



Rating  
**Hold**

North America  
United States

Industrials  
Multi - Industry &  
Electrical Equipment

Company  
**Colfax Corp**

Reuters CFX.N    Bloomberg CFX UN    Exchange NYS    Ticker CFX

Date  
29 July 2018

## Company Update

Price at 26 Jul 2018 (USD)	30.89
Price target	34.00
52-week range	43.16 - 29.84

## 2Q18 Earnings Preview

### CFX will report earnings on Monday, August 6th

Colfax has scheduled its 2Q18 earnings release for Monday, August 6<sup>th</sup> before the market opens; typically, results hit the tape around 6:30am ET. The conference call/webcast will take place at 8:30am ET (dial in 877-303-7908, p/c 3078073).

### We sit \$0.02 below cons EPS, but we think A&GH order activity will be the most critical metric this quarter

After tweaking our model, we come out at \$0.50 for 2Q18 EPS, slightly below \$0.52 cons - and it seems that the biggest delta lies in A&GH operating income, where we forecast \$22m, flattish Q/Q but 20% below the Street. The segment benefited from a \$7m gain on the sale of a Chinese facility in 1Q; margins would have been 4.6% excluding this. Therefore, we are giving CFX credit for 100bps of underlying margin improvement in our 5.6% segment margin forecast, driven by the beginnings of lower profitability backlog rolling off. In Fab Tech, we model \$69m segment profit, which is more in line with consensus; this embeds 6% organic growth, consistent with 1Q results - similar to peers which have seen broadly stable growth rates Q/Q. We bake in flattish margins Y/Y, consistent with 1Q results given continued price/cost challenges. However, we expect investors to focus on A&GH order activity given that last quarter's -25% Y/Y organic result was a bit shocking to many; we do expect improvement given much easier comps, to down low- to mid-single digits Y/Y.

### Management is likely to reiterate full year EPS guidance of \$2.05-2.20

We have raised our full year forecast by 5% to \$2.17, near the high end of the guidance range, as we give the company more credit for 2H18e margin improvement within A&GH, driven by a combination of restructuring payback and the dissipation of lower margin projects (which will largely come through backlog in 1H). We model +10bps and +300bps Y/Y AG&H margin improvement in 3Q18e and 4Q18e, respectively, although this brings us to 8.5% for the full year, -80bps Y/Y (compared to management's forecast for Y/Y margin expansion). Within Fab Tech, we continue to model 6% core growth and 50bps margin expansion. We now sit near the high end of the guidance range, but given macro uncertainty and an implied 2H18e execution ramp, we expect the company will reiterate its full year guidance range.

### Valuation & Risks

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#### Key changes

TP	33.00 to 34.00	↑	3.0%
EPS (USD)	2.07 to 2.17	↑	4.8%
Revenue (USDm)	3,644.5 to 3,680.0	↑	1.0%

Source: Deutsche Bank

#### Price/price relative



Performance (%)	1m	3m	12m
Absolute	1.8	-2.6	-24.6
S&P 500 INDEX	4.2	6.4	14.5

Source: Deutsche Bank

#### Key indicators (FY1)

ROE (%)	4.7
ROA (%)	2.4
Net debt/equity (%)	14.8
Book value/share (USD)	30.45
Price/book (x)	1.0
Net interest cover (x)	8.6
EBIT margin (%)	7.9

Source: Deutsche Bank



Forecasts and ratios

Year End Dec 31	2017A	2018E	2019E
1Q EPS	0.39	0.48A	0.47
2Q EPS	0.45	0.50	0.56
3Q EPS	0.46	0.58	0.63
4Q EPS	0.45	0.62	0.67
FY EPS (USD)	1.74	2.17	2.33
OLD FY EPS (USD)	1.71	2.07	2.16
% Change	2.1%	4.8%	7.8%
P/E (x)	22.7	14.2	13.2
DPS (USD)	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0
Revenue (USDm)	3,300.2	3,680.0	3,813.3

Source: Deutsche Bank estimates, company data

Stock & option liquidity data

Market Cap (USDm)	3,816.8
Shares outstanding (m)	123.6
Free float (%)	159
Volume (26 Jul 2018)	186,646
Option volume (und. shrs., 1M avg.)	11,353

Source: Deutsche Bank



# 2Q18 Earnings Preview

Figure 1: CFX - Segment Estimates

Segment Estimates:

\$'millions	2Q18e	2Q17	% Y/Y	Comments
Air & Gas Handling	402	353	14%	Consensus is \$381m; we model a 4% organic decline (deteriorating from +2% in 1Q given backlog was down 17% Y/Y in March), a 5ppt FX benefit and 13ppts contribution from the Siemens Turbo acquisition. Orders will be key, and investors are looking for improvement vs. -25% organic last quarter
Fabrication Technology	560	495	13%	Consensus is \$555m; we model +6% organic (in line with 1Q results despite tougher comp, similar to peer performance), a 3ppt FX benefit and 3ppts contribution from the Sandvik Welding Wire acquisition
<b>Total Sales</b>	<b>962</b>	<b>848</b>	<b>13%</b>	<b>Consensus is \$939m</b>
Air & Gas Handling	22	35	-35%	Consensus is \$28m. Excludes \$8m of estimated restructuring spend
Fabrication Technology	69	61	13%	Consensus is \$69m; during 1Q18, price/cost was neutral. Excludes \$3m of estimated restructuring spend
<b>Segment Income ex-Items</b>	<b>91</b>	<b>95</b>	<b>-5%</b>	
One-Time Items	(11)	(11)	N/A	This is restructuring expense; we model \$41m for full year, nearly consistent with management guidance
Corporate/Eliminations	(14)	(14)	N/A	We model flat Y/Y
<b>Reported EBIT</b>	<b>66</b>	<b>70</b>	<b>-6%</b>	
<u>Segment Margins:</u>				
Air & Gas Handling	5.6%	9.8%	(420)bps	Compares to 1Q18 margin of 6.7% (which included a \$7.1m gain from sale of China facility; ex-gain margin would have been 4.6%); we model margin expansion in 2H18 excluding this, as larger projects clear the backlog (as per management commentary)
Fabrication Technology	12.3%	12.3%	(3)bps	Compares to 1Q18 margin of 12.0%; we model incremental margins consistent with 1Q results
<b>Segment Margins ex-Items</b>	<b>9.5%</b>	<b>11.2%</b>	<b>(178)bps</b>	
<u>Incremental Margins:</u>				
Air & Gas Handling	-25%	34%		Compares to 1% incremental margin in 1Q18
Fabrication Technology	12%	30%		Compares to 12% incremental margin in 1Q18
<b>Total Incremental Margins</b>	<b>-4%</b>	<b>22%</b>		

Source: Deutsche Bank, Company Information, Factset



Figure 2: CFX - Income Statement Estimates

Income Statement Estimates:

\$'millions	2Q18e	2Q17	% Y/Y	Comments
Net Sales	962	848	13%	We model +2% Y/Y organic growth, 7ppts M&A contribution and 4ppts FX benefit; we model 2Q at ~26% of FY sales, consistent with management guidance
Cost of Goods Sold	700	590	19%	
<b>Gross Profit</b>	<b>262</b>	<b>258</b>	<b>1%</b>	
% margin	27.2%	30.4%	(322)bps	Compares to 1Q18 gross margin of 30.7%
SG&A	196	177	11%	
% sales	20.4%	20.9%		
Restructuring related charges	-	11	N/A	
<b>Reported Operating Income</b>	<b>66</b>	<b>70</b>	<b>-6%</b>	
% margin	6.9%	8.3%	(142)bps	
Exceptional Items	11	11	-1%	We model \$41m restructuring expense for full year, nearly consistent with \$42m management guidance
<b>Core Operating Income</b>	<b>77</b>	<b>81</b>	<b>-5%</b>	
% margin	8.0%	9.6%	(158)bps	
Other Expense/(Income)	-	-	N/A	
<b>EBIT</b>	<b>66</b>	<b>70</b>	<b>-6%</b>	
% margin	6.9%	8.3%	(142)bps	
Interest Expense, net	8	9	-4%	Compares to ~\$9.5m in 1Q18; we bring down run-rate to be consistent with \$34m full year management guidance
<b>Pre-Tax Income</b>	<b>58</b>	<b>62</b>	<b>-6%</b>	
Taxes	13	20	-33%	
% rate	23.0%	32.0%		We model at low end of 23-24% guidance
Disc Ops	-	17	N/A	
<b>GAAP Net Income</b>	<b>44</b>	<b>59</b>	<b>-24%</b>	
Non-Controlling Interest	5	5	-11%	We hold flat Q/Q; we model \$18m for the full year vs. guidance of \$18-20m
<b>GAAP Net Income Attributable to CFX</b>	<b>40</b>	<b>53</b>	<b>-25%</b>	
Adjustments	22	19	17%	Adding back restructuring and amortization expense
<b>Headline Net Income</b>	<b>62</b>	<b>55</b>	<b>12%</b>	
Diluted Share Count	124	124	0%	We model no share repurchases in the quarter
<b>Headline EPS</b>	<b>0.50</b>	<b>0.45</b>	<b>11%</b>	<b>Consensus is \$0.52</b>
GAAP EPS	0.32	0.43	-25%	

