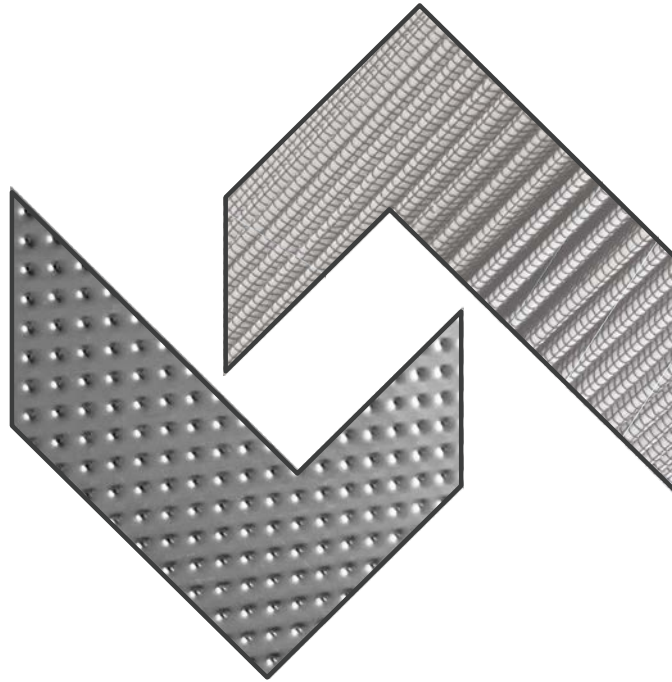


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# Annual Shareholders Meeting

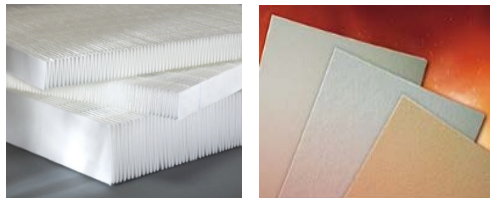
## April 26, 2019



# Lydall®

specialty engineered  
products and materials

Performance Materials



Technical Nonwovens



Thermal Acoustical Solutions



# Forward-looking Statements

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This presentation contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are intended to provide management’s current expectations for the future operating and financial performance of the Company based on current expectations and assumptions relating to the Company’s business, the economy and other future conditions, and generally can be identified through the use of words such as “believes,” “anticipates,” “may,” “should,” “will,” “plans,” “projects,” “expects,” “estimates,” “forecasts,” “predicts,” “targets,” “prospects,” “strategy,” “signs,” and other words of similar meaning. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially and adversely from those expressed in any forward-looking statement. Investors, therefore, are cautioned against relying on any of these forward-looking statements. Lydall’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other Securities and Exchange Commission filings discuss important risk factors that could affect the Company’s business, results of operations and financial condition.

These forward-looking statements speak only as of the date of this presentation, and Lydall does not assume any obligation to update or revise any forward-looking statement made in this presentation.

This presentation contains non-GAAP financial measures as defined by SEC regulations. The Appendix of this presentation includes a reconciliation to the most comparable GAAP measures.

# Overview of Business – 2018

\$786M Total Sales / 11.5% Adjusted EBITDA Margin<sup>1</sup>

## Filtration & Engineered Materials

Sales: \$169M ↑ 45.0%  
 EBITDA: 14.4% ↑ 0.4%pts

Sales: \$277M ↑ 3.0%  
 EBITDA: 13.6% ↓ 1.5%pts

### Performance Materials 21% of Total<sup>2</sup>



Filtration and insulation media, life sciences filtration media



N.A. 57% / EMEA 29% / Asia 14%

### Technical Nonwovens 34% of Total<sup>2</sup>



Industrial air filtration media and engineered materials

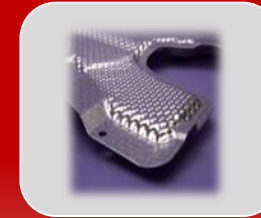


N.A. 60% / EMEA 26% / Asia 14%

## Automotive

Sales: \$365M ↑ 6.8%  
 EBITDA: 12.9% ↓ 5.8%pts

### Thermal Acoustical Solutions 45% of Total<sup>2</sup>



Fabricated thermal barriers for vehicles





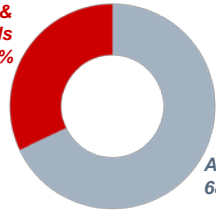

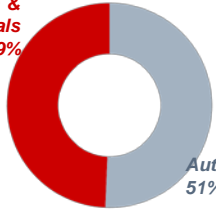
Fabricated acoustical barriers for vehicles

