compensation	—	43.5	—	—	43.5	0.1	43.6
—Dividends paid to non-controlling interests	—	—	—	—	—	(28.7)	(28.7)
<b>As of December 31, 2022</b>	<b>2.8</b>	<b>2,542.1</b>	<b>(917.8)</b>	<b>1,482.9</b>	<b>3,110.0</b>	<b>333.6</b>	<b>3,443.6</b>
Net income	—	—	—	232.9	232.9	23.5	256.4
Other comprehensive income (loss), net	—	—	89.3	—	89.3	(13.8)	75.5
<b>Total comprehensive income</b>	—	—	89.3	232.9	322.2	9.7	331.9
Other changes in equity:							
—Issuance of shares	—	18.7	—	—	18.7	—	18.7
—Shares withheld for employee taxes	—	(3.3)	—	—	(3.3)	—	(3.3)
—Repurchase and cancellation of shares	(0.2)	—	—	(253.5)	(253.7)	—	(253.7)
—Share-based compensation	—	26.3	—	—	26.3	0.1	26.4
—Dividends paid to non-controlling interests	—	—	—	—	—	(19.7)	(19.7)
<b>As of December 30, 2023</b>	<b>\$ 2.6</b>	<b>\$ 2,583.8</b>	<b>\$ (828.5)</b>	<b>\$ 1,462.3</b>	<b>\$ 3,220.2</b>	<b>\$ 323.7</b>	<b>\$ 3,543.9</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Gates Industrial Corporation plc**  
**Notes to the Consolidated Financial Statements**

**1. Background**

Gates Industrial Corporation plc (the “Company”) is a public limited company that was incorporated in the United Kingdom and registered in England and Wales on September 25, 2017.

In these consolidated financial statements and related notes, all references to “Gates”, “we”, “us”, and “our” refer, unless the context requires otherwise, to the Company and its subsidiaries.

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world. Gates is comprised of two operating segments: Power Transmission and Fluid Power.

**2. Significant accounting policies**

**A. Basis of presentation**

The consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are presented in U.S. dollars unless otherwise indicated. The accounting policies used in preparing these consolidated financial statements and related notes are the same as those applied in the prior year.

**B. Accounting periods**

The Company prepares its annual consolidated financial statements as of the Saturday nearest December 31. Accordingly, the consolidated balance sheets are presented as of December 30, 2023 and December 31, 2022 and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders’ equity are presented for the years ended December 30, 2023 (“Fiscal 2023”), December 31, 2022 (“Fiscal 2022”) and January 1, 2022 (“Fiscal 2021”).

**C. Basis of consolidation**

The consolidated financial statements include the results of operations, cash flows and assets and liabilities of Gates and its majority-owned subsidiaries, and our share of the results of our equity method investees.

We consolidate entities in which we have a controlling interest or when we are considered the primary beneficiary of a variable interest entity. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of consolidated subsidiaries and the non-controlling parties’ ownership interest is presented as a non-controlling interest. Intercompany transactions and balances, and any unrealized profits or losses arising from intercompany transactions, are eliminated on consolidation.

**D. Foreign currency transactions and translation**

Transactions denominated in currencies other than an entity’s functional currency (foreign currencies) are translated into the entity’s functional currency at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the reporting date. Exchange differences arising from changes in exchange rates are recognized in net income for the period. The net foreign currency transaction gain included in operating income from continuing operations during Fiscal 2023 was \$2.5 million, compared to a gain of \$5.7 million in Fiscal 2022 and a loss of \$7.1 million in Fiscal 2021. We also recognized net financing-related foreign currency transaction losses within other expenses (income) of \$4.2 million during Fiscal 2023, compared to a gain of \$10.2 million in Fiscal 2022 and a loss of \$7.6 million in Fiscal 2021.

On consolidation, the results of operations of entities whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period and their assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date. Currency translation differences are recognized within other comprehensive income (“OCI”) as a separate component of accumulated OCI. In the event that a foreign operation is sold, or substantially liquidated, the cumulative currency translation differences that are attributable to the operation are reclassified to net income.

In the statement of cash flows, the cash flows of operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period.

## **E. Net sales**

Gates derives its net sales primarily from the sale of a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We apply the five-step model under Topic 606 (“Revenue from Contracts with Customers”) to all contracts. The five steps are: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) we satisfy a performance obligation.

In most of our agreements with customers, we consider accepted customer purchase orders, which in some cases are governed by master sales agreements, to represent the contracts with our customers. Revenue from the sale of goods under these contracts is measured at the invoiced amount, net of estimated returns, early settlement discounts and rebates. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues. Where a customer has the right to return goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers. Our transaction prices often include variable consideration, usually in the form of discounts and rebates that may apply to issued invoices. The reduction in the transaction price for variable consideration requires that we make estimations of the expected total qualifying sales to the relevant customers. These estimates, including an analysis for potential constraint on variable consideration, take into account factors such as the nature of the rebate program, historical information and expectations of customer and consumer behavior. Overall, the transaction price is reduced to reflect our estimate of the consideration that is not probable of significant reversal.

We allocate the transaction price to each distinct performance obligation based on their relative standalone selling price. The product price as specified on the accepted purchase order is considered to be the standalone selling price.

In substantially all of our contracts with customers, our performance obligations are satisfied at a point in time, rather than over a period of time, when control of the product is transferred to the customer. This occurs typically at shipment. In determining whether control has transferred and the customer is consequently able to control the use of the product for their own benefit, we consider if there is a present right to payment, legal title and physical possession has been transferred, whether the risks and rewards of ownership have transferred to the customer, and if acceptance of the asset by the customer is more than perfunctory.

## **F. Selling, general and administrative expenses**

### *Shipping and handling costs*

Costs of outbound shipping and handling are included in SG&A. During Fiscal 2023, we recognized shipping and handling costs of \$167.2 million, compared to \$174.8 million in Fiscal 2022 and \$170.1 million in Fiscal 2021.

### *Research and development costs*

Research and development costs are charged to net income in the period in which they are incurred. Our research and development expense was \$66.0 million in Fiscal 2023, compared to \$69.4 million in Fiscal 2022 and \$70.7 million in Fiscal 2021. These costs related primarily to product development and also to technology to enhance manufacturing processes.

### *Advertising costs*

Advertising costs are expensed as incurred and included in SG&A. During Fiscal 2023, we recognized advertising costs of \$14.0 million, compared to \$16.8 million in Fiscal 2022 and \$12.0 million in Fiscal 2021.

## **G. Restructuring expenses**

Restructuring expenses are incurred in major projects undertaken to rationalize and improve our cost competitiveness. Restructuring expenses incurred during the periods presented are analyzed in Note 5.



Liabilities in respect of termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement are recognized over the future service period when those employees are required to render services to the entity beyond the minimum retention period. If employees are not required to render service until they are terminated or if they will not be retained to render service beyond 60 days or a longer legal notification period, the liability is recognized on the communication date.

Termination benefits that are covered by a contract or an ongoing benefit arrangement are recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. Benefits that are offered for a short period of time in exchange for voluntary termination are recognized when the employees accept the offer.

Restructuring expenses other than termination benefits and lease exit costs are recognized only when the Company has incurred a related liability.

## **H. Inventories**

Inventories are stated at the lower of cost or net realizable value. A valuation adjustment is made to inventory for any excess, obsolete or slow-moving items based on management's review of on-hand inventories compared to historical and estimated future sales and usage profiles. Any consequent write-down of inventory results in a new cost basis for inventory.

Cost represents the expenditure incurred in bringing inventories to their existing location and condition, which may include the cost of raw materials, direct labor costs, other direct costs and related production overheads. Cost is generally determined on a first in, first out ("FIFO") basis, but the cost of certain inventories is determined on a last in, first out ("LIFO") basis. As of December 30, 2023, inventories whose cost was determined on a LIFO basis represented 33.3% of the total carrying amount of inventories compared to 28.9% as of December 31, 2022. Inventories would have been \$36.0 million and \$28.7 million higher than reported as of December 30, 2023 and December 31, 2022, respectively, had all inventories been valued on a FIFO basis, which approximates current cost.

## **I. Goodwill**

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition.

Where goodwill is attributable to more than one reporting unit, the goodwill is determined by allocating the purchase consideration in proportion to their respective business enterprise values and comparing the allocated purchase consideration with the fair value of the identifiable assets and liabilities of the reporting unit. Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment. For both reporting units, which are also our reportable segments, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2023, Fiscal 2022 or Fiscal 2021.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. We calculate fair values using a weighted blend of income and market approaches. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

## **J. Other intangible assets**

Other intangible assets are stated at cost less accumulated amortization and any recognized impairment.

### *(i) Assets acquired in business combinations*

An acquired intangible asset with a finite useful life is amortized on a straight-line basis so as to charge its cost, which represents its fair value at the date of acquisition, to net income over the Company's expectation of its useful life, as follows:

Customer relationships	15 to 17 years
Technology	5 to 7 years

Acquired brands and trade names are considered to have an indefinite useful life and are not amortized but are tested at least annually for impairment and are carried at cost less any recognized impairment.

(ii) *Computer software*

Computer software that is not integral to an item of property, plant and equipment is recognized separately as an intangible asset. Computer software is amortized on a straight-line basis over its estimated useful life, which ranges from 2 to 6 years.

**K. Property, plant and equipment**

Property, plant and equipment is recorded at cost less accumulated depreciation and any recognized impairment losses. Major improvements are capitalized. Expenditures for repairs and maintenance that do not significantly extend the useful life of the asset are expensed as incurred.

Land and assets under construction are not depreciated. Depreciation of property, plant and equipment, other than land and assets under construction, is generally expensed on a straight-line basis over their estimated useful lives. The Company's estimated useful lives of items of property, plant and equipment are generally in the following ranges:

Buildings and improvements	30 to 40 years
Leasehold improvements	Shorter of lease term or useful life
Machinery, equipment and vehicles	2 to 20 years

**L. Leases**

Gates has a large number of leases covering a wide variety of tangible assets that are used in our operations across the world. The value of our global leases is concentrated in a relatively small number of real estate leases, which accounted for approximately 92% of the lease liability under non-cancellable leases as of December 30, 2023. The remaining leases are predominantly comprised of equipment and vehicle leases.

In determining the impact of renewal options on the lease term, we consider various economic factors, including real estate strategies, the nature, length and underlying terms of the agreement, as well as the uncertainty of the condition of leased equipment at the end of the lease term.

Certain payments under our lease agreements, such as property taxes and utility costs, are excluded from the measurement of our right-of-use assets and lease liabilities and are recognized instead as variable payments in the period in which the obligation for those payments is incurred. A number of our leases, particularly real estate leases, include base rent escalation clauses. The majority of these are based on the change in a local consumer price or similar inflation index. Payments that vary based on an index or rate are included in the measurement of our right-of-use assets and lease liabilities at the rate as of the commencement date with any subsequent changes to those payments being recognized as variable payments in the period in which they occur.

Gates does not have any significant leases containing residual value guarantees, restrictions or covenants. Additionally, as of December 30, 2023, there were no significant new leases that have not yet commenced.

The discount rate used to calculate the present value of the future minimum lease payments is the rate implicit in the lease, when readily available. As most of our leases do not have a readily determinable implicit rate, we discount the future minimum lease payments using an incremental borrowing rate which represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We determine this rate at a country or lower level and take into account factors including currency, country risk premium, industry risk and adjustments for collateralized debt. Appropriate yield curves are used to derive different debt tenors to approximate the applicable lease term.

The discount rate is reassessed when there is a remeasurement of the lease liability, which happens predominantly when there is a contract modification and that modification does not result in a separate contract.

We have adopted the following practical expedients:

- (i) we will not separate the lease component from the non-lease component for all asset classes. We have therefore not allocated consideration in a contract between lease and non-lease components; and
- (ii) we recognize the payments on short-term leases (leases with terms at inception of 12 months or fewer) in net income on a straight-line basis over the lease term. No amount is recognized on the balance sheet with respect to these leases.

## **M. Financial instruments**

### *(i) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits available on demand and other short-term, highly liquid investments with maturities on acquisition of 90 days or less. We have cash concentrations in certain large, highly-rated global financial institutions. Management closely monitors the credit quality of the institutions in which it holds deposits.

### *(ii) Restricted cash*

Restricted cash, which is included in the prepaid expenses and other assets line in the consolidated balance sheets, includes cash given as collateral under letters of credit for insurance and regulatory purposes. Cash and cash equivalents for the purposes of the consolidated statement of cash flows includes restricted cash of \$3.4 million as of December 30, 2023, compared to \$3.0 million and \$2.7 million as of December 31, 2022 and January 1, 2022, respectively.

### *(iii) Trade accounts receivable*

Trade accounts receivable represent the amount of sales of goods to customers, net of discounts and rebates, for which payment has not been received, less an allowance for expected credit losses. Our businesses develop their expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Before accepting a new customer, we assess their credit quality and establish a credit limit. Credit quality is assessed by using data maintained by reputable credit rating agencies, by checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorization and are reviewed on a regular basis.

Although Gates has a wide variety of customers from multinational original equipment manufacturers and distributors to small family-owned businesses, the majority of our sales are generated from large companies with low credit risk.

Movements in our allowance for expected credit losses during the periods presented are analyzed in Note 22.

During Fiscal 2021, the Company implemented a program with an unrelated third party under which we may periodically sell trade accounts receivable from one of our aftermarket customers with whom we have extended payment terms as part of a commercial agreement. The purpose of using this program is to generally offset the working capital impact resulting from this terms extension. All eligible accounts receivable from this customer are covered by the program, and any factoring is solely at our option. Following the factoring of a qualifying receivable, because we maintain no continuing involvement in the underlying receivable, and collectability risk is fully transferred to the unrelated third party, we account for these transactions as a sale of a financial asset and derecognize the asset. Cash received under the program is classified as operating cash inflows in the consolidated statements of cash flows. As of December 30, 2023, the collection of \$112.4 million of our trade accounts receivable had been accelerated under this program, compared to the accelerated collection of \$108.2 million as of December 31, 2022. We incurred costs in respect of this program of \$8.0 million during Fiscal 2023, which are recorded under other expenses (income), compared to \$4.9 million during Fiscal 2022.

### *(iv) Debt*

Debt is initially measured at its principal amount, net of directly attributable transaction costs, if any, and is subsequently measured at amortized cost using the effective interest rate method.

### *(v) Accounts payable*

Accounts payable represents the amount of invoices received from suppliers for purchases of goods and services and the amount of goods received but not invoiced, for which payment has not been made.

### *(vi) Derivative financial instruments*

We use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact.

We recognize all derivative financial instruments as either assets or liabilities at fair value on the balance sheet date. The accounting for the change in the fair value is recognized in net income based on the nature of the items being hedged unless the financial instrument has been designated in an effective cash flow or net investment hedging relationship, in which case the change in fair value is recognized in OCI.