Source: Deutsche Bank, Company Information, Factset

Figure 3: CFX - Other Key Quarterly Metrics

Select BS/CF Items:

\$'millions	2Q18e	2Q17	% Y/Y	Comments
Cash	325	263	24%	
Gross Debt	1,128	1,328	-15%	We model flat Q/Q
<b>Net Debt</b>	<b>804</b>	<b>1,066</b>	<b>-25%</b>	
Operating Cash Flow	71	58	22%	
CapEx	15	(1)	N/A	Compares to \$11m in 1Q18; we model FY CapEx of ~\$70m
<b>Free Cash Flow</b>	<b>56</b>	<b>59</b>	<b>-5%</b>	
% Conversion	91%	107%		

Source: Deutsche Bank, Company Information, Factset



# Guidance

Figure 4: CFX - Company Guidance

<u>2018e Company Guidance</u>	<u>Current</u>
<b>Y/Y Organic Growth</b>	<b>0 - 2%</b>
Air & Gas Handling	(2) - 0%
Fabrication Technology	3 - 5%
Sales Seasonality (as % of full year):	
<b>1Q18</b>	<b>22 - 23%</b>
2Q18	25 - 26%
<b>3Q18</b>	<b>24 - 25%</b>
4Q18	26 - 27%
Restructuring Savings	\$25 - 30m
Restructuring Expense	\$30 - 40m
Inflation & Growth Investments, Net	\$10 - 20m
Amortization	\$68 - 72m
Interest Expense	\$30 - 34m
Tax Rate	21%
Non-Controlling Interest	\$18 - 20m
<b>Headline EPS</b>	<b>\$2.05 - 2.20</b>
EPS from Cont. Ops.	\$1.22 - 1.37