N.A. 68% / EMEA 28% / Asia 4%

<sup>1</sup> Reference Appendix for reconciliation between adjusted financials and GAAP financials

<sup>2</sup> Segment sales and percentages reflect gross sales, excluding intercompany sales

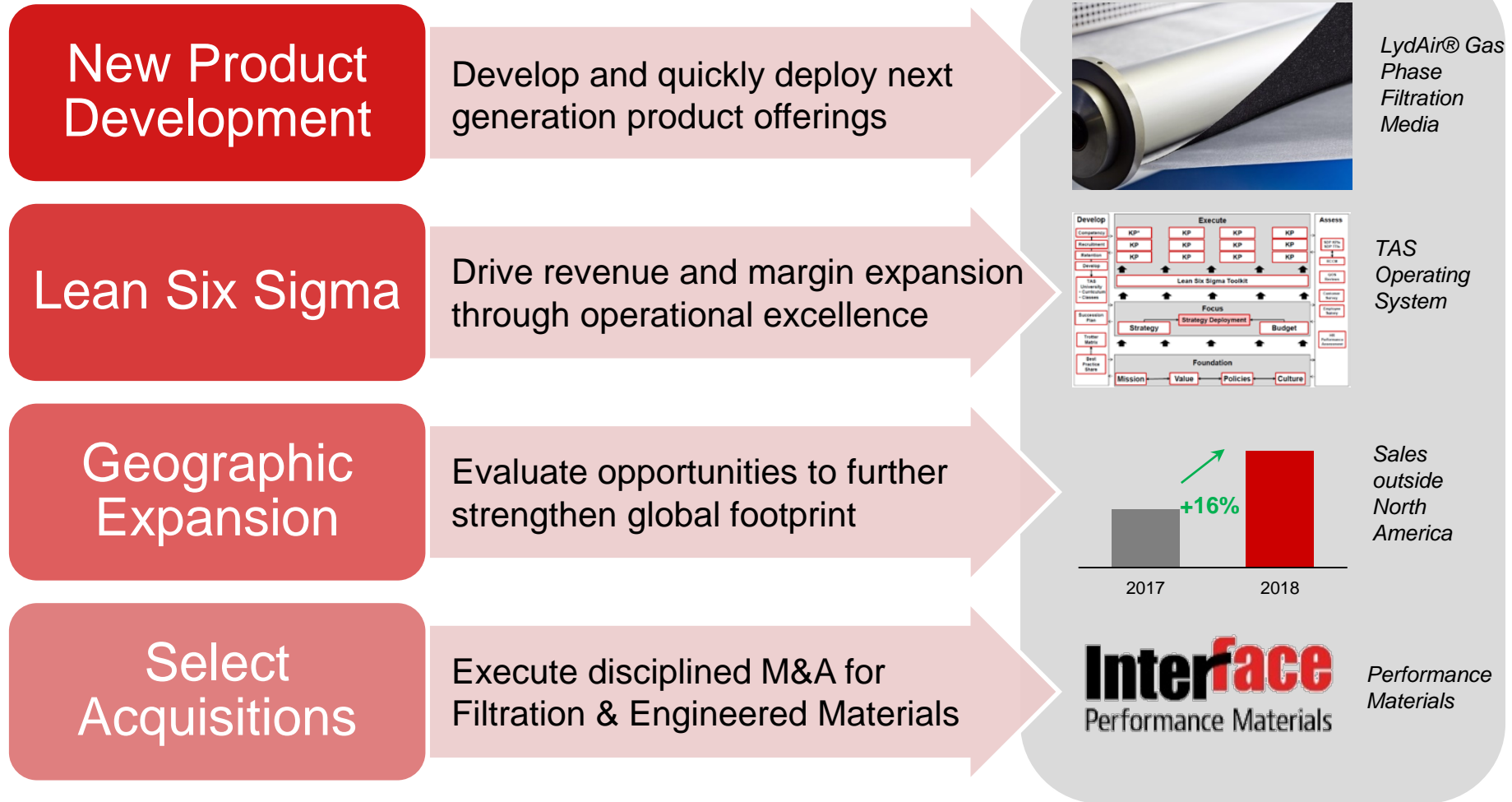
# Vision for Profitable Growth<sup>1</sup>