*(vii) Fair Value*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities that are held at fair value, or for which fair values are presented in these consolidated financial statements, have been categorized into one of three levels to reflect the degree to which observable inputs are used in determining the fair values. Where a change in the determination of the fair value of a financial asset or liability results in a transfer between the levels of the fair value hierarchy, we recognize that transfer at the end of the reporting period.

## **N. Post-retirement benefits**

Post-retirement benefits comprise pension benefits provided to employees and other benefits, mainly healthcare, provided to certain employees in North America.

We account for our post-retirement benefit plans in accordance with Topic 715 “*Compensation – Retirement Benefits*”, which is based on the principle that the cost of providing these benefits is recognized in net income over the service periods of the participating employees.

For defined benefit plans, the net obligation or surplus arising from providing the benefits is recognized as a liability or an asset determined by actuarial valuations of each of the plans that are carried out annually by independent qualified actuaries as of the year end balance sheet date. Benefit obligations are measured using the projected unit credit method. Plan assets (if any) are measured at fair value. We recognize the service cost component of our net periodic pension and other post-retirement benefit cost in the lines within operating income to which the relevant employees' other compensation costs are reported. All other components of the net periodic benefit cost (which include the interest cost, the expected return on plan assets, gains or losses on settlements and curtailments, the amortization of prior year service cost or credit and prior year actuarial gains and losses) are included in the other (expenses) income line, outside of operating income from continuing operations.

Actuarial gains and losses represent differences between the expected and actual returns on the plan assets, gains and losses on the plan liabilities and the effect of changes in actuarial assumptions. We use the “corridor approach” whereby, to the extent that cumulative actuarial gains and losses exceed 10% of the greater of the market related value of the plan assets and the projected benefit obligation at the beginning of the fiscal year, they are reclassified from accumulated other comprehensive income to net income over the average remaining service periods of participating employees.

Gains and losses on settlements and curtailments are recognized in net income in the period in which the curtailment or settlement occurs.

## **O. Share-based compensation**

Share-based compensation has historically been provided to certain of our employees under share option, bonus and other share award plans. All share-award plans are equity settled, except for certain awards issued in the form of stock appreciation rights (“SARs”) to employees in China, where local regulations necessitate a cash-settled award. These SARs are therefore accounted for as liabilities rather than equity.

We recognize compensation expense based on the fair value of the awards, measured using either the share price on the date of grant, a Black-Scholes option-pricing model or a Monte-Carlo valuation model, depending on the nature of the award. Fair value is determined at the date of grant and reflects market and performance conditions and all non-vesting conditions.

Generally, the compensation expense for each separately vesting portion of the award is recognized on a straight-line basis over the vesting period for that portion of the award. Compensation expense is recognized for awards containing market conditions regardless of whether or not the market condition is met, whereas compensation expense for awards containing performance conditions is recognized only to the extent that it is probable that those performance conditions will be met. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

For equity awards, fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. An amount corresponding to the compensation expense for equity awards is recognized in equity as additional paid in capital.

For liability awards, the fair value is remeasured each period and the change in fair value is recognized in net income for the period with a corresponding change in the outstanding liability.

#### **P. Income taxes**

Current tax is the amount of tax payable or receivable in respect of the taxable income for the period. Taxable income differs from financial reporting income because it excludes items of income or expense recognized for financial reporting purposes that are either not taxable or deductible for tax purposes or are taxable or deductible in other periods. Current tax is calculated using tax rates that have been enacted at the balance sheet date.

Management assesses unrecognized tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Interest and penalties relating to unrecognized tax benefits are accrued in accordance with the applicable tax legislation on any excess of the tax benefit claimed or expected to be claimed in a tax return and the tax benefit recognized in the consolidated financial statements. Interest and penalties are recognized as a component of income tax benefit (expense) in the consolidated statements of operations and accrued interest and penalties are included under the related taxes payable line in the consolidated balance sheets.

Deferred tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred tax is provided on taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax-free manner.

#### **Q. Use of estimates**

The preparation of consolidated financial statements under U.S. GAAP requires us to make assumptions and estimates concerning the future that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are particularly important in accounting for items such as the timing and amount of revenue recognition, rebates, impairment of long-lived assets, intangible assets and goodwill, inventory valuation, financial instruments, expected credit losses, product warranties, income taxes and post-retirement benefits. Estimates and assumptions used are based on factors such as historical experience, observance of trends in the industries in which we operate and information available from our customers and other outside sources.

Due to the inherent uncertainty involved in making assumptions and estimates, events and changes in circumstances arising after December 30, 2023 may result in actual outcomes that differ from those contemplated by our assumptions and estimates.

### 3. Recent accounting pronouncements not yet adopted

The following accounting pronouncements are relevant to Gates' operations but have not yet been adopted.

- Accounting Standards Update ("ASU") 2023-06 "*Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*"

In October 2023, the Financial Accounting Standards Board ("FASB") issued an ASU, to amend certain disclosure and presentation requirements for a variety of topics within the Accounting Standards Codification ("ASC"). These amendments align the requirements in the ASC to the removal of certain disclosure requirements set out in Regulation S-X and Regulation S-K as announced by the SEC. The effective date for each amended topic in the ASC is either the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or on June 30, 2027, if the SEC has not removed the requirements by that date. Early adoption is prohibited. We do not expect the application of this standard to have a material impact on our consolidated financial statements and disclosures.

- ASU 2023-07 "*Segment Reporting*" (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued an ASU that expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures regarding significant segment expenses. The updated standard is effective for our annual periods beginning in Fiscal 2024 and interim periods beginning in the first quarter of Fiscal 2025, with early adoption permitted. We are currently evaluating the impact the updated standard will have on our financial statement disclosures.

- ASU 2023-09 "*Income Taxes*" (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued an ASU that requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The updated standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions and applies to all entities subject to income taxes. The updated standard is effective for our annual periods beginning in Fiscal 2025 and interim periods beginning in the first quarter of Fiscal 2026, with early adoption permitted. We are currently evaluating the impact the updated standard will have on our financial statement disclosures.

### 4. Segment information

#### A. Background

The segment information provided in these consolidated financial statements reflects the information that is used by the chief operating decision maker for the purposes of making decisions about allocating resources and in assessing the performance of each segment. The chief executive officer ("CEO") of Gates serves as the chief operating decision maker. These decisions are based principally on net sales and Adjusted EBITDA (defined below).

#### B. Operating segments and segment assets

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Our reportable segments are identified on the basis of our primary product lines, as this is the basis on which information is provided to the CEO for the purposes of allocating resources and assessing the performance of Gates' businesses. Our operating and reporting segments are therefore Power Transmission and Fluid Power.

Segment asset information is not provided to the chief operating decision maker and therefore segment asset information has not been presented. Due to the nature of Gates' operations, cash generation and profitability are viewed as the key measures rather than an asset-based measure.



### C. Segment net sales and disaggregated net sales

Sales between reporting segments and the impact of such sales on Adjusted EBITDA for each segment are not included in internal reports presented to the CEO and have therefore not been included below.

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Power Transmission	\$ 2,191.2	\$ 2,173.7	\$ 2,216.3
Fluid Power	1,379.0	1,380.5	1,258.1
<b>Net sales</b>	<b>\$ 3,570.2</b>	<b>\$ 3,554.2</b>	<b>\$ 3,474.4</b>

Our commercial function is organized by region and therefore, in addition to reviewing net sales by our reporting segments, the CEO also reviews net sales information disaggregated by region, including between emerging and developed markets.

The following table summarizes our net sales by key geographic region of origin:

(dollars in millions)	For the year ended					
	December 30, 2023		December 31, 2022		January 1, 2022	
	Power Transmission	Fluid Power	Power Transmission	Fluid Power	Power Transmission	Fluid Power
U.S.	\$ 591.5	\$ 724.5	\$ 636.8	\$ 733.3	\$ 621.8	\$ 615.5
North America, excluding U.S.	230.1	214.3	205.6	208.8	179.8	193.8
United Kingdom (“U.K.”)	44.4	71.4	45.1	68.9	50.2	58.3
EMEA <sup>(1)</sup> , excluding U.K.	630.1	210.5	598.3	200.0	640.6	198.8
East Asia and India	287.1	79.7	295.5	75.4	308.6	86.3
Greater China	297.3	35.4	300.3	44.4	344.2	67.8
South America	110.7	43.2	92.1	49.7	71.1	37.6
<b>Net sales</b>	<b>\$ 2,191.2</b>	<b>\$ 1,379.0</b>	<b>\$ 2,173.7</b>	<b>\$ 1,380.5</b>	<b>\$ 2,216.3</b>	<b>\$ 1,258.1</b>

<sup>(1)</sup> Europe, Middle East and Africa (“EMEA”).

The following table summarizes our net sales into emerging and developed markets:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Developed	\$ 2,334.0	\$ 2,281.4	\$ 2,214.6
Emerging	1,236.2	1,272.8	1,259.8
<b>Net sales</b>	<b>\$ 3,570.2</b>	<b>\$ 3,554.2</b>	<b>\$ 3,474.4</b>

### D. Measure of segment profit or loss

The CEO uses Adjusted EBITDA, as defined below, to measure the profitability of each segment. Adjusted EBITDA is, therefore, the measure of segment profit or loss presented in Gates’ segment disclosures.

“EBITDA” represents net income for the period before net interest and other expenses (income), income taxes, depreciation and amortization.

“Adjusted EBITDA” represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to major corporate transactions, including the acquisition of businesses, and equity and debt transactions;
- asset impairments;
- restructuring expenses, including severance-related expenses;

- credit loss related to a customer bankruptcy;
- cybersecurity incident expenses; and
- inventory adjustments related to certain inventories accounted for on a Last-in First-out (“LIFO”) basis.

Adjusted EBITDA by segment was as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Power Transmission	\$ 460.6	\$ 404.0	\$ 500.6
Fluid Power	286.4	276.6	235.2
<b>Adjusted EBITDA</b>	<b>\$ 747.0</b>	<b>\$ 680.6</b>	<b>\$ 735.8</b>

Reconciliation of net income from continuing operations to Adjusted EBITDA:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income from continuing operations	\$ 257.0	\$ 242.9	\$ 331.3
Income tax expense	28.3	14.9	18.4
<b>Income from continuing operations before taxes</b>	<b>285.3</b>	<b>257.8</b>	<b>349.7</b>
Interest expense	163.2	139.4	133.5
Other expenses (income)	14.1	(13.2)	0.9
<b>Operating income from continuing operations</b>	<b>462.6</b>	<b>384.0</b>	<b>484.1</b>
Depreciation and amortization	217.5	217.2	222.6
Transaction-related expenses <sup>(1)</sup>	2.2	2.1	3.7
Asset impairments	0.1	1.1	0.6
Restructuring expenses	11.6	9.5	7.4
Share-based compensation expense	27.4	44.3	24.6
Inventory impairments and adjustments <sup>(2)</sup> (included in cost of sales)	7.4	20.9	1.4
Severance expenses (included in cost of sales)	0.4	0.8	—
Severance expenses (included in Finance and administration expenses)	1.0	0.5	0.7
Credit loss related to customer bankruptcy (included in SG&A) <sup>(3)</sup>	11.4	—	—
Cybersecurity incident expenses <sup>(4)</sup>	5.2	—	—
Other items not directly related to current operations	0.2	0.2	(9.3)
<b>Adjusted EBITDA</b>	<b>\$ 747.0</b>	<b>\$ 680.6</b>	<b>\$ 735.8</b>

- <sup>(1)</sup> Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.
- <sup>(2)</sup> Inventory impairments and adjustments include the reversal of the adjustment to remeasure certain inventories on a LIFO basis. The recent inflationary environment has caused LIFO values to drop below FIFO values because LIFO measurement results in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.
- <sup>(3)</sup> On January 31, 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the bankruptcy proceedings, we evaluated our potential risk and exposure relating to our outstanding pre-petition accounts receivable balance from the customer and recorded a \$11.4 million pre-tax charge during Fiscal 2023 to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.
- <sup>(4)</sup> On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

## E. Selected geographic information

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
<b>Property, plant and equipment, net by geographic location</b>		
U.S.	\$ 165.0	\$ 166.5
Rest of North America	129.1	125.8
U.K.	29.5	28.6
Rest of EMEA	158.8	160.7
East Asia and India	39.2	38.9
Greater China	81.9	100.1
South America	26.5	16.9
	<b>\$ 630.0</b>	<b>\$ 637.5</b>

## F. Information about major customers

Gates has a significant concentration of sales in the U.S., which accounted for 38.9% of Gates' net sales by destination from continuing operations during Fiscal 2023, compared to 39.6% during Fiscal 2022 and 36.3% during Fiscal 2021. During Fiscal 2023, Fiscal 2022 and Fiscal 2021, no single customer accounted for more than 10% of Gates' net sales. Two customers of our North America businesses accounted for 12.5% and 9.6%, respectively, of our total trade accounts receivable balance as of December 30, 2023, compared to 15.3% and 8.4%, respectively, as of December 31, 2022. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

## 5. Restructuring and other strategic initiatives

Gates continues to undertake various restructuring and other strategic initiatives to drive increased productivity in all aspects of our operations. These actions include efforts to consolidate our manufacturing and distribution footprint, scale operations to current demand levels, streamline our selling, general and administrative ("SG&A") back-office functions and relocate certain operations to lower cost locations.

Overall costs associated with our restructuring and other strategic initiatives have been recognized in the consolidated statements as set forth below. Expenses incurred in relation to certain of these actions qualify as restructuring expenses under U.S. GAAP.

(dollars in millions)	December 30, 2023	For the year ended	
		December 31, 2022	January 1, 2022
<b>Restructuring expenses:</b>			
—Severance expenses	\$ 3.7	\$ 4.9	\$ 0.7
—Non-severance labor and benefit expenses	1.2	0.5	2.5
—Consulting expenses	3.4	1.8	2.2
—Other net restructuring expenses	3.3	2.3	2.0
	<b>11.6</b>	<b>9.5</b>	<b>7.4</b>
<b>Restructuring expenses in asset impairments:</b>			
—Impairment of fixed and other assets	0.1	1.1	0.6
<b>Restructuring expenses in cost of sales:</b>			
—Impairment of inventory	0.1	1.5	1.4
<b>Total restructuring expenses</b>	<b>\$ 11.8</b>	<b>\$ 12.1</b>	<b>\$ 9.4</b>
<b>Expenses related to other strategic initiatives:</b>			
—Severance expenses included in cost of sales	\$ 0.4	\$ 0.8	\$ —
—Severance expenses included in SG&A	1.0	0.5	0.7
<b>Total expenses related to other strategic initiatives</b>	<b>\$ 1.4</b>	<b>\$ 1.3</b>	<b>\$ 0.7</b>

Restructuring and other strategic initiatives during Fiscal 2023 related primarily to relocating certain production activities in China and Mexico, which included severance and other costs of \$4.5 million and \$3.0 million, respectively. Additionally, we incurred \$0.7 million in severance and other costs related to optimizing production in Europe and \$0.9 million of non-severance labor and benefit costs related to relocation and integration of certain support functions into our regional shared service center in Europe. Other restructuring costs during the period included \$3.4 million for legal and consulting expenses, as well as activities associated with prior period facility closures or relocations in several countries.