Source: Deutsche Bank, Company Information

# Financial Statements

Figure 5: CFX - Segment Estimates

YE 31 December (\$m)	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18e	3Q18e	4Q18e	2018e	2019e	2020e
Air & Gas Handling	1,982	1,385	274	353	362	374	1,363	348	402	367	407	1,523	1,559	1,605
Fabrication Technology	1,985	1,800	460	495	482	500	1,937	533	560	528	536	2,157	2,255	2,322
<b>Sales</b>	<b>3,967</b>	<b>3,186</b>	<b>734</b>	<b>848</b>	<b>845</b>	<b>874</b>	<b>3,300</b>	<b>881</b>	<b>962</b>	<b>895</b>	<b>943</b>	<b>3,680</b>	<b>3,813</b>	<b>3,928</b>
Air & Gas Handling	-15%	-30%	-15%	-4%	13%	0%	-2%	27%	14%	1%	9%	12%	2%	3%
Fabrication Technology	-13%	-9%	4%	4%	8%	15%	8%	16%	13%	9%	7%	11%	5%	3%
<b>Y/Y Growth</b>	<b>-14%</b>	<b>-20%</b>	<b>-4%</b>	<b>1%</b>	<b>10%</b>	<b>8%</b>	<b>4%</b>	<b>20%</b>	<b>13%</b>	<b>6%</b>	<b>8%</b>	<b>12%</b>	<b>4%</b>	<b>3%</b>
Air & Gas Handling	-7%	-6%	-13%	-3%	10%	-15%	-5%	2%	-4%	-10%	8%	-1%	4%	3%
Fabrication Technology	-6%	-5%	1%	2%	3%	7%	3%	6%	6%	6%	5%	6%	5%	3%
<b>Y/Y Organic Growth</b>	<b>-7%</b>	<b>-6%</b>	<b>-5%</b>	<b>0%</b>	<b>6%</b>	<b>-3%</b>	<b>-1%</b>	<b>5%</b>	<b>2%</b>	<b>-1%</b>	<b>6%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>
Air & Gas Handling	215	177	34	44	49	(154)	(28)	31	27	46	48	152	197	209
Fabrication Technology	252	238	71	71	67	280	280	80	83	78	79	320	356	373
Corporate/Eliminations	33	24	(7)	3	(4)	189	180	(3)	3	3	6	9	(35)	(35)
<b>EBITDA ex-Items</b>	<b>500</b>	<b>439</b>	<b>97</b>	<b>118</b>	<b>115</b>	<b>102</b>	<b>432</b>	<b>107</b>	<b>114</b>	<b>127</b>	<b>133</b>	<b>481</b>	<b>518</b>	<b>547</b>
Air & Gas Handling	194	150	23	35	40	29	126	23	22	41	43	130	146	158
Fabrication Technology	198	196	56	61	56	52	224	64	69	63	64	260	285	301
<b>Segment Income ex-Items</b>	<b>393</b>	<b>346</b>	<b>78</b>	<b>95</b>	<b>96</b>	<b>80</b>	<b>351</b>	<b>88</b>	<b>91</b>	<b>104</b>	<b>108</b>	<b>390</b>	<b>430</b>	<b>459</b>
One-Time Items	(61)	(59)	(5)	(11)	(7)	(245)	(268)	(8)	(11)	(11)	(11)	(41)	-	-
Corporate/Eliminations	(47)	(50)	(13)	(14)	(14)	(11)	(53)	(17)	(14)	(14)	(11)	(57)	(60)	(60)
<b>Operating Income</b>	<b>285</b>	<b>237</b>	<b>60</b>	<b>70</b>	<b>75</b>	<b>(176)</b>	<b>29</b>	<b>62</b>	<b>66</b>	<b>79</b>	<b>85</b>	<b>292</b>	<b>370</b>	<b>399</b>
Air & Gas Handling	-24%	-23%	-26%	-12%	24%	-40%	-16%	2%	-35%	2%	51%	3%	12%	8%
Fabrication Technology	-25%	-1%	21%	12%	16%	10%	15%	15%	13%	12%	24%	16%	9%	6%
<b>Segment Income Y/Y</b>	<b>-24%</b>	<b>-12%</b>	<b>2%</b>	<b>2%</b>	<b>19%</b>	<b>-15%</b>	<b>1%</b>	<b>12%</b>	<b>-5%</b>	<b>8%</b>	<b>34%</b>	<b>11%</b>	<b>10%</b>	<b>7%</b>
<b>Operating Income Y/Y</b>	<b>-30%</b>	<b>-17%</b>	<b>26%</b>	<b>-1%</b>	<b>27%</b>	<b>-396%</b>	<b>-88%</b>	<b>3%</b>	<b>-6%</b>	<b>5%</b>	<b>-148%</b>	<b>898%</b>	<b>27%</b>	<b>8%</b>
Air & Gas Handling	9.8%	10.8%	8.3%	9.8%	11.1%	7.7%	9.3%	6.7%	5.6%	11.2%	10.7%	8.5%	9.4%	9.8%
Fabrication Technology	10.0%	10.9%	12.1%	12.3%	11.7%	10.3%	11.6%	12.0%	12.3%	11.9%	12.0%	12.1%	12.6%	13.0%
<b>Segment Margin</b>	<b>9.9%</b>	<b>10.9%</b>	<b>10.7%</b>	<b>11.2%</b>	<b>11.4%</b>	<b>9.2%</b>	<b>10.6%</b>	<b>9.9%</b>	<b>9.5%</b>	<b>11.6%</b>	<b>11.4%</b>	<b>10.6%</b>	<b>11.3%</b>	<b>11.7%</b>
<b>Operating Margin</b>	<b>7.2%</b>	<b>7.4%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>8.9%</b>	<b>-20.1%</b>	<b>0.9%</b>	<b>7.1%</b>	<b>6.9%</b>	<b>8.8%</b>	<b>9.0%</b>	<b>7.9%</b>	<b>9.7%</b>	<b>10.2%</b>

