



CRANE

CRANE CO.

Q4 2017 EARNINGS RELEASE CALL



The information in this presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical information or statements about our current condition. You can identify forward-looking statements by the use of terms such as “believes,” “contemplates,” “expects,” “may,” “could,” “should,” “would,” or “anticipates,” other similar phrases, or the negatives of these terms. We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including those detailed on Page 1 of our Annual Report on Form 10-K for 2016 and in our subsequent disclosures filed with the Securities and Exchange Commission.

Expect double-digit annual adjusted earnings growth for several years:

- Core business executing well with accelerating growth
- Crane Currency EPS accretion*: \$0.15 in 2018 growing to \$1.00 by 2021
- Tax reform benefits
 - Enabling growth investments in near-term
 - Full \$0.50 annual EPS benefit reading through by 2020
- Proactive repositioning adding \$0.30 to adjusted EPS* annually by 2020
- Raised dividend by 6%; first increase since 2014

Additional Potential Upside from Capital Deployment

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

Q4 2017 Earnings Summary

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(\$ Millions except per-share amounts)

	Q4 2017	Q4 2016	Change
Sales	\$714	\$681	+5%
Operating Profit*	\$109	\$101	+8%
Operating Margin*	15.2%	14.8%	+40 bps
Earnings per Share*	\$1.18	\$1.02	+16%
Free Cash Flow**	\$129	\$137	(6%)

Additional Details

	Q4 2017		Q4 2017
Core Growth	+1.9%	Loss per Share: GAAP	(\$0.48)
Acquisitions, net	+0.8%	Impact of Tax Law Change	\$1.44
FX Translation	+2.1%	Repositioning and Related Items	\$0.13
Total Sales Change	+4.8%	M&A Related Items	\$0.08
		Diluted EPS: non-GAAP	\$1.18

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

** Free cash flow is defined as cash provided by operating activities less capital spending. Please see non-GAAP Financial Measures tables for details.

Full-Year 2017 Earnings

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(\$ Millions except per-share amounts)

	FY 2017	FY 2016	Change
Sales	\$2,786	\$2,748	+1%
Operating Profit*	\$423	\$398	+6%
Operating Margin*	15.2%	14.5%	+70 bps
Earnings per Share*	\$4.53	\$4.23	+7%
Free Cash Flow**	\$269	\$267	+1%

Additional Details

	FY 2017		FY 2017
Core Growth	+1.1%	Diluted EPS: GAAP	\$2.84
Acquisitions, net	+0.5%	Impact of Tax Law Change	\$1.44
FX Translation	(0.2%)	Repositioning and Related Items	\$0.13
Total Sales Change	+1.4%	M&A Related Items	\$0.11
		Diluted EPS: non-GAAP	\$4.53

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

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Full Year Segment Results

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	Core Growth		Segment Margin	
	2017	2016*	2017*	Change
Fluid Handling	+2%	12.0%	12.0%	-
Payment & Merchandising Technologies	+6%	18.2%	20.8%	+260 bps
Aerospace & Electronics	(7%)	20.1%	21.8%	+170 bps
Engineered Materials	+7%	19.1%	18.0%	(110 bps)
Crane Co.	+1%	14.5%	15.2%	+70 bps

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

(\$ Millions)

	Q4 2017	Q4 2016	Change
Sales	\$272	\$240	+13%
Operating Profit*	\$31	\$28	+12%
Operating Margin*	11.5%	11.6%	(10 bps)
Backlog	\$262	\$228	+15%

Q4 2017 Highlights

- Compared to Q3, sequential FX neutral backlog down (3%) and FX neutral orders down (3%)
- Compared to Q4 2016, year-over-year FX neutral backlog up +9% and FX neutral orders +9%
- Full year 2017 adjusted margins* held at 12.0%, with productivity and 2% core growth offsetting negative mix and material costs inflation

	Q4 2017
Core Growth	+6.6%
Acquisitions, net	+2.5%
FX Translation	+4.0%
Total Sales Change	+13.2%