Restructuring and other strategic initiatives during Fiscal 2022 related primarily to our ongoing European reorganization, including \$2.5 million of labor, severance, and other costs related to relocating certain production activities within Europe during Fiscal 2022, in addition to severance costs of \$2.4 million during the year related to relocation and integration of certain support functions into our regional shared service center. We also incurred \$3.5 million of costs during Fiscal 2022 in relation to the suspension of our operations in Russia, which included severance costs of \$0.7 million, an impairment of inventories of \$1.1 million (recognized in cost of sales), and an impairment of fixed and other assets of \$1.1 million (recognized in asset impairments). Other restructuring costs incurred during the period related to facility relocations and other legal and consulting costs.

Restructuring and other strategic initiative costs, including asset impairments, of \$9.4 million were recognized during Fiscal 2021, including \$3.4 million of primarily severance and other labor-related expenses related to our European reorganization involving office and distribution center closures or downsizings and the implementation of a regional shared service center, and \$3.7 million of additional costs related to the closure in 2020 of a manufacturing facility in Korea, including impairment of fixed assets of \$0.6 million. Also during Fiscal 2021, we incurred \$1.4 million of inventory impairments, predominantly in North America as part of a strategic product line shift, and we recognized \$1.0 million of expenses related to the consolidation of certain of our Middle East businesses. Partially offsetting these costs were gains of \$3.1 million on the disposal of buildings in Korea and France that were no longer needed following the completion of certain restructuring initiatives.

#### *Restructuring activities*

As indicated above, restructuring expenses, as defined under U.S. GAAP, form a subset of our total expenses related to restructuring and other strategic initiatives. These expenses include the impairment of inventory, which is recognized in cost of sales. Analyzed by segment, our restructuring expenses were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Power Transmission	\$ 7.1	\$ 5.8	\$ 5.6
Fluid Power	4.7	6.3	3.8
<b>Continuing operations</b>	<b>\$ 11.8</b>	<b>\$ 12.1</b>	<b>\$ 9.4</b>

The following summarizes the reserve for restructuring expenses for the year ended December 30, 2023 and December 31, 2022, respectively:

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Balance as of the beginning of the period	\$ 7.5	\$ 6.5
Utilized during the period	(14.1)	(8.1)
Charge for the period	12.4	9.6
Released during the period	(0.8)	(0.1)
Foreign currency translation	0.1	(0.4)
<b>Balance as of the end of the period</b>	<b>\$ 5.1</b>	<b>\$ 7.5</b>

Restructuring reserves, which are expected to be utilized during 2024, are included in the consolidated balance sheet within the accrued expenses and other current liabilities line.

## 6. Income taxes

### Provision for income taxes

Gates Industrial Corporation plc is domiciled in the United Kingdom. Income from continuing operations before income taxes is summarized below based on the geographic location of the operation to which such earnings and income taxes are attributable.

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
U.K.	\$ 26.4	\$ (11.0)	\$ (32.9)
U.S.	(58.2)	17.1	63.5
Other foreign	317.1	251.7	319.1
<b>Income from continuing operations before income taxes</b>	<b>\$ 285.3</b>	<b>\$ 257.8</b>	<b>\$ 349.7</b>

Income tax expense on income from continuing operations analyzed by tax jurisdiction is as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
<b>Current tax</b>			
U.K.	\$ 0.2	\$ (1.7)	\$ 4.2
U.S.	18.9	42.0	12.9
Other foreign	74.9	54.3	95.6
<b>Total current tax expense</b>	<b>\$ 94.0</b>	<b>\$ 94.6</b>	<b>\$ 112.7</b>
<b>Deferred income tax</b>			
U.K.	\$ 9.0	\$ (2.5)	\$ (18.1)
U.S.	(48.6)	(54.5)	(61.7)
Other foreign	(26.1)	(22.7)	(14.5)
<b>Total deferred income tax (benefit)</b>	<b>(65.7)</b>	<b>(79.7)</b>	<b>(94.3)</b>
<b>Income tax expense</b>	<b>\$ 28.3</b>	<b>\$ 14.9</b>	<b>\$ 18.4</b>

Reconciliation of the applicable statutory income tax rate to the reported effective income tax rate:

	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
U.K. corporation tax rate	23.5%	19.0%	19.0%
Effect of:			
—State tax provision, net of Federal benefit	(1.5%)	(0.2%)	1.4%
—Provision for unrecognized income tax benefits	(4.3%)	(9.8%)	(0.4%)
—Company-owned life insurance	(3.5%)	(3.1%)	(2.4%)
—Tax on international operations <sup>(1)</sup>	2.6%	20.6%	(31.2%)
—Manufacturing incentives <sup>(2)</sup>	(4.7%)	(3.9%)	(1.8%)
—Change in valuation allowance <sup>(3)</sup>	(3.1%)	(20.6%)	36.3%
—Deferred income tax rate changes	0.5%	(0.1%)	(17.8%)
—Currency exchange rate movements	0.6%	1.9%	0.8%
—Other permanent differences	(0.2%)	2.0%	1.4%
<b>Reported effective income tax rate</b>	<b>9.9%</b>	<b>5.8%</b>	<b>5.3%</b>

- (1) “Tax on international operations” includes U.S. tax on foreign earnings and unremitted earnings of foreign subsidiaries, foreign deferred tax adjustments, and effects of global funding structures and differences between statutory and foreign tax rates. Fiscal 2022 includes \$22.6 million expiration of U.S. foreign tax credits that had a full valuation allowance against them. Fiscal 2021 includes \$129.9 million benefit for additional net deferred tax assets, primarily finite-lived net operating losses in Luxembourg, against which we recorded a full valuation allowance against in Fiscal 2021.
- (2) “Manufacturing incentives” for Fiscal 2023 totaled \$13.3 million, related to incentives generated in Türkiye, Poland and the U.S.
- (3) “Change in valuation allowance” is comprised primarily of:

Expense (benefit)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Luxembourg finite-lived net operating losses	\$ —	\$ —	\$ 126.8
Luxembourg indefinite-lived net operating losses	\$ (5.7)	\$ (14.8)	\$ 3.1
U.S. foreign tax credits	\$ 0.4	\$ (39.9)	\$ (53.4)
U.S. finite-lived net operating losses	\$ (2.1)	\$ —	\$ —
Rate change	\$ —	\$ —	\$ 48.3



## Deferred income tax assets (liabilities)

Deferred income tax assets (liabilities) recognized by the Company were as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
<b>Deferred income tax assets:</b>		
Accounts receivable	\$ 39.4	\$ 4.6
Lease liabilities	41.6	39.2
Accrued expenses	35.6	45.3
Post-retirement benefit obligations	17.5	14.0
Compensation	26.4	18.8
Net operating losses	1,587.9	1,576.0
Capital losses	192.5	182.1
Credits	69.8	91.9
Interest	186.5	148.3
Other items	8.0	—
	<b>\$ 2,205.2</b>	<b>\$ 2,120.2</b>
Valuation allowances	(1,288.8)	(1,273.5)
<b>Total deferred income tax assets</b>	<b>\$ 916.4</b>	<b>\$ 846.7</b>
<b>Deferred income tax liabilities:</b>		
Inventories	\$ (9.7)	\$ (11.2)
Property, plant and equipment	(29.3)	(34.2)
Lease right-of-use assets	(36.1)	(33.3)
Intangible assets	(316.9)	(340.9)
Undistributed earnings	(21.4)	(18.6)
Other items	—	(0.2)
<b>Total deferred income tax liabilities</b>	<b>\$ (413.4)</b>	<b>\$ (438.4)</b>
<b>Net deferred income tax assets</b>	<b>\$ 503.0</b>	<b>\$ 408.3</b>

As of December 30, 2023, the Company had the following loss and credit carryforward amounts:

- Gates had net operating losses amounting to \$6,450.7 million consisting primarily of \$6,192.2 million in Luxembourg, and \$135.2 million in the U.S. (federal and state). Operating losses of \$3,210.4 million can be carried forward indefinitely consisting primarily of \$3,086.7 million in Luxembourg, and \$123.7 million in the U.S. and other foreign jurisdictions. The remaining losses of \$3,240.3 million have expiration dates between 2024 and 2043, consisting primarily of \$3,105.4 million in Luxembourg, and \$134.9 million in the U.S. and other foreign jurisdictions. We recognized a related deferred income tax asset of \$577.3 million after valuation allowance of \$1,010.6 million;
- Gates had capital losses amounting to \$771.2 million, consisting of \$745.8 million in the U.K., and \$25.4 million in the U.S. Capital losses of \$759.6 million can be carried forward indefinitely, primarily consisting of \$745.8 million in the U.K, and \$11.6 million in the U.S. that expire in 2026. We recognized no related deferred income tax asset after valuation allowance of \$192.5 million;
- Gates had U.S. federal foreign tax credits amounting to \$63.5 million, which expire between 2024 and 2027. We recognized a related deferred income tax asset of \$7.5 million after valuation allowance of \$56.0 million; and
- Gates had interest expense deductions which can be carried forward amounting to \$774.7 million, consisting primarily of \$494.0 million in the U.S., \$203.7 million in Luxembourg, and \$77.0 million in other foreign jurisdictions. Interest expense deductions can be carried forward indefinitely. We recognized a related deferred tax asset of \$160.2 million after valuation allowance of \$26.3 million.

As of December 30, 2023, income and withholding taxes in the various tax jurisdictions in which Gates operates have not been provided on approximately \$1,712.3 million of taxable temporary differences related to the investments in the Company's subsidiaries. These temporary differences represent the estimated excess of the financial reporting over the tax basis in our investments in those subsidiaries, which are primarily the result of purchase accounting adjustments. These temporary differences are not expected to reverse in the foreseeable future but could become subject to income and withholding taxes in the various tax jurisdictions in which Gates operates if they were to reverse. The amount of unrecognized deferred income tax liability on these taxable temporary differences has not been determined because the hypothetical calculation is not practicable due to the uncertainty as to how they may reverse. However, Gates has recognized a deferred income tax liability of \$21.4 million on taxable temporary differences related to undistributed earnings of the Company's subsidiaries.

### Recoverability of Deferred Income Tax Assets and Liabilities

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized.

As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may materially impact our financial statements.

After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2023 that it was more likely than not that deferred income tax assets in the U.S. related to net operating losses of \$2.1 million are realizable as a result of changes in estimates of taxable profits against which these losses can be utilized. In Fiscal 2022, we determined that it was more likely than not that deferred income tax assets in the U.S. related to foreign tax credits totaling \$15.3 million are realizable as a result of changes in estimates of taxable profits against which these credits can be utilized. In Fiscal 2021, we determined that it was more likely than not that deferred income tax assets in the U.S. related to foreign tax credits totaling \$53.4 million are realizable as a result of changes in estimates of taxable profits against which these credits can be utilized.

### Unrecognized income tax benefits

The following is a reconciliation of the gross beginning and ending amount of unrecognized income tax benefits, excluding interest and penalties:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
At the beginning of the period	\$ 76.0	\$ 104.6	\$ 121.6
Increases for tax positions related to the current period	8.5	6.5	6.7
Increases for tax positions related to prior periods	1.8	0.4	0.7
Decreases for tax positions related to prior periods	(15.0)	—	(12.1)
Decreases related to settlements	—	(2.8)	—
Decreases due to lapsed statute of limitations	(2.7)	(27.6)	(7.2)
Foreign currency translation	3.9	(5.1)	(5.1)
<b>At the end of the period</b>	<b>\$ 72.5</b>	<b>\$ 76.0</b>	<b>\$ 104.6</b>

Unrecognized income tax benefits represent the difference between the income tax benefits that we are able to recognize for financial reporting purposes and the income tax benefits that we have recognized or expect to recognize in filed tax returns. Such amounts represent a reasonable provision for income taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known.

If all unrecognized income tax benefits were recognized, the net impact on the provision for income taxes which would impact the annual effective tax rate would be \$52.7 million, including all competent authority offsets.

As of December 30, 2023, December 31, 2022, and January 1, 2022, Gates had accrued \$15.6 million, \$13.7 million, and \$14.0 million, respectively, for the payment of worldwide interest and penalties on unrecognized income tax benefits, which are not included in the table above. Gates recognizes interest and penalties relating to unrecognized income tax benefits in the provision for income tax expense.

The primary driver of the reduction in unrecognized income tax benefits during Fiscal 2023 relates to a change in underlying facts and lapses in statute of limitations. We believe that it is reasonably possible that a decrease of up to \$22.3 million in unrecognized income tax benefits will occur in the next 12 months as a result of the expiration of the statutes of limitations in addition to a pending administrative proceeding.

As of December 30, 2023, Gates remains subject to examination in the US for tax years 2016 to 2023 and in other major jurisdictions for tax years 2008 to 2023.

## 7. Earnings per share

Basic earnings per share represents net income attributable to shareholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share considers the dilutive effect of potential shares, unless the inclusion of the potential shares would have an anti-dilutive effect. The treasury stock method is used to determine the potential dilutive shares resulting from assumed exercises of equity-related instruments.

The computation of earnings per share is presented below:

	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
(dollars in millions, except share numbers and per share amounts)			
Net income attributable to shareholders	\$ 232.9	\$ 220.8	\$ 297.1
Weighted average number of shares outstanding	271,880,047	284,063,083	291,623,523
Dilutive effect of share-based awards	3,768,281	3,523,127	5,670,552
<b>Diluted weighted average number of shares outstanding</b>	<b>275,648,328</b>	<b>287,586,210</b>	<b>297,294,075</b>
Number of anti-dilutive shares excluded from diluted earnings per share calculation	4,417,967	7,538,260	3,981,424
Basic earnings per share	\$ 0.86	\$ 0.78	\$ 1.02
Diluted earnings per share	\$ 0.84	\$ 0.77	\$ 1.00

## 8. Inventories

	As of December 30, 2023	As of December 31, 2022
Raw materials and supplies	\$ 168.2	\$ 195.9
Work in progress	43.3	42.3
Finished goods	435.7	418.0
<b>Total inventories</b>	<b>\$ 647.2</b>	<b>\$ 656.2</b>

## 9. Property, plant and equipment

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
<b>Cost</b>		
Land and buildings	\$ 335.0	\$ 321.4
Machinery, equipment and vehicles	996.8	884.6
Assets under construction	55.1	100.9
	<b>1,386.9</b>	<b>1,306.9</b>
Less: Accumulated depreciation and impairment	(756.9)	(669.4)
<b>Total</b>	<b>\$ 630.0</b>	<b>\$ 637.5</b>

During Fiscal 2023, the depreciation expense in relation to the above assets was \$87.7 million, compared to \$88.8 million during Fiscal 2022 and \$90.0 million during Fiscal 2021.