Metric	Performance		Key Drivers	
Revenue	<u>2012</u> \$362M		<u>2018</u> \$786M	<ul style="list-style-type: none"> <li>Organic growth of ~5%</li> <li>Focused inorganic growth</li> </ul>
EBITDA Margin	<u>2012</u> 10.0%		<u>2018</u> 11.5%	<ul style="list-style-type: none"> <li>Product mix / New product development</li> <li>Lean / Productivity</li> <li>Leverage / Scale</li> </ul>
Business Mix	<u>2012</u> 		<u>2018<sup>2</sup></u> 	<ul style="list-style-type: none"> <li>Support profitable organic growth in Automotive</li> <li>Invest at a greater rate inorganically in Filtration &amp; Engineered Materials</li> </ul>

<sup>1</sup> Reflects continuing operations; Reference Appendix for reconciliation between adjusted financials and GAAP financials

<sup>2</sup> Reflects Gross Sales

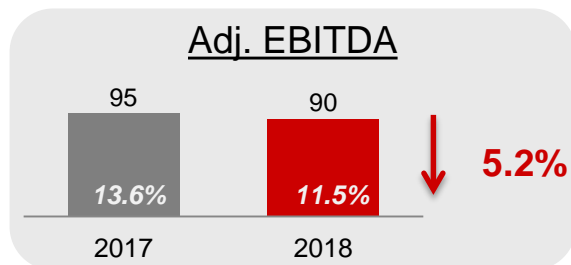
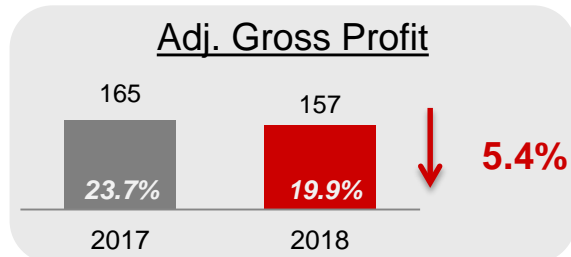
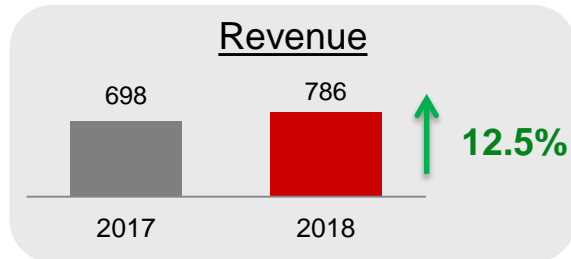
# Clear, Consistent Strategy For Profitable Growth



# Key Financial, Strategic, and Operational Metrics

2018 was a challenging year for Lydall

## Financial (\$ millions)



## Operational

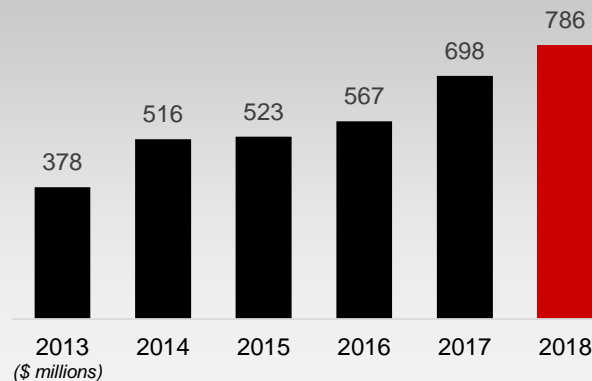
- ❑ Completion of Interface Performance Materials improves our strategic position in Filtration & Engineered Materials
- ❑ Completed Technical Nonwovens site consolidation in China to enhance profitability
- ❑ Strong operating cash flow from operations of \$44.7 million used to pay down debt, lower pension obligations and reinvest organically for future profitable growth
- ❑ Headwinds from higher commodity costs, inefficiencies, and pricing pressures impacted margins
- ❑ Exciting pipeline of new products and customer applications