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

(\$ Millions)

	Q4 2017	Q4 2016	Change
Sales	\$194	\$195	-
Operating Profit*	\$38	\$38	(2%)
Operating Margin*	19.4%	19.7%	(30 bps)

Q4 2017 Highlights

- Full year 2017 margins of 20.8%, up 260 bps vs. 2016
- Full year 2017 core sales growth of +6.0%, following +8.5% and 6.0% in 2016 and 2015, respectively
- Continued strong demand across multiple payment vertical markets

	Q4 2017
Core Growth	(2.0%)
Acquisitions, net	(0.5%)
FX Translation	+2.3%
Total Sales Change	(0.1%)

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

(\$ Millions)

	Q4 2017	Q4 2016	Change
Sales	\$185	\$187	(1%)
Operating Profit*	\$46	\$39	+16%
Operating Margin*	24.7%	21.0%	+370 bps
Backlog	\$374	\$353	+6%

Q4 2017 Highlights

	Q4 2017		Q4 2017
OE Sales	(2%)	Core Growth	(1.0%)
Aftermarket Sales	+2%	FX Translation	+0.2%
OE / Aftermarket Mix	70%/30%	Total Sales Change	(0.8%)

- Full year 2017 margins up 170 bps to 21.8%
- OE decline driven by challenging comparisons vs. Space Fence in 2016
- Strong commercial spares growth partially offset by lower modernization & upgrade activity

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

(\$ Millions)

	Q4 2017	Q4 2016	Change
Sales	\$63	\$60	+5%
Operating Profit	\$10	\$10	(4%)
Operating Margin	15.9%	17.4%	(150 bps)

Q4 2017 Highlights

	Q4 2017		Q4 2017
Recreational Vehicle	+7%	Core Growth	+4.7%
Building Products	+9%	FX Translation	-
Transportation	(17%)	Total Sales Change	+4.7%

- Solid demand in RV and Building Products continues

Cash Flow, Balance Sheet, and Tax

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	(\$ Millions)		
	Q4 2017	Q4 2016	Better / (Worse)
Cash Provided from Operating Activities	\$143	\$150	(\$7)
Capital Expenditures	(\$15)	(\$13)	(\$2)
Free Cash Flow*	\$129	\$137	(\$8)
Effective (GAAP) Tax Rate	134.4%	37.2%	NM
Non-GAAP (adjusted) Tax Rate**	29.2%	32.5%	330 bps
Total Debt	\$743	\$745	\$2
Cash	\$706	\$510	\$196
	FY 2017	FY 2016	Better / (Worse)
Cash Provided from Operating Activities	\$318	\$318	-
Capital Expenditures	(\$49)	(\$51)	\$2
Free Cash Flow*	\$269	\$267	\$2

* Free cash flow is defined as cash provided by operating activities less capital spending. Please see non-GAAP Financial Measures tables for details.

** Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

(\$ Millions, except per share amounts)	2017	2018G	Change***
Net Sales	\$2,786	\$3,295	+18%
EPS*	\$4.53	\$5.35 - \$5.55	+20%
Free Cash Flow**	\$269	\$220 - \$250	(13%)