During Fiscal 2023, impairments of property, plant and equipment of \$0.1 million were recognized, compared to \$0.2 million in Fiscal 2022, and \$0.6 million in Fiscal 2021.

Property, plant and equipment includes assets held under finance leases with a carrying amount of \$2.7 million as of December 30, 2023, compared to \$3.5 million as of December 31, 2022.

Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and are secured by liens on substantially all of their assets, including property, plant and equipment.

## 10. Goodwill

(dollars in millions)	Power Transmission	Fluid Power	Total
<b>Cost and carrying amount</b>			
As of January 1, 2022	\$ 1,388.1	\$ 674.9	\$ 2,063.0
Foreign currency translation	(72.9)	(9.0)	(81.9)
<b>As of December 31, 2022</b>	<b>1,315.2</b>	<b>665.9</b>	<b>1,981.1</b>
Foreign currency translation	23.3	34.3	57.6
<b>As of December 30, 2023</b>	<b>\$ 1,338.5</b>	<b>\$ 700.2</b>	<b>\$ 2,038.7</b>

## 11. Intangible assets

(dollars in millions)	As of December 30, 2023			As of December 31, 2022		
	Cost	Accumulated amortization and impairment	Net	Cost	Accumulated amortization and impairment	Net
Finite-lived:						
—Customer relationships	\$ 2,003.6	\$ (1,127.7)	\$ 875.9	\$ 1,973.7	\$ (993.2)	\$ 980.5
—Technology	90.6	(90.3)	0.3	90.4	(89.6)	0.8
—Capitalized software	117.3	(76.8)	40.5	105.4	(65.7)	39.7
	<b>2,211.5</b>	<b>(1,294.8)</b>	<b>916.7</b>	<b>2,169.5</b>	<b>(1,148.5)</b>	<b>1,021.0</b>
Indefinite-lived:						
—Brands and trade names	513.4	(44.0)	469.4	513.4	(44.0)	469.4
<b>Total intangible assets</b>	<b>\$ 2,724.9</b>	<b>\$ (1,338.8)</b>	<b>\$ 1,386.1</b>	<b>\$ 2,682.9</b>	<b>\$ (1,192.5)</b>	<b>\$ 1,490.4</b>

During Fiscal 2023, the amortization expense recognized in respect of intangible assets was \$129.8 million, compared to \$128.4 million for Fiscal 2022 and \$132.6 million for Fiscal 2021. In addition, movements in foreign currency exchange rates resulted in an increase in the net carrying value of total intangible assets of \$13.8 million in Fiscal 2023, compared to a decrease of \$32.9 million in Fiscal 2022.

The amortization expense for the next five years is estimated to be as follows:

(dollars in millions)	Total
Fiscal year:	
—2024	\$ 129.5
—2025	\$ 128.0
—2026	\$ 123.0
—2027	\$ 121.4
—2028	\$ 118.2

## 12. Leases

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
<b>Lease expenses</b>			
Operating lease expenses	\$ 33.9	\$ 30.5	\$ 31.5
Finance lease expenses:			
—Finance lease amortization expenses	1.2	1.2	1.1
—Interest on lease liabilities	0.1	0.1	0.1
Short-term lease expenses	8.2	7.2	6.7
Variable lease expenses	6.5	6.0	7.9
<b>Total lease expenses</b>	<b>\$ 49.9</b>	<b>\$ 45.0</b>	<b>\$ 47.3</b>
<b>Other information</b>			
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 10.2	\$ 34.9	\$ 29.9
Assets obtained in exchange for new finance lease liabilities	\$ 0.3	\$ 0.8	\$ 1.5
Gain on sale and leaseback transactions, net	\$ —	\$ —	\$ (9.3)
Cash paid for amounts included in the measurement of lease liabilities:			
—Operating cash flows from finance leases	\$ —	\$ 0.1	\$ 0.1
—Operating cash flows from operating leases	30.7	27.6	30.1
—Financing cash flows from finance leases	1.0	1.3	1.2
	<b>\$ 31.7</b>	<b>\$ 29.0</b>	<b>\$ 31.4</b>
Weighted-average remaining lease term — finance leases	2.5 years	2.9 years	4.0 years
Weighted-average remaining lease term — operating leases	7.9 years	8.5 years	9.0 years
Weighted-average discount rate — finance leases	4.2 %	3.2 %	2.5 %
Weighted-average discount rate — operating leases	5.3 %	5.4 %	5.1 %

### *Maturity analysis of liabilities*

(dollars in millions)	Operating leases	Finance leases
Next 12 months	\$ 28.0	\$ 0.8
Year 2	25.5	0.6
Year 3	19.8	0.3
Year 4	17.3	—
Year 5	14.4	—
Year 6 and beyond	56.1	—
<b>Total lease payments</b>	<b>161.1</b>	<b>1.7</b>
Interest	(29.4)	—
<b>Total present value of lease liabilities</b>	<b>\$ 131.7</b>	<b>\$ 1.7</b>



Balance sheet presentation of leases as of December 30, 2023 and December 31, 2022

(dollars in millions)	As of December 30, 2023		As of December 31, 2022	
	Operating leases	Finance leases	Operating leases	Finance leases
<b>Right-of-use assets</b>	<b>\$ 120.1</b>	<b>\$ 2.7</b>	<b>\$ 132.2</b>	<b>\$ 3.5</b>
Short-term lease liabilities (included in “Accrued expenses and other current liabilities”)	\$ 22.2	\$ 0.6	\$ 24.0	\$ 0.8
Long-term lease liabilities	109.5	1.1	120.3	1.6
<b>Total lease liabilities</b>	<b>\$ 131.7</b>	<b>\$ 1.7</b>	<b>\$ 144.3</b>	<b>\$ 2.4</b>

Right-of-use assets arising under finance leases are presented in the property, plant and equipment, net line item in the consolidated balance sheet. The amortization of right-of-use operating assets during Fiscal 2023 was \$23.9 million, compared to \$22.9 million and \$23.7 million during Fiscal 2022 and Fiscal 2021, respectively. This is included in the change in prepaid expenses and other assets line in the consolidated statement of cash flows.

### 13. Derivative financial instruments

We are exposed to certain financial risks relating to our ongoing business operations. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact.

We recognize derivative instruments as either assets or liabilities in the consolidated balance sheets. We designate certain of our currency swaps as net investment hedges and designate our interest rate caps and interest rate swaps as cash flow hedges. The gain or loss on the designated derivative instrument is recognized in OCI and reclassified into net income in the same period or periods during which the hedged transaction affects earnings.

Derivative instruments that have not been designated in an effective hedging relationship are considered economic hedges, and their change in fair value is recognized in net income in each period.

The period end fair values of derivative financial instruments were as follows:

(dollars in millions)	As of December 30, 2023					As of December 31, 2022				
	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net
<b>Derivatives designated as hedging instruments:</b>										
—Currency swaps	\$ 8.5	\$ —	\$ —	\$ (77.7)	\$ (69.2)	\$ 9.3	\$ —	\$ —	\$ (45.2)	\$ (35.9)
—Interest rate swaps	29.9	11.8	(9.9)	(13.6)	18.2	33.3	32.7	(10.7)	(22.1)	33.2
<b>Derivatives not designated as hedging instruments:</b>										
—Currency forward contracts	3.9	—	(1.8)	—	2.1	2.2	—	(1.4)	—	0.8
	<b>\$ 42.3</b>	<b>\$ 11.8</b>	<b>\$ (11.7)</b>	<b>\$ (91.3)</b>	<b>\$ (48.9)</b>	<b>\$ 44.8</b>	<b>\$ 32.7</b>	<b>\$ (12.1)</b>	<b>\$ (67.3)</b>	<b>\$ (1.9)</b>

## A. Instruments designated as net investment hedges

We hold cross currency swaps that have been designated as net investment hedges of certain of our European and Chinese operations. In November 2023, we executed a USD to Chinese Yuan fixed-to-fixed cross currency swap with a notional principal amount of ¥1,784.0 million with a contract term from November 30, 2023 to November 30, 2026. This has been designated as a net investment hedge of certain of our Chinese operations. In May 2023, we amended our existing cross currency swaps to transition from a floating rate based on the London Interbank Offered Rate (“LIBOR”) to a floating rate based on a term secured overnight financing rate (“Term SOFR”). During November 2022, concurrent with the refinancing transactions described in Note 15, we executed additional cross currency swaps that have been designated as net investment hedges of certain of our European operations, with the notional principal amount of €501.6 million and contract term from November 16, 2022 to November 16, 2027. During March 2022, we extended our cross currency swaps existing at that time, which originally matured in March 2022, to now mature on March 31, 2027. As of December 30, 2023, the aggregated notional principal amount of the cross currency swaps was €756.1 million and ¥1,784.0 million compared to €756.1 million as of December 31, 2022.

In addition, as of January 1, 2022, we had designated €147.0 million of our Euro-denominated debt as a net investment hedge of certain of our European operations. We subsequently reduced the designated amount to €25.0 million during the second quarter of 2022. On November 16, 2022, we extinguished our Euro-denominated term loan and replaced with new Dollar-denominated term loans, and as a result, the net investment hedging designated on our Euro-denominated debt no longer exists.

The fair value (losses) gains before tax recognized in OCI in relation to the instruments designated as net investment hedging instruments were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net fair value (losses) gains recognized in OCI in relation to:			
—Euro-denominated debt	\$ —	\$ 10.6	\$ 12.4
—Designated cross currency swaps	(33.2)	(16.3)	21.4
<b>Total net fair value (losses) gains</b>	<b>\$ (33.2)</b>	<b>\$ (5.7)</b>	<b>\$ 33.8</b>

During Fiscal 2023, a net gain of \$10.3 million was recognized in interest expense in relation to our cross currency swaps that have been designated as net investment hedges, compared to a net gain of \$5.8 million and \$1.8 million during Fiscal 2022 and Fiscal 2021, respectively.

## B. Instruments designated as cash flow hedges

We use interest rate swaps and interest rate caps as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. These instruments are all designated as cash flow hedges. As of both December 30, 2023 and December 31, 2022, we held pay-fixed, receive-floating interest rate swaps with an aggregate notional amount of \$1,255.0 million. Interest rate swaps with a notional amount of \$870.0 million run from June 30, 2020 through June 30, 2025, while interest rate swaps with a notional amount of \$385.0 million have the contract term from November 16, 2022 to November 16, 2027.

In May 2023, we amended our then-existing interest rate swaps with a notional amount of \$870.0 million to transition from a LIBOR-based floating rate to a Term SOFR-based floating rate.

Our interest rate caps involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium, covering the period from July 1, 2019 to June 30, 2023. During August 2022, we early terminated our interest rate caps. As of December 30, 2023 and December 31, 2022, there were no outstanding interest rate caps.

The movements before tax recognized in OCI in relation to our cash flow hedges were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Movement recognized in OCI in relation to:			
—Fair value gain on cash flow hedges	\$ 7.4	\$ 61.7	\$ 11.7
—Amortization to net income of prior period fair value losses	8.9	17.9	17.9
—Reclassification from OCI to net income	(33.0)	(4.0)	3.7
<b>Total movement</b>	<b>\$ (16.7)</b>	<b>\$ 75.6</b>	<b>\$ 33.3</b>

As of December 30, 2023, we expect to reclassify an estimated \$31.8 million of losses in OCI to earnings within the next twelve months associated with cash flow hedges along with the earnings effects of the related forecasted transactions.

### C. Derivative instruments not designated as hedging instruments

We do not designate our currency forward contracts, which are used primarily in respect of operational currency exposures related to payables, receivables and material procurement, or the currency swap contracts that are used to manage the currency profile of Gates' cash as hedging instruments for the purposes of hedge accounting.

As of December 30, 2023 and December 31, 2022, there were no outstanding currency swaps.

As of December 30, 2023, the notional amount of outstanding currency forward contracts that are used to manage operational foreign exchange exposures was \$140.8 million, compared to \$150.5 million as of December 31, 2022.

The fair value gains recognized in net income in relation to derivative instruments that have not been designated as hedging instruments were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Fair value gains recognized in relation to:			
—Currency forward contracts recognized in SG&A	\$ 5.6	\$ 6.3	\$ 5.1
<b>Total</b>	<b>\$ 5.6</b>	<b>\$ 6.3</b>	<b>\$ 5.1</b>

## 14. Fair value measurement

### A. Fair value hierarchy

We account for certain assets and liabilities at fair value. Topic 820 “*Fair Value Measurements and Disclosures*” establishes the following hierarchy for the inputs that are used in fair value measurement:

- “Level 1” inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- “Level 2” inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- “Level 3” inputs are not based on observable market data (unobservable inputs).

Assets and liabilities that are measured at fair value are categorized in one of the three levels on the basis of the lowest-level input that is significant to its valuation.

### B. Financial instruments not held at fair value

Certain financial assets and liabilities are not measured at fair value; however, items such as cash and cash equivalents, restricted cash, drawings under revolving credit facilities and bank overdrafts generally attract interest at floating rates and accordingly their carrying amounts are considered to approximate fair value. Due to their short maturities, the carrying amounts of accounts receivable and accounts payable are also considered to approximate their fair values.

The carrying amount and fair value of our debt are set out below:

(dollars in millions)	As of December 30, 2023		As of December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Current	\$ 36.5	\$ 36.5	\$ 36.6	\$ 36.2
Non-current	2,415.0	2,444.7	2,426.4	2,408.4
	<b>\$ 2,451.5</b>	<b>\$ 2,481.2</b>	<b>\$ 2,463.0</b>	<b>\$ 2,444.6</b>

Debt is comprised principally of borrowings under the secured credit facilities and the unsecured senior notes. Loans under the secured credit facilities pay interest at floating rates, subject to a 0.75% and 0.50% Term SOFR floor on the two dollar term loans as further described in Note 15. The fair values of the term loans are derived from a market price, discounted for illiquidity. The unsecured senior notes have fixed interest rates, are traded by “Qualified Institutional Buyers” and certain other eligible investors, and their fair value is derived from their quoted market price.