Reference Appendix for reconciliation between adjusted financials and GAAP financials

# Execution of Strategy Driving Solid Financial Performance<sup>1</sup>

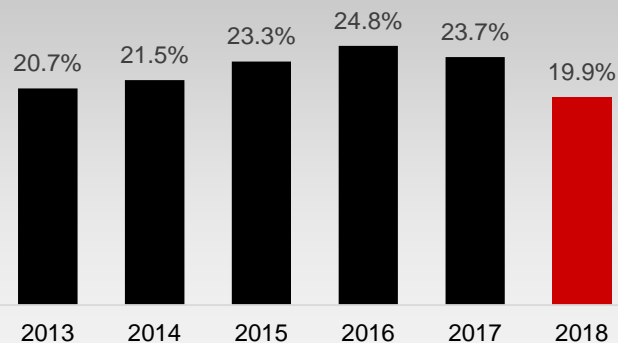
## Revenue Growth

5 year CAGR  
14% Overall / 4% Organic



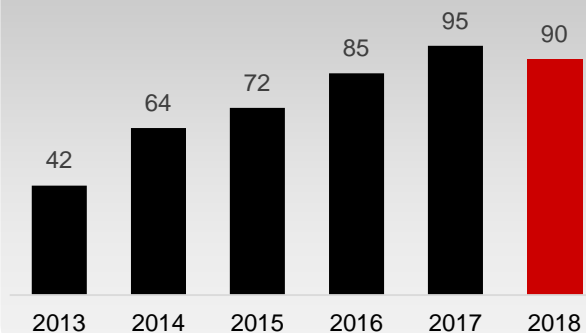
## Gross Margin Expansion

Long-term margin expansion



## EBITDA Growth

5 year CAGR  
16.7%

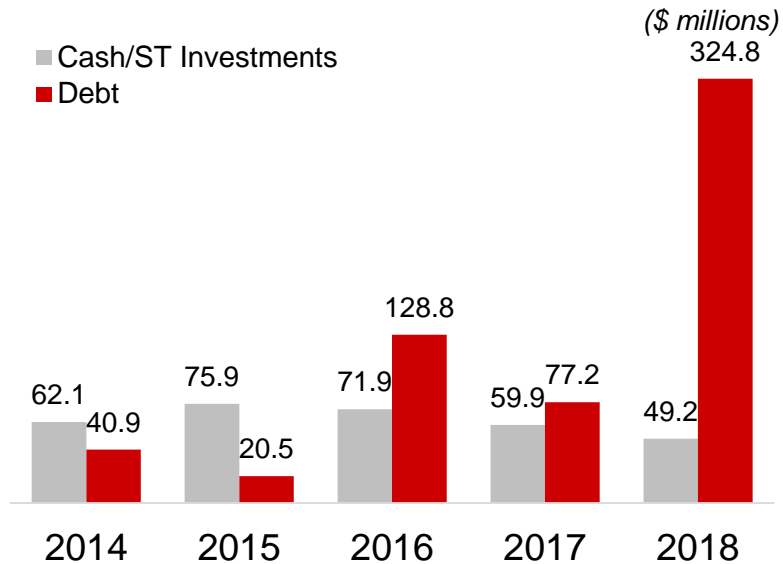


<sup>1</sup> Reflects continuing operations; Reference Appendix for reconciliation between adjusted and GAAP financials

# Strong Liquidity Position & Clear Capital Allocation Strategy

*Balance sheet provides opportunity to fund organic growth, capital investments and attractive acquisitions*

## Liquidity Position



- Net leverage of 2.8x; key items affecting change in liquidity
  - 2018 - Acquisition of Interface Performance Materials
  - 2016 - Acquisitions of Texel and Gutsche
  - 2015 - Divestiture of Charter Medical
  - 2014 - Acquisition of Andrew Filtration

## Capital Allocation Priorities

### Primary

- Support organic growth programs; fund capital investments
  - Capacity expansion & investments made organically from 2016-2018 Capex: ~\$80 million
- Pay down debt / de-risk frozen pension
  - Authorized termination of U.S. Lydall Pension plan in Q4-18, with completion anticipated in 2019
- Pursue attractive acquisitions