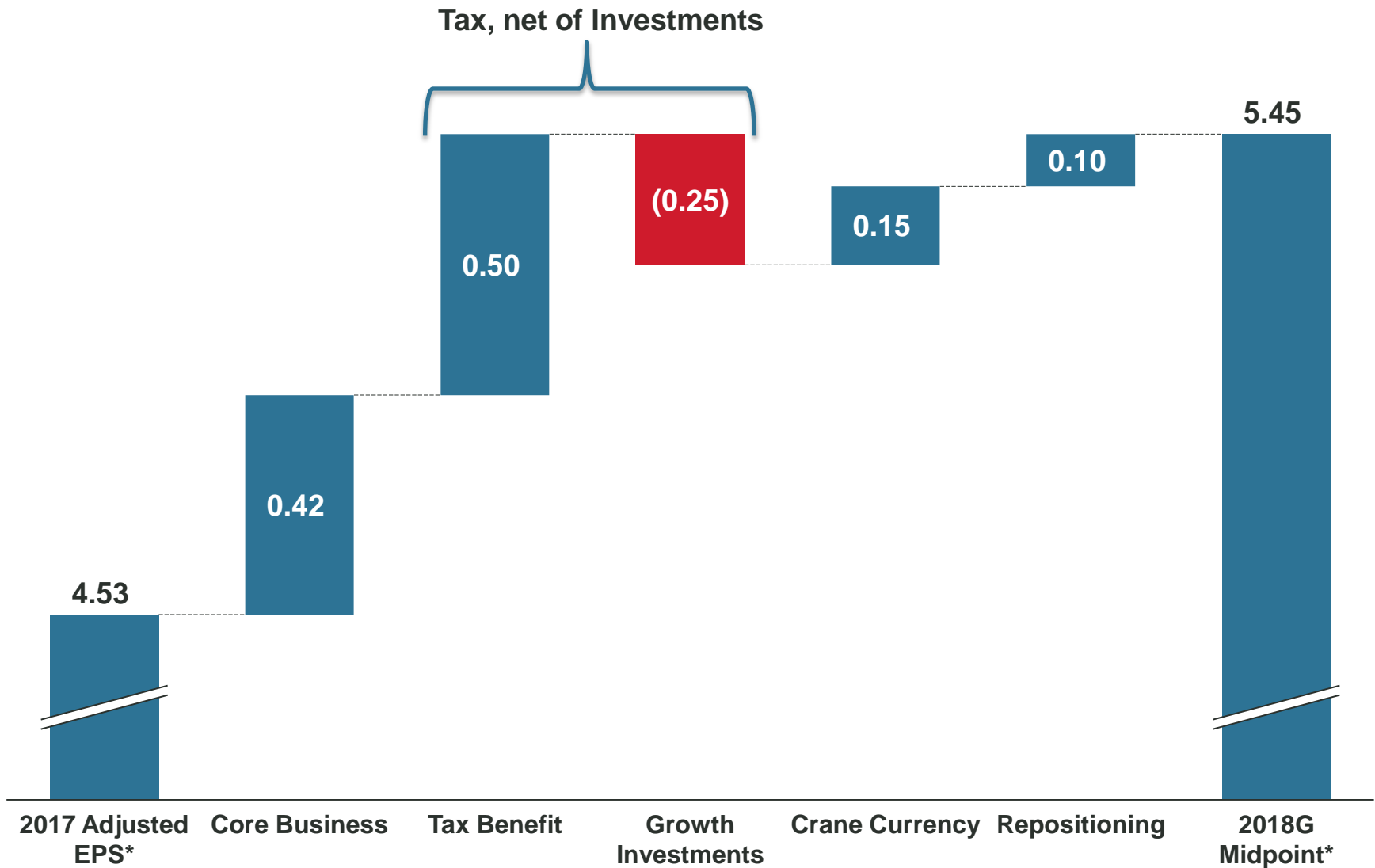
	2018G	Other 2018 Guidance Details
Core Growth	+2% to +4%	<ul style="list-style-type: none"> ■ Adjusted tax rate of ~22%
Acquisitions	+15%	<ul style="list-style-type: none"> ■ Corporate expense of ~\$60 million
FX Translation	+0.5%	<ul style="list-style-type: none"> ■ Net interest expense* of ~\$55 million
Total Sales Change	+18.5%	<ul style="list-style-type: none"> ■ Diluted share count of ~61 million ■ Capital expenditures of \$125 million

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

** Free Cash Flow is defined as Cash Provided by Operating Activities, less Capital Spending. Please see non-GAAP Financial Measures Tables for details.