### C. Assets and liabilities measured at fair value on a recurring basis

The following table categorizes the assets and liabilities that are measured at fair value on a recurring basis:

(dollars in millions)	Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)		Total
<b>As of December 30, 2023</b>					
Derivative assets	\$	—	\$	54.1	\$ 54.1
Derivative liabilities	\$	—	\$	(103.0)	\$ (103.0)
Cash equivalents	\$	76.2	\$	52.8	\$ 129.0
<b>As of December 31, 2022</b>					
Derivative assets	\$	—	\$	77.5	\$ 77.5
Derivative liabilities	\$	—	\$	(79.4)	\$ (79.4)
Cash equivalents	\$	—	\$	—	\$ —

Derivative assets and liabilities included in Level 2 represent foreign currency exchange forward and swap contracts, and interest rate derivative contracts. Cash equivalents included in Level 1 represent treasury bills and money market funds, while Level 2 represent certificates of deposit and commercial paper.

We value our foreign currency exchange derivatives using models consistent with those used by a market participant that maximize the use of market observable inputs including forward prices for currencies.

We value our interest rate derivative contracts using a widely accepted discounted cash flow valuation methodology that reflects the contractual terms of each derivative, including the period to maturity. The methodology derives the fair values of the derivatives using the market standard methodology of netting the discounted future cash payments and the discounted expected receipts. The inputs used in the calculation are based on observable market-based inputs, including interest rate curves, implied volatilities and credit spreads.

We incorporate credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, to appropriately reflect both our own nonperformance risk and the respective counterparty’s nonperformance risk in the fair value measurements.

#### *Transfers between levels of the fair value hierarchy*

During the periods presented, there were no transfers between Levels 1 and 2, and Gates had no assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

### D. Assets measured at fair value on a non-recurring basis

Gates has non-recurring fair value measurements related to certain assets, including goodwill, intangible assets, and property, plant, and equipment. During Fiscal 2023, an impairment of fixed and other assets of \$0.1 million was recognized. During Fiscal 2022, an impairment of fixed and other assets of \$1.1 million was recognized in relation to the suspension of our operations in Russia. No significant impairment was recognized during Fiscal 2021.

## 15. Debt

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
<b>Secured debt:</b>		
—Dollar Term Loans	\$ 1,903.9	\$ 1,923.4
<b>Unsecured debt:</b>		
—6.25% Dollar Senior Notes due 2026	568.0	568.0
<b>Total principal of debt</b>	<b>2,471.9</b>	<b>2,491.4</b>
Deferred issuance costs	(37.4)	(45.5)
Accrued interest	17.0	17.1
<b>Total carrying value of debt</b>	<b>2,451.5</b>	<b>2,463.0</b>
Debt, current portion	36.5	36.6
<b>Debt, less current portion</b>	<b>\$ 2,415.0</b>	<b>\$ 2,426.4</b>

Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and is secured by liens on substantially all of their assets.

Gates is subject to covenants, representations and warranties under certain of its debt facilities. During the periods covered by these consolidated financial statements, we were in compliance with the applicable financial covenants. Also under the agreements governing our debt facilities, our ability to engage in activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is dependent, in part, on our ability to satisfy tests based on measures determined under those agreements.

The principal payments due under our financing agreements over the next five years and thereafter are as follows:

(dollars in millions)	Total
<b>Fiscal year:</b>	
—2024	\$ 19.5
—2025	19.5
—2026	587.5
—2027	1,300.5
—2028	5.8
Thereafter	539.1
	<b>\$ 2,471.9</b>

### Debt issuances and redemptions

During May 2023, we drew \$100.0 million under our asset-backed revolving credit facility to partially fund the purchase of shares under our share repurchase program, as discussed further in Note 19 below. The balance on the asset-backed revolving credit facility was fully paid off during the year ended December 30, 2023.

On November 16, 2022, we issued a new \$575.0 million tranche of dollar denominated term loans (the “New Dollar Term Loans”) pursuant to an amendment to the credit agreement governing our term loan facilities, using the proceeds to extinguish the entire outstanding principal balance of €563.8 million under our Euro Term Loan facility (the “Euro Term Loan”) plus €1.0 million accrued interest. The New Dollar Term Loans have substantially similar terms as the Existing Dollar Term Loans (as defined below), bearing interest at the borrower’s option at either Term SOFR (as defined in the credit agreement) plus 3.50% margin per annum, subject to a 0.50% per annum Term SOFR floor, or at the base rate plus 2.50% per annum, subject to a 1.50% per annum base rate floor. The New Dollar Term Loans require scheduled quarterly amortization payments of 1% per annum based on the initial aggregate principal amount and mature in November 2029. Issuance discount and costs totaling approximately \$23.2 million related to the issuance of the New Dollar Term Loans have been deferred and will be amortized to interest expense over the remaining term of the related borrowings using the effective interest method. The repayment of Euro Term Loan resulted in the accelerated recognition of \$2.2 million deferred financing costs (recognized in interest expense).

During March 2022, we drew \$70.0 million under our asset-backed revolving credit facility to partially fund the purchase of shares under our share repurchase program, as discussed further in Note 19 below. As of December 31, 2022, we paid down the borrowings on the asset-backed revolver and had no remaining outstanding balance.

During June 2021, we made a principal debt repayment of €58.7 million (\$69.5 million) against our Euro Term Loan facility. As a result of this repayment, we accelerated the recognition of \$0.4 million of deferred issuance costs (recognized in interest expense).

### Dollar and Euro Term Loans

Our secured credit facilities consist of two loans (collectively, the “Dollar Term Loans”), one of which was originally drawn on July 3, 2014 and refinanced on February 24, 2021 (the “Existing Dollar Term Loans”), and the New Dollar Term Loans drawn on November 16, 2022 as described above. These term loan facilities bear interest at a floating rate, which for U.S. dollar debt can be either a base rate as defined in the credit agreement plus an applicable margin, or at our option, Term SOFR plus an applicable margin. The New Dollar Term Loans mature on November 16, 2029.

On February 24, 2021, we made amendments to the Existing Dollar Term Loans’ credit agreement, including extending the maturity date of the Existing Dollar Term Loans, from March 31, 2024 to March 31, 2027, reducing the floor applicable to the Existing Dollar Term Loans from 1.00% to 0.75% and modifying the applicable interest rate margin for the Existing Dollar Term Loans to include a 0.25% reduction if our consolidated total net leverage ratio (as defined in the credit agreement) is less than or equal to 3.75 times. In connection with these amendments, we paid accrued interest up to the date of the amendments of \$3.7 million, in addition to fees of \$8.6 million, of which \$6.9 million qualified for deferral and will be amortized to interest expense over the new remaining term of the loan using the effective interest method.

The Existing Dollar Term Loans’ interest rate is currently Adjusted Term SOFR, subject to a floor of 0.75%, plus a margin of 2.60%, and as of December 30, 2023, borrowings under this facility bore interest at a rate of 7.96% per annum. On March 1, 2023, Gates amended the Existing Dollar Term Loans’ reference rate from LIBOR to Term SOFR, with a credit spread adjustment of 0.10%. The Existing Dollar Term Loans interest rate is currently re-set on the last business day of each month based on the election of one month interest periods.

The New Dollar Term Loans’ interest rate is currently at Term SOFR, subject to a floor of 0.50%, plus a margin of 3.00%, and as of December 30, 2023, borrowings under this facility bore interest at a rate of 8.36% per annum. The New Dollar Term Loans’ interest rate is currently re-set on the last business day of each month based on the election of one month interest periods. On October 10, 2023, we amended the New Dollar Term Loans’ interest rate to be, at our option, either Term SOFR, subject to a floor of 0.50%, plus a margin of 3.00% per annum, or the base rate, subject to a 1.50% per annum floor, plus 2.00% per annum.

Both Dollar Term Loans are subject to quarterly amortization payments of 0.25%, based on the original principal amount less certain repayments with the balance payable on maturity. During Fiscal 2023, we made amortization payments against the Existing Dollar Term Loans and New Dollar Term Loans of \$13.8 million and \$5.8 million, respectively. During Fiscal 2022, we made amortization payments against the Existing Dollar Term Loans, original Euro Term Loans, and New Dollar Term Loans of \$13.8 million, \$5.1 million, and \$1.4 million, respectively.

Under the terms of the credit agreement, we are obliged to offer annually to the term loan lenders an “excess cash flow” amount as defined under the agreement, based on the preceding year’s final results. Based on our 2023 results, the leverage ratio as defined under the credit agreement was below the threshold above which payments are required, and therefore no excess cash flow payment is required to be made in 2024.

During the periods presented, foreign exchange gains were recognized in respect of the Euro Term Loans as summarized in the table below. During Fiscal 2022 and Fiscal 2021, a portion of the facility was designated as a net investment hedge of certain of our Euro investments, a corresponding portion of the foreign exchange gain were recognized in OCI. As of December 30, 2023 and December 31, 2022, the Euro Term Loan, and the net investment hedging designation on the Euro Term Loan, no longer exist.

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Gain recognized in statement of operations	\$ —	\$ 45.2	\$ 38.2
Gain recognized in OCI	—	10.6	12.4
<b>Total gain</b>	<b>\$ —</b>	<b>\$ 55.8</b>	<b>\$ 50.6</b>



The above net foreign exchange gain recognized in the other expenses (income) line of the consolidated statement of operations have been substantially offset by net foreign exchange movements on Euro-denominated intercompany loans as part of our overall hedging strategy.

A wholly-owned U.S. subsidiary of Gates Global LLC is the principal obligor under the Dollar Term Loans for U.S. federal income tax purposes and makes the payments due on this tranche of debt. As a result, interest received by lenders of this tranche of debt is U.S. source income.

### **Unsecured Senior Notes**

As of December 30, 2023, we had \$568.0 million of Dollar Senior Notes outstanding that were issued in November 2019. These notes are scheduled to mature on January 15, 2026 and bear interest at an annual fixed rate of 6.25% with semi-annual interest payments.

As of January 15, 2024, we may redeem the Dollar Senior Notes, at our option, in whole at any time or in part from time to time, at 100% of the principal amount, plus accrued and unpaid interest to the redemption date. Upon the occurrence of a change of control or a certain qualifying asset sale, the holders of the notes will have the right to require us to make an offer to repurchase each holder's notes at a price equal to 101% (in the case of a change of control) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest.

### **Revolving credit facility**

We have a secured revolving credit facility that provides for multi-currency revolving loans. On November 18, 2021, we amended the credit agreement governing this facility to, among other things, increase the size of the facility from \$185.0 million to \$250.0 million, extend the maturity date from January 29, 2023 to November 18, 2026 (subject to certain springing maturities related to our Unsecured Senior Notes if more than \$500.0 million is outstanding 91 days prior to its maturity), and increase the letter of credit sub-facility from \$20.0 million to \$75.0 million.

In connection with these amendments, we paid fees of \$2.0 million, which have been deferred and will, together with existing deferred issuance costs related to this facility, be amortized to interest expense over the new term of the facility on a straight-line basis.

As of both December 30, 2023 and December 31, 2022, there were no drawings for cash under the revolving credit facility and there were no letters of credit outstanding.

Debt under the revolving credit facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, the reference rate, plus an applicable margin. On March 1, 2023, Gates amended the secured revolving credit facility reference rate for borrowings in dollars from LIBOR to Term SOFR.

### **Asset-backed revolver**

We also have a revolving credit facility backed by certain of our assets in North America. On November 18, 2021, we amended the credit agreement governing this facility to, among other things, reduce the maximum facility size from \$325.0 million to \$250.0 million (\$250.0 million as of December 30, 2023, compared to \$214.7 million as of December 31, 2022, based on the values of the secured assets on those dates), and extended the maturity date from January 29, 2023 to November 18, 2026 (subject to certain springing maturities related to our Unsecured Senior Notes if more than \$500.0 million is outstanding 91 days prior to its maturity). The facility also allows for a letter of credit sub-facility of \$150.0 million within the \$250.0 million maximum.

In connection with these amendments, we paid fees of \$1.3 million, which have been deferred and will, together with existing deferred issuance costs related to this facility, be amortized to interest expense over the new term of the facility on a straight-line basis.

As of both December 30, 2023 and December 31, 2022, there were no drawings for cash outstanding under the asset-backed revolver. We drew \$100 million in May of 2023 and \$70.0 million in March 2022 under this facility, and both balances were fully paid down during Fiscal 2023 and Fiscal 2022, respectively. There were letters of credit outstanding of \$29.7 million and \$25.8 million, as of December 30, 2023 and December 31, 2022, respectively.

Debt under the facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, the reference rate, plus an applicable margin. On March 1, 2023, we amended our revolving credit facility reference rate for borrowing in dollars from LIBOR to Term SOFR.

## 16. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
Accrued compensation	\$ 96.2	\$ 60.2
Current portion of lease obligations	22.8	24.8
Derivative financial instruments	103.0	79.4
Payroll and related taxes payable	14.9	18.9
VAT and other taxes payable	9.9	7.2
Warranty reserve	15.9	17.6
Restructuring reserve	5.1	7.5
Workers' compensation reserve	8.6	8.0
Other accrued expenses and other liabilities	95.2	98.7
	<b>\$ 371.6</b>	<b>\$ 322.3</b>

The above liabilities are presented in Gates' balance sheet as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
—Accrued expenses and other current liabilities	\$ 248.5	\$ 222.6
—Other non-current liabilities	123.1	99.7
	<b>\$ 371.6</b>	<b>\$ 322.3</b>

## Warranty reserves

Changes in warranty reserves (included in accrued expenses and other liabilities) were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Balance at the beginning of the period	\$ 17.6	\$ 18.7	\$ 19.8
Charge for the period	6.1	10.8	10.3
Utilized during the period	(7.7)	(10.9)	(9.6)
Released during the period	—	(0.3)	(1.9)
Foreign currency translation	(0.1)	(0.7)	0.1
<b>Balance at the end of the period</b>	<b>\$ 15.9</b>	<b>\$ 17.6</b>	<b>\$ 18.7</b>

An accrual is made for warranty claims on various products depending on specific market expectations and the type of product. These estimates are established using historical information on the nature, frequency and average cost of warranty claims. The majority of the warranty accruals are expected to be utilized during 2024, with the remainder estimated to be utilized within the next three years.

An accrual is made for the cost of product recalls if management considers it probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

## 17. Post-retirement benefits

### A. Defined contribution pension plans

Gates provides defined contribution pension benefits in most of the countries in which it operates; in particular, the majority of its employees in the U.S. are entitled to such benefits.

During Fiscal 2023, the expense recognized by Gates in respect of defined contribution pension plans was \$21.0 million, compared to \$20.2 million in Fiscal 2022 and \$20.6 million in Fiscal 2021.