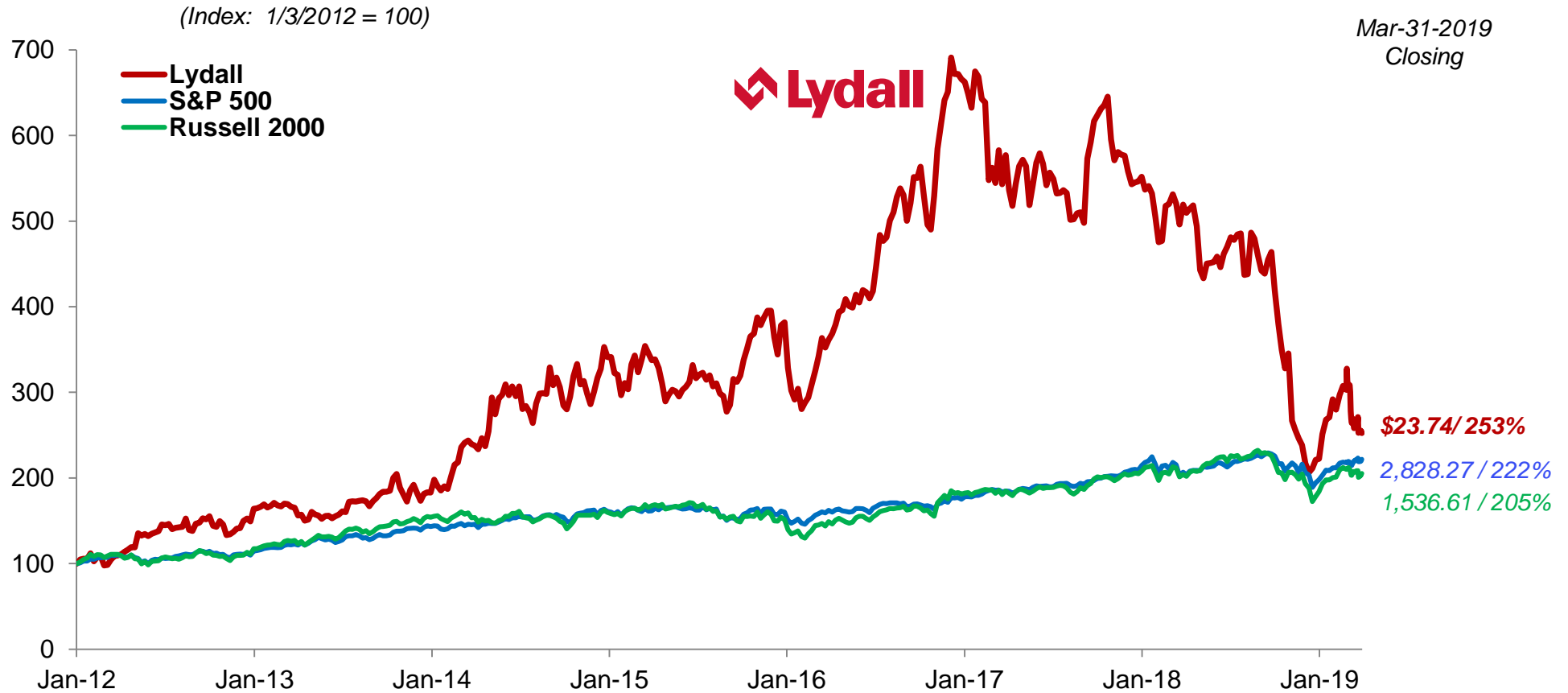
### Secondary

- Share repurchase is longer-term consideration



# Historical Share Performance - Indexed

*Lydall shares have outperformed comparable market indices*



# Governance Changes

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## ❑ Adoption of majority voting standard for 2019 Proxy season

- ❑ Transition from “plurality plus” under which directors with the most votes are elected, unless there are more “withhold” votes than “for” votes, in which case the director must offer to resign
- ❑ Under new “majority” voting, a nominee is required to have more votes “for” than “against”, and incumbents who receive more “against” votes are required to resign