Source: Deutsche Bank, Company Information



Figure 6: CFX - Income Statement Estimates

YE 31 December (\$m)	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18e	3Q18e	4Q18e	2018e	2019e	2020e
<b>Sales</b>	<b>3,967</b>	<b>3,186</b>	<b>734</b>	<b>848</b>	<b>845</b>	<b>874</b>	<b>3,300</b>	<b>881</b>	<b>962</b>	<b>895</b>	<b>943</b>	<b>3,680</b>	<b>3,813</b>	<b>3,928</b>
YY Growth	-14%	-20%	-4%	1%	10%	8%	4%	20%	13%	6%	8%	12%	4%	3%
YY Organic Growth	-7%	-6%	-5%	0%	6%	-3%	-1%	5%	2%	-1%	6%	3%	4%	3%
<b>Gross Profit</b>	<b>1,252</b>	<b>992</b>	<b>240</b>	<b>258</b>	<b>264</b>	<b>268</b>	<b>1,030</b>	<b>271</b>	<b>262</b>	<b>280</b>	<b>300</b>	<b>1,104</b>	<b>1,193</b>	<b>1,234</b>
Margin	31.6%	31.2%	32.7%	30.4%	31.2%	30.6%	31.2%	30.7%	27.2%	31.3%	31.8%	30.0%	31.3%	31.4%
SG&A	906	697	175	177	182	199	732	201	196	201	214	812	822	835
Asbestos, Restructuring & Other	61	59	5	11	7	245	268	8	-	-	-	-	-	-
<b>Reported Operating Income</b>	<b>285</b>	<b>237</b>	<b>60</b>	<b>70</b>	<b>75</b>	<b>(176)</b>	<b>29</b>	<b>62</b>	<b>66</b>	<b>79</b>	<b>85</b>	<b>292</b>	<b>370</b>	<b>399</b>
Margin	7.2%	7.4%	8.2%	8.3%	8.9%	-20.1%	0.9%	7.1%	6.9%	8.8%	9.0%	7.9%	9.7%	10.2%
Adjustments	61	59	5	11	7	245	268	8	11	11	11	41	-	-
<b>Core Operating Income</b>	<b>346</b>	<b>296</b>	<b>65</b>	<b>81</b>	<b>82</b>	<b>69</b>	<b>297</b>	<b>70</b>	<b>77</b>	<b>90</b>	<b>96</b>	<b>333</b>	<b>370</b>	<b>399</b>
Margin	8.7%	9.3%	8.9%	9.6%	9.7%	7.9%	9.0%	8.0%	8.0%	10.0%	10.2%	9.0%	9.7%	10.2%
<b>EBIT</b>	<b>285</b>	<b>237</b>	<b>60</b>	<b>70</b>	<b>75</b>	<b>(176)</b>	<b>29</b>	<b>62</b>	<b>66</b>	<b>79</b>	<b>85</b>	<b>292</b>	<b>370</b>	<b>399</b>
Margin	7.2%	7.4%	8.2%	8.3%	8.9%	-20.1%	0.9%	7.1%	6.9%	8.8%	9.0%	7.9%	9.7%	10.2%
Interest Expense	48	30	9	9	11	12	41	10	8	8	8	34	33	33
<b>Pre-Tax Income</b>	<b>237</b>	<b>207</b>	<b>51</b>	<b>62</b>	<b>63</b>	<b>(188)</b>	<b>(12)</b>	<b>53</b>	<b>58</b>	<b>70</b>	<b>77</b>	<b>258</b>	<b>337</b>	<b>366</b>
Taxes	50	52	13	20	14	(4)	43	6	13	16	18	53	81	88
Effective Rate	21.0%	25.1%	24.7%	32.0%	21.8%	1.9%	-357.7%	11.4%	23.0%	23.0%	23.0%	20.6%	24.0%	24.0%
<b>Continuing Income</b>	<b>187</b>	<b>155</b>	<b>38</b>	<b>42</b>	<b>50</b>	<b>(184)</b>	<b>(54)</b>	<b>47</b>	<b>44</b>	<b>54</b>	<b>59</b>	<b>205</b>	<b>256</b>	<b>278</b>
Disc Ops	-	(10)	3	17	2	202	224	(3)	-	-	-	(3)	-	-
<b>GAAP Net Income</b>	<b>187</b>	<b>145</b>	<b>42</b>	<b>59</b>	<b>52</b>	<b>18</b>	<b>170</b>	<b>29</b>	<b>44</b>	<b>54</b>	<b>59</b>	<b>187</b>	<b>256</b>	<b>278</b>
Income Attributable to Non-Controlling Interest	(19)	(17)	(3)	(5)	(6)	(5)	(18)	(5)	(5)	(5)	(5)	(18)	(20)	(22)
<b>GAAP Net Income Attributable to Colfax</b>	<b>168</b>	<b>128</b>	<b>39</b>	<b>53</b>	<b>46</b>	<b>13</b>	<b>151</b>	<b>25</b>	<b>40</b>	<b>50</b>	<b>55</b>	<b>169</b>	<b>237</b>	<b>256</b>
Adjustments	32	93	13	19	11	245	287	32	22	22	22	98	53	53
<b>Headline Income</b>	<b>200</b>	<b>222</b>	<b>48</b>	<b>55</b>	<b>57</b>	<b>56</b>	<b>216</b>	<b>60</b>	<b>62</b>	<b>72</b>	<b>77</b>	<b>270</b>	<b>289</b>	<b>309</b>
Share Count	125	123	124	124	124	124	124	124	124	124	124	124	124	124
<b>Headline EPS</b>	<b>1.60</b>	<b>1.80</b>	<b>0.39</b>	<b>0.45</b>	<b>0.46</b>	<b>0.45</b>	<b>1.74</b>	<b>0.48</b>	<b>0.50</b>	<b>0.58</b>	<b>0.62</b>	<b>2.17</b>	<b>2.33</b>	<b>2.49</b>
YY Growth	-27%	13%	5%	-3%	1%	-13%	-3%	23%	11%	26%	37%	25%	7%	7%
GAAP EPS - Diluted	1.34	1.04	0.31	0.43	0.37	0.11	1.22	0.20	0.32	0.40	0.44	1.36	1.91	2.07