## B. Defined benefit pension plans

Gates provides defined benefit pension plans in certain of the countries in which it operates, in particular, in the U.S. and U.K. Generally, the pension benefits provided under these plans are based on pensionable salary and the period of service of the individual employees. Plan assets are held separately from those of Gates in funds that are under the control of trustees. All of the defined benefit pension plans are closed to new entrants. In addition to the funded defined benefit pension plans, Gates has unfunded defined benefit obligations to certain current and former employees.

### Funded status

The net deficit recognized in respect of defined benefit pension plans is presented in the balance sheet as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
Pension surplus	\$ 8.6	\$ 10.1
Accrued expenses and other current liabilities	(2.4)	(2.4)
Post-retirement benefit obligations	(59.3)	(50.9)
<b>Net funded status</b>	<b>\$ (53.1)</b>	<b>\$ (43.2)</b>
Plans whose projected benefit obligation was in excess of plan assets:		
—Aggregate projected benefit obligation	\$ 246.5	\$ 247.5
—Aggregate fair value of plan assets	\$ 184.8	\$ 194.2
Plans whose accumulated benefit obligation was in excess of plan assets:		
—Aggregate accumulated benefit obligation	\$ 241.3	\$ 243.4
—Aggregate fair value of plan assets	\$ 184.0	\$ 194.2

During Fiscal 2023, the net unfunded pension obligation increased by \$9.9 million. This increase was driven primarily by interest on the benefit obligation of \$25.1 million and an actuarial loss of \$6.7 million on remeasurement of the benefit obligation, partially offset by an actual gain on plan assets of \$19.3 million.

### Benefit obligation

Changes in the projected benefit obligation in relation to defined benefit pension plans were as follows:

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Benefit obligation at the beginning of the period	\$ 560.5	\$ 821.1
Employer service cost	3.9	3.3
Plan participants' contributions	0.1	0.1
Interest cost	25.1	15.2
Net actuarial loss (gain)	6.7	(180.6)
Benefits paid	(42.6)	(37.8)
Expenses paid from assets	(1.8)	(1.3)
Curtailments and settlements	(1.3)	(1.9)
Foreign currency translation	19.6	(57.6)
<b>Benefit obligation at the end of the period</b>	<b>\$ 570.2</b>	<b>\$ 560.5</b>
<b>Accumulated benefit obligation</b>	<b>\$ 565.6</b>	<b>\$ 556.2</b>

## Changes in plan assets

Changes in the fair value of the assets held by defined benefit pension plans were as follows:

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Plan assets at the beginning of the period	\$ 517.3	\$ 829.8
Actual gain (loss) on plan assets	19.3	(217.5)
Employer contributions	7.7	9.2
Plan participants' contributions	0.1	0.1
Settlements	(1.3)	(1.9)
Benefits paid	(42.6)	(37.8)
Expenses paid from assets	(1.8)	(1.3)
Foreign currency translation	18.4	(63.3)
<b>Plan assets at the end of the period</b>	<b>\$ 517.1</b>	<b>\$ 517.3</b>

Gates' desired investment objectives for pension plan assets include maintaining an adequate level of diversification to reduce interest rate and market risk, and to provide adequate liquidity to meet immediate and future benefit payment requirements. Outside the U.S., Gates' defined benefit pension plans target a mix of growth seeking assets, comprising equities, and income generating assets, such as government and corporate bonds, that are considered by the trustees to be appropriate in the circumstances. Plan assets are rebalanced periodically to maintain target asset allocations.

Certain benefit obligations outside the U.S. are matched by insurance contracts.

Investments in equities and fixed income securities are held in pooled investment funds that are managed by investment managers on a passive (or "index-tracking") basis. The trustees ensure that there is no significant concentration of credit risk in any one financial institution.

Plan assets do not include any financial instruments issued by, any property occupied by, or other assets used by Gates.

The fair values of pension plan assets by asset category were as follows:

(dollars in millions)	As of December 30, 2023				As of December 31, 2022			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Collective investment trusts:</b>								
Equity securities	\$ —	\$ 37.4	\$ —	\$ 37.4	\$ —	\$ 106.7	\$ —	\$ 106.7
Debt securities								
—Corporate bonds	—	42.2	—	42.2	—	22.1	—	22.1
—Government bonds	—	105.6	—	105.6	—	93.0	—	93.0
Annuities and insurance	—	—	285.1	285.1	—	—	275.4	275.4
Liquid alternatives	—	22.4	—	22.4	—	—	—	—
Real estate	—	22.0	—	22.0	—	—	—	—
Other	—	—	—	—	—	4.7	—	4.7
Cash and cash equivalents	2.4	—	—	2.4	15.4	—	—	15.4
<b>Total</b>	<b>\$ 2.4</b>	<b>\$ 229.6</b>	<b>\$ 285.1</b>	<b>\$ 517.1</b>	<b>\$ 15.4</b>	<b>\$ 226.5</b>	<b>\$ 275.4</b>	<b>\$ 517.3</b>

Investments in equities and bonds held in pooled investment funds are measured at the bid price quoted by the investment managers, which reflect the quoted prices of the underlying securities. Insurance contracts are measured at their surrender value quoted by the insurers. Cash and cash equivalents largely attract floating interest rates.

Changes in the fair value of plan assets measured using significant unobservable inputs (level 3) were as follows:

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Fair value at the beginning of the period	\$ 275.4	\$ 210.5
Actual gain (loss) on plan assets	7.2	(54.3)
Purchases	0.7	150.2
Contributions	0.4	0.4
Impacts of benefits paid	(13.4)	(11.9)
Settlements	(1.1)	(0.7)
Foreign currency translation	15.9	(18.8)
<b>Fair value at the end of the period</b>	<b>\$ 285.1</b>	<b>\$ 275.4</b>

#### Estimated future contributions and benefit payments

Gates' funding policy for its defined benefit pension plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. During 2024, Gates expects to contribute approximately \$7.3 million to its defined benefit pension plans (including non-qualified supplemental plans).

Benefit payments, reflecting expected future service, are expected to be made by Gates' defined benefit pension plans as follows:

(dollars in millions)	Total
Fiscal year:	
—2024	\$ 41.4
—2025	\$ 40.0
—2026	\$ 41.8
—2027	\$ 41.2
—2028	\$ 42.0
—2029 through 2033	\$ 201.6

#### Net periodic benefit cost (income)

Components of the net periodic benefit cost (income) for defined benefit pension plans relating to continuing operations were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Employer service cost	\$ 3.9	\$ 3.3	\$ 4.3
Settlements and curtailments	(0.1)	(0.2)	0.1
Interest cost	25.1	15.2	13.4
Expected return on plan assets	(25.9)	(21.7)	(19.3)
Amortization of prior net actuarial (gain) loss	(1.0)	0.3	0.4
Amortization of prior service cost	0.9	0.9	1.0
<b>Net periodic benefit cost (income)</b>	<b>\$ 2.9</b>	<b>\$ (2.2)</b>	<b>\$ (0.1)</b>

## Other comprehensive income

Changes in plan assets and benefit obligations of defined benefit pension plans recognized in OCI were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Current period net actuarial loss (gain)	\$ 13.4	\$ 58.6	\$ (19.1)
Amortization of prior net actuarial gain (loss)	1.0	(0.3)	(0.4)
Amortization of prior service cost	(0.9)	(0.9)	(1.0)
Gain (loss) recognized due to settlements and curtailments	0.1	0.2	(0.1)
<b>Pre-tax changes recognized in OCI other than foreign currency translation</b>	<b>13.6</b>	<b>57.6</b>	<b>(20.6)</b>
Foreign currency translation	4.0	(0.5)	(0.3)
<b>Total pre-tax changes recognized in OCI</b>	<b>\$ 17.6</b>	<b>\$ 57.1</b>	<b>\$ (20.9)</b>

Cumulative loss (gain) before tax recognized in OCI in respect of post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Actuarial loss (gain)	\$ 43.9	\$ 29.4	\$ (29.1)
Prior service costs	9.0	9.9	10.8
<b>Pre-tax changes recognized in OCI other than foreign currency translation</b>	<b>52.9</b>	<b>39.3</b>	<b>(18.3)</b>
Foreign currency translation	2.0	(2.0)	(1.5)
<b>Cumulative total</b>	<b>\$ 54.9</b>	<b>\$ 37.3</b>	<b>\$ (19.8)</b>

## Assumptions

Major assumptions used in determining the benefit obligation and the net periodic benefit cost for defined benefit pension plans are presented in the following table as weighted averages:

	As of December 30, 2023	As of December 31, 2022
Benefit obligation:		
—Discount rate	4.466 %	4.598 %
—Rate of salary increase	3.950 %	3.511 %
Net periodic benefit cost:		
—Discount rate	4.598 %	2.005 %
—Rate of salary increase	3.510 %	3.105 %
—Expected return on plan assets	4.782 %	2.881 %

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. Return projections are validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.



## C. Other defined benefit plans

Gates provides other post-employment benefits, principally health and life insurance cover, on an unfunded basis to certain of its employees in the U.S. and Canada.

### Funded status

The deficit recognized in respect of other defined benefit plans is presented in the balance sheet as follows:

(dollars in millions)	As of December 30, 2023	As of December 31, 2022
Accrued expenses and other current liabilities	\$ (3.0)	\$ (3.1)
Post-retirement benefit obligations	(24.5)	(25.3)
	<u>\$ (27.5)</u>	<u>\$ (28.4)</u>

### Benefit obligation

Changes in the accumulated benefit obligation in relation to other defined benefit plans were as follows:

(dollars in millions)	For the year ended	
	December 30, 2023	December 31, 2022
Benefit obligation at the beginning of the period	\$ 28.4	\$ 46.0
Interest cost	1.5	1.2
Actuarial loss (gain)	0.3	(13.9)
Benefits paid	(3.0)	(3.3)
Plan amendments	—	(0.5)
Foreign currency translation	0.3	(1.1)
<b>Benefit obligation at the end of the period</b>	<u><b>\$ 27.5</b></u>	<u><b>\$ 28.4</b></u>
<b>Accumulated benefit obligation</b>	<u><b>\$ 27.5</b></u>	<u><b>\$ 28.4</b></u>

### Estimated future contributions and benefit payments

Contributions are made to our other defined benefit plans as and when benefits are paid from the plans. During 2024, Gates expects to contribute approximately \$3.0 million to its other defined benefit plans.

Benefit payments, reflecting expected future service, are expected to be made by Gates' other defined benefit plans as follows:

(dollars in millions)	Total
Fiscal years:	
—2024	\$ 3.0
—2025	\$ 2.9
—2026	\$ 2.8
—2027	\$ 2.6
—2028	\$ 2.5
—2029 through 2033	\$ 10.5

### Net periodic benefit income

Components of the net periodic benefit income for other defined benefit plans were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Interest cost	\$ 1.5	\$ 1.2	\$ 1.2
Amortization of prior net actuarial gain	(3.0)	(1.8)	(1.0)
Amortization of prior service credit	(0.5)	(0.4)	(0.4)
<b>Net periodic benefit income</b>	<u><b>\$ (2.0)</b></u>	<u><b>\$ (1.0)</b></u>	<u><b>\$ (0.2)</b></u>

The net periodic benefit income relates entirely to continuing operations.

## Other comprehensive income

Changes in the benefit obligation of other defined benefit plans recognized in OCI were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Current period net actuarial loss (gain)	\$ 0.3	\$ (13.9)	\$ (8.4)
Amortization of prior net actuarial gain	3.0	1.8	1.0
Prior service credit	—	(0.5)	—
Amortization of prior service credit	0.5	0.4	0.4
<b>Pre-tax changes recognized in OCI other than foreign currency translation</b>	<b>3.8</b>	<b>(12.2)</b>	<b>(7.0)</b>
Foreign currency translation	(0.3)	0.6	—
<b>Total pre-tax changes recognized in OCI</b>	<b>\$ 3.5</b>	<b>\$ (11.6)</b>	<b>\$ (7.0)</b>

Cumulative gains before tax recognized in OCI in respect of other post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Actuarial gains	\$ (32.2)	\$ (35.5)	\$ (23.4)
Prior service credits	(2.2)	(2.7)	(2.6)
Other adjustments	0.2	0.2	0.2
<b>Pre-tax changes recognized in OCI other than foreign currency translation</b>	<b>(34.2)</b>	<b>(38.0)</b>	<b>(25.8)</b>
Foreign currency translation	0.1	0.4	(0.2)
<b>Cumulative total</b>	<b>\$ (34.1)</b>	<b>\$ (37.6)</b>	<b>\$ (26.0)</b>

## Assumptions

The primary assumption used in determining the benefit obligation and the net periodic benefit cost for other defined benefit plans is the discount rate, the weighted average of which is presented in the following table:

	Benefit obligation		Net periodic benefit cost	
	As of December 30, 2023	As of December 31, 2022	As of December 30, 2023	As of December 31, 2022
Discount rate	5.00 %	5.44 %	5.44 %	2.81 %

The initial healthcare cost trend rate as of December 30, 2023 starts at 5.76%, compared to 5.97% as of December 31, 2022, with an ultimate trend rate of 4.84% as of December 30, 2023, compared to 4.85% as of December 31, 2022, beginning in 2027.

## 18. Share-based compensation

The Company operates a share-based incentive plan over its shares to provide incentives to Gates' senior executives and other eligible employees. During Fiscal 2023, we recognized a charge of \$27.4 million, compared to \$44.3 million and \$24.6 million during Fiscal 2022 and Fiscal 2021, respectively.

### Awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan (the "2014 Plan")

Gates has a number of share-based incentive awards issued under the 2014 Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with our initial public offering in January 2018 (our "IPO"). No new awards have been granted under this plan since 2017. The options granted prior to our IPO were split equally into four tiers, each with specific vesting conditions. Tier I options vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. Tier II, III and IV options vest on achievement of specified investment returns by certain investment funds affiliated with Blackstone Inc. ("Blackstone" or our "Sponsor") at the time of a defined liquidity event, which is also subject to the participant's continued provision of service to Gates on the vesting date. The performance conditions associated with Tiers II, III and IV must have been achieved on or prior to July 3, 2022 in order for vesting to occur. All the options expire ten years after the date of grant.

During March 2022, a liquidity event as defined occurred following the sale by Blackstone of a certain portion of their interest in Gates and the Tier II and IV options vested as the specified investment returns related to these options had been met. In connection with this vesting, a one-time share-based compensation charge of \$16.1 million was recognized. On July 3, 2022, the performance period for the Tier III options expired and, as the specified investment returns were not achieved, all Tier III awards expired during Fiscal 2022.

Due to Chinese regulatory restrictions on foreign stock ownership, awards granted under this plan to Chinese employees have been issued as stock appreciation rights (“SARs”). The terms of these SARs are identical to those of the options described above with the exception that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under Topic 718 “*Compensation - Stock Compensation*” and are revalued to their fair value at each period end. The SARs include option awards with the same vesting terms as the Tier II, III and IV option awards described above, and, due to the vesting event described above, the SAR equivalents of the Tier II and IV awards also vested in March 2022, resulting in a share-based compensation charge of \$2.6 million. All Tier III SARs expired on July 3, 2022 as the specific performance hurdle was not achieved.