## ❑ Long-term executive compensation modifications

- ❑ Performance-based restricted stock awards for years 2019 and 2020 remain unchanged and aligned to annual Earnings per Share (“EPS”) targets
- ❑ For 2021 and beyond, financial performance targets will be based on a 3-year relative Total Shareholder Return (“rTSR”) comparison of Lydall’s performance to S&P 600 Industrials index; measured by an independent third party that specializes in TSR comparison analysis
- ❑ Other components remain unchanged

# Looking Ahead

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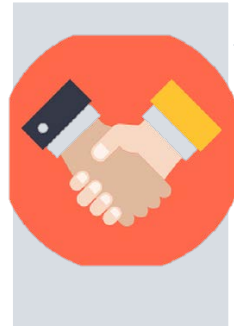
*Execute on our long-term strategic initiatives to the benefit of our shareholders*



Continue to drive new product development across all businesses;  
Execute on key organic growth initiatives



Build upon a strong baseline of sustainable operating performance by driving continuous improvement



Assess and execute upon select acquisitions

# Contact

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For further information:

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Email: [investor@lydall.com](mailto:investor@lydall.com)

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Vice President, Finance and Investor Relations  
Lydall, Inc. (NYSE:LDL)  
One Colonial Road  
Manchester, CT 06042  
860-646-1233

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# *Appendix*

# EBITDA Reconciliation to Reported Financials

For the Year Ended December 31, 2018

	Segments					Consolidated Lydall
	Performance Materials	Technical Nonwovens	Thermal Acoustical Solutions	Total	Corporate Office	
Net Income						\$ 34,944
Interest expense						6,212
Income tax expense						8,453
Other income, net						(289)
Income from equity method investment						(132)
Operating income	\$ 13,139	\$ 21,323	\$ 38,085	\$ 72,547	\$ (23,359)	\$ 49,188
Depreciation and amortization	9,006	13,877	9,190	32,073	658	32,731
Other income, net	—	—	—	—	(289)	(289)
Income from equity method investment	—	(132)	—	(132)	—	(132)
<b>EBITDA</b>	<b>\$ 22,145</b>	<b>\$ 35,332</b>	<b>\$ 47,275</b>	<b>\$ 104,752</b>	<b>\$ (22,412)</b>	<b>\$ 82,340</b>
<b>% of net sales</b>	<b>13.1%</b>	<b>12.8%</b>	<b>12.9%</b>	<b>12.9%</b>		<b>10.5%</b>
Strategic initiatives expenses	\$ 233	\$ —	\$ —	\$ 233	\$ 3,398	\$ 3,631
Inventory step-up purchase accounting adjustments	1,975	—	—	1,975	—	1,975
TNW restructuring expenses	—	2,296	—	2,296	—	2,296
<b>EBITDA, adjusted</b>	<b>\$ 24,353</b>	<b>\$ 37,628</b>	<b>\$ 47,275</b>	<b>\$ 109,256</b>	<b>\$ (19,014)</b>	<b>\$ 90,242</b>
<b>% of net sales</b>	<b>14.4%</b>	<b>13.6%</b>	<b>12.9%</b>	<b>13.5%</b>		<b>11.5%</b>

**EBITDA** is reported for Consolidated Lydall data and defined as Net Income before interest, taxes, depreciation, and amortization

**Segment EBITDA** is reported for each operating segment (Thermal Acoustical Solutions, Technical Nonwovens, and Performance Materials) and is defined as

Operating Income net of depreciation and amortization expenses, plus income/loss from equity method investments