*** Reflects midpoint of guidance range.

2018 Adjusted EPS Guidance



* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

2018 Segment Guidance

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	Core Growth		Segment Margin	
	2017	2018G	2017*	2018G*
Fluid Handling	+2%	+3%	12.0%	13.0%
Payment & Merchandising Technologies**	+6%	+2%	20.8%	16.5%
Aerospace & Electronics	(7%)	+5%	21.8%	21.5%
Engineered Materials	+7%	+2%	18.0%	18.0%
Crane Co.	+1%	+2% to +4%	15.2%	14.7%

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

** Payment & Merchandising Technologies 2018 segment margin guidance includes an estimate of approximately \$45 million of recurring intangible amortization, including \$23 million related to the Crane Currency acquisition (excluding one-time backlog amortization related to Crane Currency)

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Non-GAAP Information

* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

Certain non-GAAP measures have been provided to facilitate comparison with the prior year.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain non-recurring items present additional useful comparisons between current results and results in prior operating periods, providing investors with a clearer view of the underlying trends of the business. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance.

In addition, Free Cash Flow provides supplemental information to assist management and investors in analyzing the Company's ability to generate liquidity from its operating activities. The measure of Free Cash Flow does not take into consideration certain other non-discretionary cash requirements such as, for example, mandatory principal payments on the Company's long-term debt. Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

Non-GAAP Financial Measures

(in millions, except per share data)

	Three Months Ended		Twelve Months Ended		Percent Change December 31, 2017 Three Months	Percent Change December 31, 2017 Twelve Months
	December 31,		December 31,			
	2017	2016	2017	2016		
Net Sales	\$ 714.2	\$ 681.4	\$ 2,786.0	\$ 2,748.0	4.8%	1.4%
Operating Profit	90.9	(91.6)	401.9	200.3	(199.2%)	100.7%
<i>Percentage of Sales</i>	<i>12.7%</i>	<i>-13.4%</i>	<i>14.4%</i>	<i>7.3%</i>		
<u>Special Items impacting Operating Profit:</u>						
Asbestos provision		192.4		192.4		
Transaction related charges	4.7	-	7.8	-		
Repositioning charges, net of gain on property sale	13.0	-	13.0	-		
Legal settlement charge	-	-	-	5.0		
Operating Profit before Special Items	<u>\$ 108.6</u>	<u>\$ 100.8</u>	<u>\$ 422.7</u>	<u>\$ 397.7</u>	7.8%	6.3%
<i>Percentage of Sales</i>	<i>15.2%</i>	<i>14.8%</i>	<i>15.2%</i>	<i>14.5%</i>		
Net Income Attributable to Common Shareholders	\$ (28.7)	\$ (64.0)	\$ 171.8	\$ 122.8		
<i>Per Share</i>	<i>\$ (0.48)</i>	<i>\$ (1.09)</i>	<i>\$ 2.84</i>	<i>\$ 2.07</i>	(55.6%)	37.3%
<u>Special Items Impacting Net Income Attributable to Common Shareholders:</u>						
Asbestos provision	-	125.1	-	125.1		
<i>Per Share</i>		<i>\$ 2.13</i>		<i>\$ 2.11</i>		
Transaction related charges - Net of Tax	4.6	-	6.7	-		
<i>Per Share</i>	<i>\$ 0.08</i>		<i>\$ 0.11</i>			
Repositioning charges, net of gain on property sale - Net of Tax	8.0	-	8.0	-		
<i>Per Share</i>	<i>\$ 0.13</i>		<i>\$ 0.13</i>			
Legal settlement charge - Net of Tax	-	-	-	3.3		
<i>Per Share</i>				<i>\$ 0.05</i>		
Impact of Tax Law Change	87.1	-	87.1	-		
<i>Per Share</i>	<i>\$ 1.44</i>		<i>\$ 1.44</i>			
Net Income Attributable To Common Shareholders Before Special Items	\$ 71.0	\$ 61.1	\$ 273.6	\$ 251.1	16.1%	8.9%
<i>Per Basic Share</i>	<i>\$ 1.20</i>	<i>\$ 1.04</i>	<i>\$ 4.61</i>	<i>\$ 4.30</i>	14.9%	7.2%
<i>Per Diluted Share</i>	<i>\$ 1.18</i>	<i>\$ 1.02</i>	<i>\$ 4.53</i>	<i>\$ 4.23</i>		

In the three months ended December 31, 2017 and December 31, 2016, Average Shares Outstanding excluding the effect of diluted stock options were used to compute the per share amounts since these periods were in a loss position. Had Net Income Attributable To Common Shareholders been reported for these periods, Average Shares Outstanding would have included the effect of diluted stock options when computing per share amounts (see chart below).