Source: Deutsche Bank, Company Information



Figure 7: CFX - Balance Sheet Estimates

YE 31 December (\$m)	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18e	3Q18e	4Q18e	2018e	2019e	2020e
Cash & Liquid Assets	197	222	208	272	260	412	412	403	460	523	670	670	1,158	1,686
Accounts Receivable	888	914	901	979	957	970	970	993	1,071	1,014	1,047	1,047	1,013	963
Inventory	420	404	427	455	415	430	430	499	516	439	463	463	405	336
Other	254	246	244	253	683	258	258	267	267	267	267	267	267	267
<b>Current Assets</b>	<b>1,760</b>	<b>1,786</b>	<b>1,781</b>	<b>1,958</b>	<b>2,315</b>	<b>2,070</b>	<b>2,070</b>	<b>2,163</b>	<b>2,314</b>	<b>2,244</b>	<b>2,447</b>	<b>2,447</b>	<b>2,844</b>	<b>3,252</b>
PP&E	645	604	575	580	513	553	553	547	544	541	552	552	530	508
Goodwill	2,818	2,563	2,588	2,687	2,527	2,539	2,539	2,612	2,593	2,574	2,555	2,555	2,489	2,427
Intangibles	996	899	930	950	936	1,017	1,017	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Other	515	533	556	555	548	543	543	541	541	541	541	541	541	541
<b>Total Assets</b>	<b>6,733</b>	<b>6,385</b>	<b>6,430</b>	<b>6,730</b>	<b>6,838</b>	<b>6,722</b>	<b>6,722</b>	<b>6,879</b>	<b>7,008</b>	<b>6,915</b>	<b>7,111</b>	<b>7,111</b>	<b>7,421</b>	<b>7,745</b>
Short-Term Debt	6	5	6	6	6	6	6	6	6	6	6	6	6	6
Accounts Payable	719	606	608	646	544	587	587	579	656	504	633	633	661	681
Customer Advances	-	151	149	157	130	146	146	169	169	169	169	169	169	169
Accrued Expenses	392	344	320	337	337	359	359	341	349	353	361	361	387	413
Other	-	-	-	-	272	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>	<b>1,116</b>	<b>1,107</b>	<b>1,082</b>	<b>1,147</b>	<b>1,289</b>	<b>1,097</b>	<b>1,097</b>	<b>1,095</b>	<b>1,179</b>	<b>1,033</b>	<b>1,169</b>	<b>1,169</b>	<b>1,222</b>	<b>1,268</b>
Long-Term Debt	1,412	1,287	1,245	1,322	1,335	1,055	1,055	1,122	1,122	1,122	1,122	1,122	1,122	1,122
Other	948	899	892	889	701	842	842	820	820	820	820	820	820	820
<b>Total Liabilities</b>	<b>3,476</b>	<b>3,292</b>	<b>3,218</b>	<b>3,358</b>	<b>3,325</b>	<b>2,994</b>	<b>2,994</b>	<b>3,038</b>	<b>3,122</b>	<b>2,975</b>	<b>3,111</b>	<b>3,111</b>	<b>3,165</b>	<b>3,211</b>
Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional Paid In Capital	3,199	3,200	3,208	3,215	3,220	3,228	3,228	3,236	3,236	3,236	3,236	3,236	3,236	3,236
Retained Earnings	557	685	734	787	833	846	846	876	921	975	1,034	1,034	1,291	1,569
Other	(500)	(792)	(730)	(630)	(540)	(348)	(348)	(271)	(271)	(271)	(271)	(271)	(271)	(271)
<b>Total Equity</b>	<b>3,257</b>	<b>3,093</b>	<b>3,211</b>	<b>3,372</b>	<b>3,514</b>	<b>3,727</b>	<b>3,727</b>	<b>3,841</b>	<b>3,886</b>	<b>3,940</b>	<b>3,999</b>	<b>3,999</b>	<b>4,256</b>	<b>4,534</b>
<b>Liabilities &amp; Equity</b>	<b>6,733</b>	<b>6,385</b>	<b>6,430</b>	<b>6,730</b>	<b>6,838</b>	<b>6,722</b>	<b>6,722</b>	<b>6,879</b>	<b>7,008</b>	<b>6,915</b>	<b>7,111</b>	<b>7,111</b>	<b>7,421</b>	<b>7,745</b>
Cash	197	222	208	272	260	412	412	403	460	523	670	670	1,158	1,686
Gross Debt	1,418	1,292	1,251	1,328	1,340	1,061	1,061	1,128	1,128	1,128	1,128	1,128	1,128	1,128
<b>Net Debt</b>	<b>1,220</b>	<b>1,070</b>	<b>1,043</b>	<b>1,056</b>	<b>1,080</b>	<b>649</b>	<b>649</b>	<b>725</b>	<b>669</b>	<b>605</b>	<b>459</b>	<b>459</b>	<b>(30)</b>	<b>(558)</b>