Changes in the awards granted under this plan are summarized in the tables below.

#### **Awards issued under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the “2018 Plan”)**

In conjunction with the initial public offering in January 2018, Gates adopted the 2018 Plan, which is a market-based long-term incentive program that allows for the issue of a variety of equity-based and cash-based awards, including stock options, SARs and RSUs.

The SARs issued under this plan take the form of options, except that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under Topic 718 “*Compensation - Stock Compensation*” and are revalued to their fair value at each period end. The SARs and the majority of the share options issued under this plan vest evenly over either three years or four years from the grant date. The remainder of the options, the premium-priced options, vest evenly over a three-year period, starting two years from the grant date. All options vest subject to the participant’s continued employment by Gates on the vesting date and expire ten years after the date of grant.

The RSUs issued under the plan consist of time-vesting RSUs and performance-based RSUs (“PRSUs”). The time-vesting RSUs vest evenly over either one or three years from the date of grant, subject to the participant’s continued provision of service to Gates on the vesting date. The PRSUs issued prior to 2022 provide that 50% of the award will generally vest if Gates achieves a certain level of average annual adjusted return on invested capital as defined in the plan (“Adjusted ROIC”) and the remaining 50% of the PRSUs will generally vest if Gates achieves certain relative total shareholder return (“Relative TSR”) goals, in each case, measured over a three-year performance period and subject to the participant’s continued employment through the end of the performance period. The total number of PRSUs that vest at the end of the performance period will range from 0% to 200% of the target based on actual performance against a pre-established scale. For PRSUs issued in 2022 and 2023, the terms are identical, except that 75% of the award will generally vest based on the specified Adjusted ROIC achievement and the remaining 25% will generally vest based on Relative TSR goal attainment.

New awards and movements in existing awards granted under this plan are summarized in the tables below.

## Summary of movements in options outstanding

		Year ended December 30, 2023	
	Plan	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the period:			
—Tier I	2014 Plan	2,521,173	\$ 6.89
—Tier II	2014 Plan	2,689,551	\$ 6.97
—Tier IV	2014 Plan	2,692,551	\$ 10.46
—SARs	Both plans	683,087	\$ 10.22
—Share options	2018 Plan	2,980,134	\$ 14.86
—Premium-priced options	2018 Plan	835,469	\$ 18.88
		12,401,965	\$ 10.59
Granted during the period:			
—SARs	2018 Plan	58,800	\$ 13.71
		58,800	\$ 13.71
Forfeited during the period:			
—SARs	2018 Plan	(1,668)	\$ 15.76
—Share options	2018 Plan	(82,136)	\$ 14.84
		(83,804)	\$ 14.85
Expired during the period:			
—Tier I	2014 Plan	(2,000)	\$ 6.56
—Tier II	2014 Plan	(2,000)	\$ 6.56
—Tier IV	2014 Plan	(16,258)	\$ 19.53
—SARs	Both Plans	(4,998)	\$ 13.13
—Share options	2018 Plan	(366,391)	\$ 15.75
		(391,647)	\$ 15.78
Exercised during the period:			
—Tier I	2014 Plan	(690,846)	\$ 6.66
—Tier II	2014 Plan	(691,534)	\$ 6.86
—Tier IV	2014 Plan	(689,877)	\$ 10.08
—Share options	2018 Plan	(186,087)	\$ 12.56
		(2,258,344)	\$ 8.25
Outstanding at the end of the period:			
—Tier I	2014 Plan	1,828,327	\$ 6.98
—Tier II	2014 Plan	1,996,017	\$ 7.01
—Tier IV	2014 Plan	1,986,416	\$ 10.52
—SARs	Both plans	735,221	\$ 10.47
—Share options	2018 Plan	2,345,520	\$ 14.90
—Premium-priced options	2018 Plan	835,469	\$ 18.88
		9,726,970	\$ 10.90
Exercisable at the end of the period			
		9,158,100	\$ 10.53
Vested and expected to vest at the end of the period			
		9,726,766	\$ 10.90

As of December 30, 2023, the aggregate intrinsic value of options that were exercisable was \$33.8 million, and these options had a weighted average remaining contractual term of 3.0 years. As of December 30, 2023, the aggregate intrinsic value of options that were vested or expected to vest was \$33.8 million, and these options had a weighted average remaining contractual term of 3.2 years.

As of December 30, 2023, the unrecognized compensation charge relating to the nonvested options was \$0.4 million, which is expected to be recognized over a weighted-average period of 0.4 years.

During Fiscal 2023, cash of \$18.7 million was received in relation to the exercise of vested options, compared to \$15.9 million and \$4.6 million during Fiscal 2022 and Fiscal 2021, respectively. The aggregate intrinsic value of options exercised during Fiscal 2023 was \$5.2 million, compared to \$1.0 million and \$4.8 million during Fiscal 2022 and Fiscal 2021, respectively.

#### Summary of movements in RSUs and PRSUs outstanding

	Year ended December 30, 2023	
	Number of awards	Weighted average grant date fair value \$
<b>Outstanding at the beginning of the period:</b>		
—RSUs	3,491,259	\$ 13.72
—PRSUs	1,076,560	\$ 16.53
	<b>4,567,819</b>	<b>\$ 14.38</b>
<b>Granted during the period:</b>		
—RSUs	1,367,462	\$ 13.79
—PRSUs	405,954	\$ 15.88
	<b>1,773,416</b>	<b>\$ 14.27</b>
<b>Forfeited during the period:</b>		
—RSUs	(393,380)	\$ 14.23
—PRSUs	(421,809)	\$ 16.05
	<b>(815,189)</b>	<b>\$ 15.17</b>
<b>Vested during the period:</b>		
—RSUs	(1,433,111)	\$ 13.53
—PRSUs	(143,044)	\$ 14.56
	<b>(1,576,155)</b>	<b>\$ 13.62</b>
<b>Outstanding at the end of the period:</b>		
—RSUs	3,032,230	\$ 13.78
—PRSUs	917,661	\$ 16.77
	<b>3,949,891</b>	<b>\$ 14.47</b>

As of December 30, 2023, the unrecognized compensation charge relating to nonvested RSUs and PRSUs was \$22.3 million, which is expected to be recognized over a weighted average period of 1.6 years, subject, where relevant, to the achievement of the performance conditions described above. The total fair value of RSUs and PRSUs vested Fiscal 2023 was \$21.5 million, compared to \$12.9 million, and \$12.3 million during Fiscal 2022 and Fiscal 2021 respectively.

## Valuation of awards granted during the period

The grant date fair value of the options and SARs are measured using a Black-Scholes valuation model. RSUs are valued at the share price on the date of grant. The premium-priced options and PRSUs were valued using Monte Carlo simulations. As Gates only has volatility data for its shares for the period since its initial public offering, this volatility has, where necessary, been weighted with the debt-levered volatility of a peer group of public companies in order to determine the expected volatility over the expected option life. The expected option life represents the period of time for which the options are expected to be outstanding and is based on consideration of the contractual life of the option, option vesting period, and historical exercise patterns. The weighted average fair values and relevant assumptions were as follows:

	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Weighted average grant date fair value:			
—SARs	\$ 6.57	\$ 6.94	\$ 6.66
—Share options	n/a	n/a	\$ 6.66
—Premium-priced options	n/a	n/a	\$ 6.36
—RSUs	\$ 13.79	\$ 13.67	\$ 15.16
—PRSUs	\$ 15.88	\$ 17.23	\$ 17.92
Inputs to the model:			
—Expected volatility - SARs	42.8 %	43.5 %	46.1 %
—Expected volatility - share options	n/a	n/a	46.1 %
—Expected volatility - premium-priced options	n/a	n/a	46.1 %
—Expected volatility - PRSUs	37.7 %	49.1 %	50.8 %
—Expected option life for SARs (years)	6.0	6.0	6.0
—Expected option life for share options (years)	n/a	n/a	6.0
—Expected option life for premium-priced options (years)	n/a	n/a	6.0
—Risk-free interest rate:			
SARs	4.03 %	1.91 %	0.95 %
Share options	n/a	n/a	0.95 %
Premium-priced options	n/a	n/a	0.95 %
PRSUs	4.60 %	1.72 %	0.27 %

## 19. Equity

Movements in the Company's number of shares in issue for the year ended December 30, 2023 and December 31, 2022, respectively, were as follows:

(number of shares)	For the year ended	
	December 30, 2023	December 31, 2022
Balance as of the beginning of the period	282,578,917	291,282,137
Exercise of share options	2,258,344	1,953,350
Vesting of restricted stock units, net of withholding taxes	1,357,161	809,347
Shares repurchased and cancelled	(21,934,634)	(11,465,917)
<b>Balance as of the end of the period</b>	<b>264,259,788</b>	<b>282,578,917</b>

The Company has one class of authorized and issued shares, with a par value of \$0.01, and each share has equal voting rights.



In November 2021, the Company established a repurchase program allowing for up to \$200 million in authorized share repurchases. On March 24, 2022, the Company, certain selling shareholders affiliated with Blackstone, and Citigroup Global Markets Inc. (“Citigroup”) entered into an underwriting agreement pursuant to which the selling shareholders agreed to sell to Citigroup 5,000,000 ordinary shares of the Company at a price of \$15.14 per ordinary share (the “2022 Offering”). The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Company; this option was exercised in full on March 25, 2022. The Company did not receive any proceeds from the sale of ordinary shares in the 2022 Offering, which closed on March 30, 2022. In connection with the 2022 Offering, the Company repurchased 8,000,000 ordinary shares through Citigroup from the same selling shareholders at a price of \$15.14 per ordinary share for an aggregate consideration of \$121.1 million (the “2022 Repurchase”), plus costs directly related to the transaction of \$0.8 million. This repurchase was funded by cash on hand and a borrowing of \$70.0 million under Gates’ asset-backed revolving credit facility. All shares repurchased pursuant to the 2022 Repurchase have been cancelled and the original share repurchase program expired on December 31, 2022.

On April 28, 2023, the Company’s Board of Directors approved another share repurchase program for up to \$250 million in authorized share repurchases. On May 17, 2023, the Company, certain selling shareholders affiliated with Blackstone, and the representatives of the several underwriters entered into an underwriting agreement pursuant to which the selling shareholders agreed to sell to the underwriters 22,500,000 ordinary shares of the Company at a price of \$11.3975 per ordinary share (the “May 2023 Offering”). The selling shareholders also granted the underwriters an option to purchase up to 3,375,000 additional ordinary shares of the Company; this option was exercised in full on May 18, 2023. The Company did not receive any proceeds from the sale of ordinary shares in the May 2023 Offering, which closed on May 23, 2023. In connection with the May 2023 Offering, the Company repurchased 21,934,634 ordinary shares through Citigroup from the same selling shareholders at a price of \$11.3975 per ordinary share for an aggregate consideration of approximately \$250.0 million (the “2023 Repurchase”), plus costs paid directly related to the transaction of \$1.7 million. This repurchase was funded by cash on hand and a borrowing of \$100.0 million under Gates’ asset-backed revolving credit facility. All shares repurchased pursuant to the 2023 Repurchase have been cancelled. Following the May 2023 Offering and the 2023 Repurchase, shareholders affiliated with Blackstone no longer beneficially own a majority of our outstanding ordinary shares and therefore we were no longer considered a “controlled company” within the meaning of the NYSE corporate governance standards. On February 7, 2024, the Company’s Board approved another share repurchase program for up to \$100 million in authorized share repurchases, which expires on October 6, 2024.

## 20. Analysis of accumulated other comprehensive (loss) income

Changes in accumulated other comprehensive (loss) income by component, net of tax, were as follows:

(dollars in millions)	Post-retirement benefit	Cumulative translation adjustment	Cash flow hedges	Accumulated OCI attributable to shareholders	Non-controlling interests	Accumulated OCI
<b>As of January 2, 2021</b>	<b>\$ 14.9</b>	<b>\$ (770.2)</b>	<b>\$ (50.1)</b>	<b>\$ (805.4)</b>	<b>\$ (18.1)</b>	<b>\$ (823.5)</b>
Foreign currency translation	(0.1)	(66.5)	—	(66.6)	(5.2)	(71.8)
Cash flow hedges movements	—	—	25.0	25.0	—	25.0
Post-retirement benefit movements	21.8	—	—	21.8	(0.1)	21.7
<b>Other comprehensive income (loss)</b>	<b>21.7</b>	<b>(66.5)</b>	<b>25.0</b>	<b>(19.8)</b>	<b>(5.3)</b>	<b>(25.1)</b>
<b>As of January 1, 2022</b>	<b>36.6</b>	<b>(836.7)</b>	<b>(25.1)</b>	<b>(825.2)</b>	<b>(23.4)</b>	<b>(848.6)</b>
Foreign currency translation	(1.2)	(113.3)	—	(114.5)	(42.1)	(156.6)
Cash flow hedges movements	—	—	56.7	56.7	—	56.7
Post-retirement benefit movements	(34.8)	—	—	(34.8)	0.9	(33.9)
<b>Other comprehensive (loss) income</b>	<b>(36.0)</b>	<b>(113.3)</b>	<b>56.7</b>	<b>(92.6)</b>	<b>(41.2)</b>	<b>(133.8)</b>
<b>As of December 31, 2022</b>	<b>0.6</b>	<b>(950.0)</b>	<b>31.6</b>	<b>(917.8)</b>	<b>(64.6)</b>	<b>(982.4)</b>
Foreign currency translation	(3.2)	117.7	—	114.5	(13.8)	100.7
Cash flow hedges movements	—	—	(12.5)	(12.5)	—	(12.5)
Post-retirement benefit movements	(12.7)	—	—	(12.7)	—	(12.7)
<b>Other comprehensive (loss) income</b>	<b>(15.9)</b>	<b>117.7</b>	<b>(12.5)</b>	<b>89.3</b>	<b>(13.8)</b>	<b>75.5</b>
<b>As of December 30, 2023</b>	<b>\$ (15.3)</b>	<b>\$ (832.3)</b>	<b>\$ 19.1</b>	<b>\$ (828.5)</b>	<b>\$ (78.4)</b>	<b>\$ (906.9)</b>

## 21. Related party transactions

### A. Entities affiliated with Blackstone

In January 2018, Gates and Blackstone Management Partners L.L.C. (“BMP”) and Blackstone Tactical Opportunities Advisors L.L.C., each affiliates of our Sponsor (the “Managers”), entered into a Monitoring Fee Agreement (the “Monitoring Fee Agreement”). Under this agreement, which terminated in January 2020 upon the second anniversary of the closing date of the initial public offering of Gates, the Company and certain of its direct and indirect subsidiaries (collectively the “Monitoring Service Recipients”) engaged the Managers to provide certain monitoring, advisory and consulting services.