For the Year Ended December 31, 2017

	Segments					Consolidated Lydall
	Performance Materials	Technical Nonwovens	Thermal Acoustical Solutions	Total	Corporate Office	
Net Income						\$ 49,317
Interest expense						2,720
Income tax expense						11,974
Other expense, net						2,161
Loss from equity method investment						28
Operating income	\$ 12,321	\$ 26,047	\$ 53,132	\$ 91,500	\$ (25,300)	\$ 66,200
Depreciation and amortization	3,996	12,625	8,619	25,240	699	25,939
Other expense, net	—	—	—	—	2,161	2,161
Loss from equity method investment	—	28	—	28	—	28
<b>EBITDA</b>	<b>\$ 16,317</b>	<b>\$ 38,644</b>	<b>\$ 61,751</b>	<b>\$ 116,712</b>	<b>\$ (26,762)</b>	<b>\$ 89,950</b>
<b>% of net sales</b>	<b>14.0%</b>	<b>14.4%</b>	<b>18.1%</b>	<b>16.0%</b>		<b>12.9%</b>
Strategic initiatives expenses	\$ —	\$ 60	\$ —	\$ 60	\$ 718	\$ 778
Inventory step-up purchase accounting adjustments	—	1,108	—	1,108	—	1,108
Severance expenses	—	274	713	987	—	987
TNW restructuring expenses	—	662	—	662	—	662
Automotive segments consolidation expenses	—	—	1,366	1,366	327	1,693
<b>EBITDA, adjusted</b>	<b>\$ 16,317</b>	<b>\$ 40,748</b>	<b>\$ 63,830</b>	<b>\$ 120,895</b>	<b>\$ (25,717)</b>	<b>\$ 95,178</b>
<b>% of net sales</b>	<b>14.0%</b>	<b>15.1%</b>	<b>18.7%</b>	<b>16.6%</b>		<b>13.6%</b>

# Reconciliation Between Adjusted and Reported GAAP Financials

In millions except per share data	For the year ended December 31, 2018			For the year ended December 31, 2017		
	As Reported, Lydall, Inc	Adjustments	Adjusted Results	As Reported, Lydall, Inc	Adjustments	Adjusted Results
Net sales	\$ 785,897	\$ —	\$ 785,897	\$ 698,437	—	\$ 698,437
Cost of sales	633,252	(3,869) (a)	629,383	535,078	(2,083) (d)	532,995
Gross profit	152,645	3,869	156,514	163,359	2,083	165,442
Gross margin	19.4%		19.9%	23.4%		23.7%
Selling, product development and administrative expenses	103,457	(4,033) (b)	99,424	97,159	(3,146) (e)	94,013
Operating income	49,188	7,902	57,090	66,200	5,229	71,429
Operating margin	6.3%		7.3%	9.5%		10.2%
Interest expense	6,212	—	6,212	2,720	—	2,720
Other income, net	(289)	—	(289)	2,161	—	2,161
Income before income taxes	43,265	7,902	51,167	61,319	5,229	66,548
Income tax expense	8,453	694 (c)	9,147	11,974	5,998 (f)	17,972
Income (loss) from equity method investments	(132)	—	(132)	28	—	28
Net income	\$ 34,944	\$ 7,208	\$ 42,152	\$ 49,317	(769)	\$ 48,548
Earnings per share						
Basic	\$ 2.03		\$ 2.45	\$ 2.89		\$ 2.85
Diluted	\$ 2.02		\$ 2.43	\$ 2.85		\$ 2.80
Weighted average number of common shares outstanding						
Basic	17,204		17,204	17,045		17,045
Diluted	17,330		17,330	17,317		17,317

- (a) Exclude the inventory step-up purchase accounting adjustment of \$2.0 million related to the Interface acquisition and the restructuring expenses of \$1.9 million related to the Technical Nonwovens segment.
- (b) Exclude the the strategic initiatives expenses of \$3.6 million and the restructuring expenses of \$0.4 million related to the Technical Nonwovens segment.
- (c) Exclude the tax benefits realized on the adjustments in (a) and (b) of \$1.0 million and discrete tax benefits of \$0.3 million.
- (d) Exclude the inventory step-up purchase accounting adjustment of \$1.1 million related to the Texel and Gutsche acquisitions, severance expenses of \$0.5 million for reduction in force in the Thermal Acoustical Solutions segment, restructuring expenses of \$0.4 million related to the Technical Nonwovens segment and \$0.1 million related to the consolidation of the Company's former Thermal/Acoustical Metals and Thermal/Acoustical Fibers segments.
- (e) Exclude the expenses of \$1.6 million related to the consolidation of the Company's former Thermal/Acoustical Metals and Thermal/Acoustical Fibers segments, strategic initiative expenses of \$0.8 million, severance expenses of \$0.5 million for reduction in force in the Thermal Acoustical Solutions segment and restructuring expenses of \$0.3 million related to the Technical Nonwovens segment.
- (f) Exclude the tax benefit realized on the adjustments in (a) and (b) of \$1.6 million, the tax benefit of \$3.7 million related to the Tax Reform Act and discrete tax benefit of \$0.7 million.