Source: Deutsche Bank, Company Information





Figure 8: CFX - Cash Flow Estimates

YE 31 December (\$m)	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18e	3Q18e	4Q18e	2018e	2019e	2020e
Net Income	187	145	42	59	52	18	170	29	44	54	59	187	256	278
Depreciation, Amortization & Impairments	155	143	32	37	33	33	135	37	37	37	37	148	148	148
Changes in Trade Working Capital	65	6	(25)	(47)	(66)	159	21	(79)	(18)	(18)	72	(43)	119	139
Other	(103)	(57)	(8)	10	(2)	(106)	(106)	10	7	5	7	30	26	26
<b>Operating Cash Flow</b>	<b>304</b>	<b>237</b>	<b>40</b>	<b>58</b>	<b>16</b>	<b>104</b>	<b>219</b>	<b>(3)</b>	<b>71</b>	<b>78</b>	<b>175</b>	<b>322</b>	<b>550</b>	<b>592</b>
CapEx	(70)	(63)	(12)	1	(10)	(48)	(69)	(11)	(15)	(15)	(29)	(70)	(61)	(63)
Proceeds from Sale of PP&E	-	-	-	-	-	-	-	9	-	-	-	9	-	-
Acquisitions	(196)	(26)	-	(50)	(7)	(290)	(347)	(51)	-	-	-	(51)	-	-
Disposals	-	-	-	-	-	490	490	(1)	-	-	-	(1)	-	-
Other	19	7	-	-	-	15	15	-	-	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(247)</b>	<b>(82)</b>	<b>(12)</b>	<b>(49)</b>	<b>(17)</b>	<b>167</b>	<b>90</b>	<b>(54)</b>	<b>(15)</b>	<b>(15)</b>	<b>(29)</b>	<b>(112)</b>	<b>(61)</b>	<b>(63)</b>
Equity Issuance	6	2	2	1	2	2	7	3	-	-	-	3	-	-
Stock Repurchase	(27)	(21)	-	-	-	-	-	-	-	-	-	-	-	-
Debt, Net	(89)	(119)	(47)	57	0	(288)	(277)	56	-	-	-	56	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(21)	(8)	(2)	(6)	(1)	(1)	(10)	(1)	-	-	-	(1)	-	-
<b>Financing Cash Flow</b>	<b>(131)</b>	<b>(145)</b>	<b>(47)</b>	<b>52</b>	<b>1</b>	<b>(287)</b>	<b>(280)</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>-</b>
FX	(34)	4	5	3	(0)	5	12	6	-	-	-	6	-	-
Increase/(Decrease) in Cash	(108)	15	(14)	64	0	(10)	40	6	56	63	147	273	488	528
<b>Ending Cash Balance</b>	<b>197</b>	<b>222</b>	<b>198</b>	<b>263</b>	<b>272</b>	<b>250</b>	<b>262</b>	<b>268</b>	<b>325</b>	<b>388</b>	<b>535</b>	<b>535</b>	<b>1,023</b>	<b>1,551</b>
Operating Cash Flow	304	237	40	58	16	104	219	(3)	71	78	175	322	550	592
CapEx	(70)	(63)	(12)	1	(10)	(48)	(69)	(11)	(15)	(15)	(29)	(70)	(61)	(63)
Proceeds from Sale of PP&E	-	-	-	-	-	-	-	9	-	-	-	9	-	-
<b>Free Cash Flow</b>	<b>234</b>	<b>174</b>	<b>29</b>	<b>59</b>	<b>6</b>	<b>56</b>	<b>150</b>	<b>(5)</b>	<b>56</b>	<b>63</b>	<b>147</b>	<b>262</b>	<b>488</b>	<b>528</b>
FCF Conversion	117%	78%	59%	107%	11%	100%	69%	-8%	91%	89%	191%	97%	169%	171%