	(in thousands)	(in thousands)
Average Basic Shares Outstanding	59,373	58,768
Effect of Diluted Stock Options	<u>1,041</u>	<u>991</u>
Average Shares Outstanding including the effect of Stock Options	60,414	59,759

When considering the effect of dilutive stock options on shares outstanding, Net Income Attributable To Common Shareholders Before Special Items is \$1.18 per share and \$1.02 per share for the three months ended December 31, 2017 and 2016, respectively.

Non-GAAP Financial Measures

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Non-GAAP Financial Measures
(in millions, except per share data)

Segment Information:

For the three months ended December 31, 2017

	<u>Fluid Handling</u>	<u>Payment & Merchandising Technologies</u>	<u>Aerospace & Electronics</u>	<u>Engineered Materials</u>	<u>Corporate</u>	<u>Total Company</u>
Net Sales	272.2	194.4	184.9	62.7	-	714.2
Operating Profit - GAAP	20.4	25.4	55.4	10.0	(20.3)	90.9
Transaction related charges	0.4	0.1	-	-	4.2	4.7
Repositioning charges, net of gain on property sale	10.6	12.2	(9.8)	-	-	13.0
Operating Profit before Special Items	31.4	37.7	45.6	10.0	(16.1)	108.6
Percentage of Sales	11.5%	19.4%	24.7%	15.9%		15.2%

For the three months ended December 31, 2016

	<u>Fluid Handling</u>	<u>Payment & Merchandising Technologies</u>	<u>Aerospace & Electronics</u>	<u>Engineered Materials</u>	<u>Corporate</u>	<u>Total Company</u>
Net Sales	240.4	194.6	186.5	59.9	-	681.4
Operating Profit - GAAP	28.0	38.4	39.2	10.4	(207.6)	(91.6)
Asbestos provision	-	-	-	-	192.4	192.4
Operating Profit before Special Items	28.0	38.4	39.2	10.4	(15.2)	100.8
Percentage of Sales	11.6%	19.7%	21.0%	17.4%		14.8%

Non-GAAP Financial Measures

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CRANE CO. Guidance

(in millions, except per share data)

2018 Earnings Per Share Guidance	2018 Full Year Guidance	
	Low	High
Earnings Per Share - GAAP basis	\$ 4.65	\$ 4.85
Repositioning Costs	0.15	0.15
Acquisition Integration Costs	0.55	0.55
Earnings Per Share - Non-GAAP basis	<u>\$ 5.35</u>	<u>\$ 5.55</u>

<u>CASH FLOW ITEMS</u>	Three Months Ended December 31,		Twelve Months Ended December 31,		2018 Full Year Guidance	
	2017	2016	2017	2016	Low	High
Cash Provided by Operating Activities before Asbestos - Related Payments	\$ 159.1	\$ 164.2	\$ 380.0	\$ 374.1	\$ 405.0	\$ 435.0
Asbestos Related Payments, Net of Insurance Recoveries	(15.7)	(14.5)	(62.5)	(56.0)	(60.0)	(60.0)
Cash Provided by Operating Activities	143.4	149.7	317.5	318.1	345.0	375.0
Less: Capital Expenditures	(14.7)	(13.0)	(49.0)	(51.5)	(125.0)	(125.0)
Free Cash Flow	<u>\$ 128.7</u>	<u>\$ 136.7</u>	<u>\$ 268.5</u>	<u>\$ 266.6</u>	<u>\$ 220.0</u>	<u>\$ 250.0</u>

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