In consideration of these oversight services, Gates agreed to pay BMP an annual fee of 1% of a covenant EBITDA measure defined under the agreements governing our senior secured credit facilities. In addition, the Monitoring Service Recipients agreed to reimburse the Managers for any related out-of-pocket expenses incurred by the Managers and their affiliates. During Fiscal 2023, Fiscal 2022 and Fiscal 2021, Gates incurred no cost in respect of these oversight services and out-of-pocket expenses, and there were no amounts owing at December 30, 2023 or December 31, 2022.

In connection with the initial public offering, we entered into a Support and Services Agreement with BMP, under which the Company and certain of its direct and indirect subsidiaries reimburse BMP for customary support services provided by Blackstone’s portfolio operations group to the Company at BMP’s direction. BMP will invoice the Company for such services based on the time spent by the relevant personnel providing such services during the applicable period and Blackstone’s allocated costs of such personnel. During the periods presented, no amounts were paid or outstanding under this agreement. This agreement terminates on the date our Sponsor beneficially owns less than 5% of our ordinary shares and such shares have a fair market value of less than \$25.0 million, or such earlier date as may be chosen by Blackstone.

As described in Note 19, in March 2022, the Company repurchased 8,000,000 ordinary shares through Citigroup from certain shareholders affiliated with Blackstone for an aggregate consideration of \$121.1 million, plus costs directly related to the transaction of \$0.8 million. Additionally, in May 2023, the Company repurchased 21,934,634 ordinary shares through Citigroup from certain shareholders affiliated with Blackstone for an aggregate consideration of approximately \$250.0 million, plus costs paid directly related to the transaction of \$1.7 million.

In connection with the issuance of the New Dollar Term Loan on November 16, 2022, Blackstone Alternative Credit Advisors LP, an affiliate of Blackstone, was an initial lender of \$50.0 million and received fees of \$0.3 million. This transaction was on terms equivalent to those of unaffiliated parties.

### B. Equity method investees

Sales to and purchases from equity method investees were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Sales	\$ —	\$ —	\$ 0.1
Purchases	\$ (18.4)	\$ (16.7)	\$ (14.9)

Amounts outstanding in respect of these transactions were payables of \$0.2 million as of December 30, 2023, compared to \$2.4 million as of December 31, 2022. No dividends were received from our equity method investees during the periods presented.

### C. Non-Gates entities controlled by non-controlling shareholders

Sales to and purchases from non-Gates entities controlled by non-controlling shareholders were as follows:

(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Sales	\$ 44.1	\$ 59.0	\$ 67.3
Purchases	\$ (15.4)	\$ (18.4)	\$ (21.7)

Amounts outstanding in respect of these transactions were as follows:

(dollars in millions)	As of	
	December 30, 2023	December 31, 2022
Receivables	\$ 3.2	\$ 4.7
Payables	\$ (3.2)	\$ (3.2)

## 22. Commitments and contingencies

### A. Capital and other commitments

As of December 30, 2023, we had entered into contractual commitments for the purchase of property, plant and equipment amounting to \$8.7 million, compared to \$12.1 million as of December 31, 2022, and for the purchase of non-integral computer software amounting to \$1.8 million, compared to \$6.6 million as of December 31, 2022. As of December 30, 2023, we had entered into contractual commitments for non-capital items such as raw materials and supplies amounting to \$34.9 million, compared to \$25.3 million as of December 31, 2022.

### B. Performance bonds, letters of credit and bank guarantees

As of December 30, 2023, letters of credit were outstanding against the asset-backed revolving facility amounting to \$29.7 million, compared to \$25.8 million as of December 31, 2022. We had additional outstanding performance bonds, letters of credit and bank guarantees amounting to \$8.4 million as of December 30, 2023, compared to \$8.7 million as of December 31, 2022.

### C. Company-owned life insurance policies

Gates is the beneficiary of a number of company-owned life insurance policies against which it borrows from the relevant life insurance company. As of December 30, 2023, the surrender value of the policies was \$966.5 million, compared to \$969.7 million as of December 31, 2022, and the amount outstanding on the related loans was \$958.1 million, compared to \$967.9 million as of December 31, 2022. For financial reporting purposes, these amounts are offset as a legal right of offset exists and the net receivable of \$8.3 million, compared to \$1.8 million as of December 31, 2022, is included in other receivables.

### D. Contingencies

The Company is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business including those relating to environmental obligations, product liability, intellectual property, commercial and contractual disputes, employment matters and other business matters. When appropriate, management consults with legal counsel and other appropriate experts to assess claims. If, in management's opinion, we have incurred a probable loss as determined in accordance with U.S. GAAP, an estimate is made of the loss and the appropriate accrual is reflected in our consolidated financial statements. Currently, there are no material amounts accrued.

While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will materially affect Gates' financial position, results of operations or cash flows.

## E. Allowance for expected credit losses

Movements in our allowance for expected credit losses were as follows:

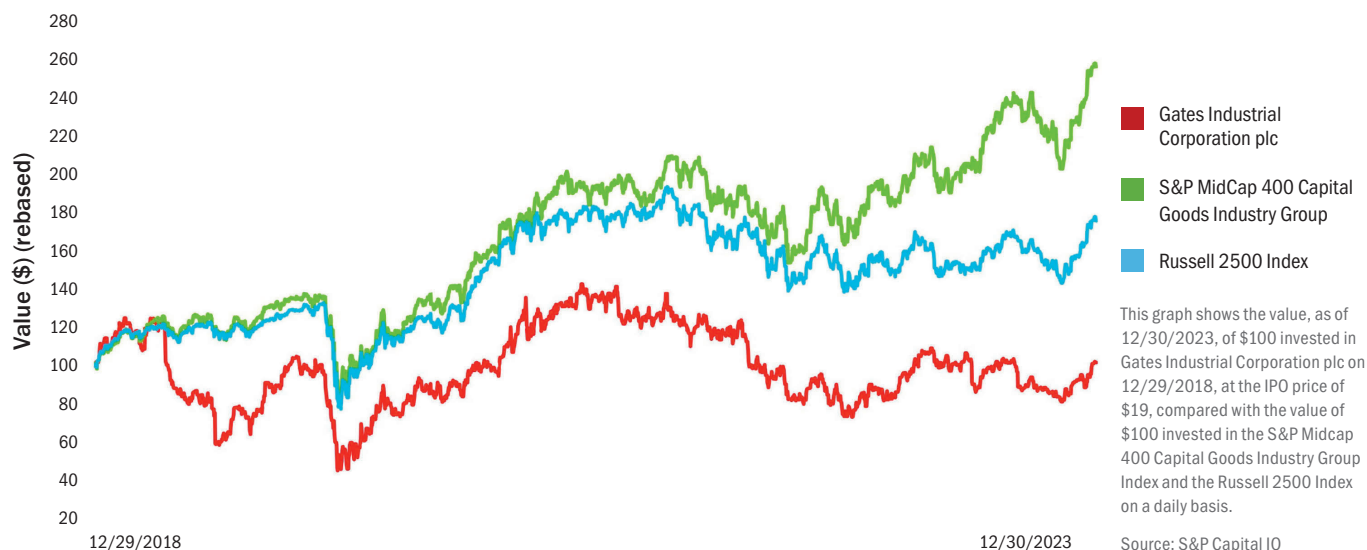
(dollars in millions)	For the year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Balance at beginning of year	\$ 4.2	\$ 5.1	\$ 5.2
Current period provision for expected credit losses	12.6	0.6	0.2
Write-offs charged against allowance	(1.1)	(1.3)	(0.1)
Foreign currency translation	—	(0.2)	(0.2)
<b>Balance at end of year</b>	<b>\$ 15.7</b>	<b>\$ 4.2</b>	<b>\$ 5.1</b>

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# TOTAL SHAREHOLDER RETURN



## Executive Officers

**IVO JUREK**  
Chief Executive Officer

**L. BROOKS MALLARD**  
Executive Vice President,  
Chief Financial Officer

**CRISTIN C. BRACKEN**  
Executive Vice President,  
Chief Legal Officer and Corporate Secretary

**GWENDOLYN MONTGOMERY**  
Executive Vice President,  
Chief Human Resources Officer

**THOMAS G. PITSTICK**  
Senior Vice President,  
President APAC and Global Strategy

## Board of Directors

**NEIL P. SIMPKINS**  
Chair of the Board  
Chief Executive Officer  
Roseberry LLC

**IVO JUREK**  
Chief Executive Officer  
Gates Industrial Corporation plc

**FREDRIK ELIASSON**  
Former Chief Financial Officer  
Change Healthcare Inc.

**JAMES W. IRELAND, III**  
Former President & Chief Executive  
Officer General Electric Africa

**STEPHANIE K. MAINS**  
Chief Executive Officer  
LSC Communications-MCL

**SETH A. MEISEL**  
Senior Managing Director  
Blackstone Inc.

**WILSON S. NEELY**  
Strategic Advisor  
InterNex Capital

**ALICIA L. TILLMAN**  
Chief Marketing Officer  
Delta Air Lines Inc.

**MOLLY P. ZHANG**  
Former Vice President,  
Asset Management  
Orica Ltd.

# NON-GAAP MEASURES

This Annual Report includes certain non-GAAP financial measures, which management believes are useful to investors. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. The following tables provide a reconciliation of certain of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.

(USD in millions, except share numbers and per share amounts)

RECONCILIATION TO ADJUSTED NET INCOME	FY 2023	FY 2022
<b>Net Income Attributable to Shareholders</b>	<b>\$232.9</b>	<b>\$220.8</b>
Adjusted for:		
Loss on the disposal of discontinued operations	0.6	0.4
Amortization of intangible assets arising from the 2014 acquisition of Gates	116.2	115.6
Transaction-related expenses	2.2	2.1
Asset impairments	0.1	1.1
Restructuring expenses	11.6	9.5
Share-based compensation expense	27.4	44.3
Inventory impairments and adjustments <sup>(1)</sup> (included in cost of sales)	7.4	20.9
Adjustments relating to post-retirement benefits	(3.0)	(6.5)
Financing and other FX related losses (gains)	26.8	(7.9)
One-time deferred tax benefit from unrecognized tax benefit <sup>(2)</sup>	(12.3)	(26.4)
Credit loss related to customer bankruptcy (included in SG&A) <sup>(3)</sup>	11.4	-
Cybersecurity incident expenses <sup>(4)</sup>	5.2	-
Other adjustments	(4.7)	(6.2)
Estimated tax effect of the above adjustments	(48.1)	(38.7)
<b>Adjusted Net Income</b>	<b>\$373.7</b>	<b>\$329.0</b>
Diluted weighted average number of shares outstanding	275,648,328	287,586,210
<b>Adjusted Net Income per diluted share</b>	<b>\$1.36</b>	<b>\$1.14</b>

(USD in millions)

RECONCILIATION TO NET LEVERAGE	FY 2023	FY 2022
<b>Adjusted EBITDA</b>	<b>\$747.0</b>	<b>\$680.6</b>
Total principal amount of debt	\$2,471.9	\$2,491.4
Less: Cash and cash equivalents	(720.6)	(578.4)
<b>Net Debt</b>	<b>\$1,751.3</b>	<b>\$1,913.0</b>
<b>Net Leverage (Net Debt divided by LTM Adjusted EBITDA)</b>	<b>2.3 x</b>	<b>2.8 x</b>
<b>Net Leverage Change YoY</b>	<b>(0.5 x)</b>	

<sup>(1)</sup> During the year ended December 30, 2023, inventory impairments and adjustments included \$7.3 million for the reversal of the adjustment to remeasure certain inventories on a Last-in-First-out ("LIFO") basis. The recent inflationary environment has caused LIFO values to drop below First-in, First-out ("FIFO") values because LIFO measurement resulted in the more recent inflated costs being matched against current sales while historical, lower costs are retained in inventories.

<sup>(2)</sup> During the year ended December 30, 2023, a one-time deferred tax benefit from unrecognized tax benefits included \$12.3 million due to the lapsed statute of limitations being recognized.

<sup>(3)</sup> On January 31, 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the bankruptcy proceedings, we evaluated our potential risk and exposure relating to our outstanding pre-petition accounts receivable balance from the customer and recorded a \$11.4 million pre-tax charge for the year ended December 30, 2023, to reflect our estimated recovery. We continue to monitor the circumstances surrounding the bankruptcy in determining whether adjustments to this recovery estimate are necessary.

<sup>(4)</sup> On February 11, 2023, Gates determined that it was the target of a malware attack. Cybersecurity incident expenses include legal, consulting, and other costs incurred as a direct result of this incident, some of which may be partially offset by insurance recoveries.

(USD in millions)

RETURN ON INVESTED CAPITAL (ROIC)	FY 2023	FY 2022
<b>LTM Adjusted EBITDA</b>	<b>\$747.0</b>	<b>\$680.6</b>
LTM Total depreciation and amortization	(217.5)	(217.2)
LTM Amortization of intangible assets arising from the 2014 acquisition of Gates	116.2	115.6
<b>LTM Adjusted EBIT</b>	<b>645.7</b>	<b>579.0</b>
Notional tax at 25%	(161.4)	(144.8)
<b>LTM Tax-effected Adjusted EBIT</b>	<b>\$484.3</b>	<b>\$434.2</b>
Total Assets	\$7,254.5	\$7,191.6
Adjusted for:		
Cash	(720.6)	(578.4)
Taxes receivable	(48.9)	(28.1)
Deferred tax assets	(622.4)	(600.3)
Prepaid taxes	(14.0)	(11.4)
Accounts payable	(457.7)	(469.6)
Intangibles arising from the acquisition of Gates	(3,289.2)	(3,335.1)
<b>Invested Capital</b>	<b>\$2,101.7</b>	<b>\$2,168.7</b>
<b>Return On Invested Capital</b>	<b>23.0%</b>	<b>20.0%</b>

(USD in millions)

RECONCILIATION OF FREE CASH FLOW	FY 2023	FY 2022
Net Cash Provided By Operating Activities	\$481.0	\$265.8
Capital Expenditures <sup>(5)</sup>	(71.4)	(87.0)
<b>Free Cash Flow</b>	<b>\$409.6</b>	<b>\$178.8</b>

(USD in millions)

RECONCILIATION OF FREE CASH FLOW CONVERSION	FY 2023	FY 2022
Free Cash Flow	\$409.6	\$178.8
Adjusted Net Income	\$373.7	\$329.0
<b>Free Cash Flow Conversion</b>	<b>109.6%</b>	<b>54.3%</b>

<sup>(5)</sup> Capital expenditures represent purchases of property, plant and equipment and purchases of intangible assets.



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