Source: Deutsche Bank, Company Information





# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Colfax Corp	CFX.N	30.89 (USD) 26 Jul 2018	1, 2, 7, 8, 14, 15

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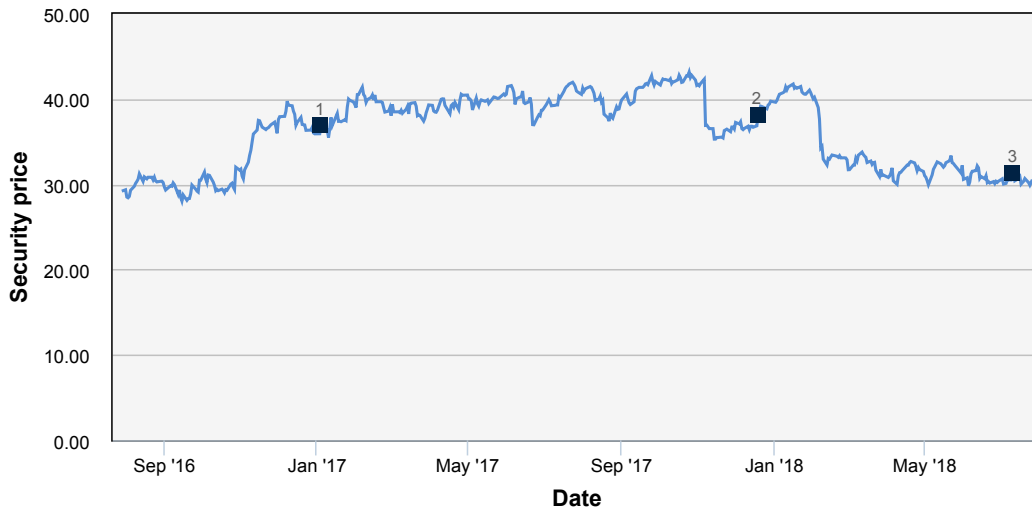
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Historical recommendations and target price. Colfax Corp (CFX.N)

(as of 07/26/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

- |   |   |
|---|---|
| <p>1. 01/04/2017 Hold, Target Price Change USD 36.00 John G. Inch**</p> <p>2. 12/19/2017 Hold, Target Price Change USD 41.00 John G. Inch**</p> | <p>3. 07/11/2018 Hold, Target Price Change USD 33.00 Nicole DeBlase</p> |
|---|---|

Equity Rating Key

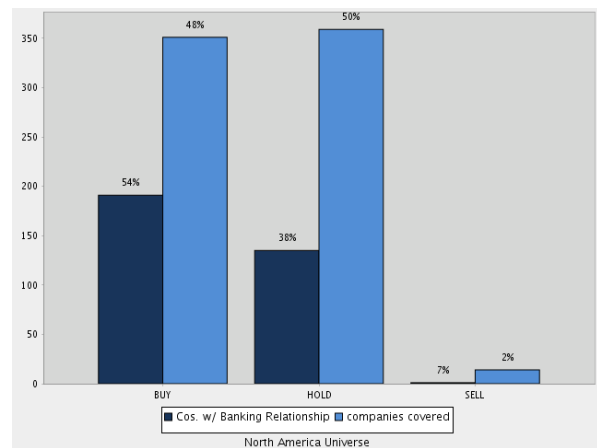
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