

**CRANE**

**Crane Co.  
Q3 2014 Earnings Release Call**

## **Forward-Looking Statements – Disclaimer**

**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 2013 and in our subsequent disclosures filed with the Securities and Exchange Commission.**

## Q3 2014 Earnings

(\$ Millions except per-share amounts)

	Q3 2014	Q3 2013	Change
Sales	\$727.4	\$637.5	+14.1%
Operating Profit*	\$108.0	\$91.9	+17.6%
Operating Margin*	14.9%	14.4%	+44 bps
Earnings per Share*	\$1.12	\$1.04	+7.5%
Free Cash Flow**	\$56.7	\$73.5	(22.8%)

### Q3 2014 Details

	Q3 2014		Q3 2014
Core Growth	+0.3%	Diluted EPS: GAAP	\$0.47
Acquisitions, net***	+13.5%	M&A related items	\$0.01
FX Translation	+0.3%	Repositioning	\$0.04
Total Sales Change	+14.1%	Environmental provision	\$0.61
		Real estate gain	(\$0.01)
		Diluted EPS: non-GAAP*	\$1.12

\* Operating Profit, Operating Margin, and Earnings per Share exclude Special Items. Please see non-GAAP Financial Measures table for details.

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

\*\*\* MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace, divestiture of the B2B bill recycler product line, and the Crane Water divestiture.

## Incremental Challenges in 2H14

- Fluid Handling end market recovery slower than expected
- Aerospace & Electronics investments having near-term impact on margins
- Overall margin performance solid given weaker than expected market conditions
- MEI integration and synergy realization progressing as expected
- Fluid Handling and Electronics repositioning on-track

## Revising 2014 Guidance

- Core sales flat to +1% (was +1% to 3%)
- EPS\* excluding Special Items of \$4.40-\$4.50 (was \$4.55-\$4.75)
- Free Cash Flow\*\* of \$200M to \$230M (was \$225M to \$250M)
- GAAP EPS guidance revised to \$3.43-\$3.53 (was \$4.18-\$4.38)
  - Reflects lower non-GAAP EPS and Q3 environmental provision\*\*\*

\* EPS guidance excludes Special Items. Please see non-GAAP Financial Measures table for details.

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

\*\*\* Please see Non-GAAP Financial Measures table for details.

(\$ Millions)

	Q3 2014	Q3 2013	Change
Sales	\$314.5	\$322.2	(2.4%)
Operating Profit*	\$49.3	\$46.6	+5.8%
Operating Margin*	15.7%	14.5%	+120 bps
Backlog**	\$349.6	\$351.1	(0.4%)

### Q3 2014 Highlights

- Strong margin improvement driven by productivity and lower pension expense despite lower volume and substantially unfavorable mix
- Time from quote to firm order extended during the quarter
- Recovery delayed, and timing remains uncertain, but project funnel remains very strong

	Q3 2014
Core Growth	(2.0%)
Divestiture	(0.8%)
FX Translation	+0.3%
<b>Total Sales Change</b>	<b>(2.4%)</b>

\* Operating Profit and Operating Margin in 2014 exclude Special Items. Please see non-GAAP table for details.

\*\* Backlog for Q3 2013 excludes \$4.1 million related to a business which was divested in Q2 2014.

# Payment & Merchandising Technologies

(\$ Millions)

	Q3 2014	Q3 2013	Change
Sales	\$181.1	\$83.6	+116.5%
Operating Profit*	\$27.1	\$7.9	+244.0%
Operating Margin*	15.0%	9.4%	+560 bps

## Q3 2014 Highlights

- \$3 million of synergies in Q3; expected to exceed \$7 million this year
- Continue to expect at least \$25 million in annualized synergies by 2016
- On-track for a minimum of \$0.20 EPS accretion in 2014\*
- Margin improvement better than expected through Q3

	Q3 2014
Core Growth	+9.4%
MEI Acquisition, net**	+106.0%
FX Translation	+1.1%
<b>Total Sales Change</b>	<b>+116.5%</b>

\* Operating Profit and Operating Margin in 2014, and EPS accretion exclude Special Items. Please see non-GAAP table for details.

\*\* MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace and divestiture of the B2B bill recycler product line.

# Aerospace & Electronics

(\$ Millions)

	Q3 2014	Q3 2013	Change
Sales	\$167.2	\$169.8	(1.5%)
Operating Profit*	\$32.1	\$38.1	(15.7%)
Operating Margin*	19.2%	22.4%	(320 bps)
Backlog	\$404.8	\$381.8	+6.0%

## Q3 2014 Highlights

Aerospace Group	Q3 2014	Total Segment	Q3 2014
Commercial OE	+4%	Core Growth	(1.5%)
Aftermarket	+5%	FX Translation	0.0%
OE / Aftermarket mix	63% / 37%	Total Sales Change	(1.5%)

- Continued investments for growth
- Headwinds from weak defense Electronics sales and accelerated product launch at Aerospace
- Aerospace sales +3.3% to \$110.7 million
- Electronics sales (9.8%) to \$56.5 million

\* Operating Profit and Operating Margin in 2014 exclude Special Items. Please see non-GAAP table for details.

(\$ Millions)

	Q3 2014	Q3 2013	Change
Sales	\$64.7	\$62.0	+4.5%
Operating Profit	\$9.0	\$10.8	(16.3%)
Operating Margin	14.0%	17.4%	(340 bps)

### Q3 2014 Highlights

	Q3 2014		Q3 2014
Recreational Vehicle	+10%	Core Growth	+4.5%
Building Products	(1%)	FX Translation	0.0%
Transportation	(4%)	Total Sales Change	+4.5%

- Q4 typically seasonally weaker than Q3

- Margin decline a result of unfavorable product mix and higher material input costs (resin)



## Cash Flow, Balance Sheet, and Tax

(\$ Millions)

	Q3 2014	Q3 2013	Change
Cash Provided from Operating Activities	\$68.2	\$80.5	(15.3%)
Capital Expenditures	(\$11.5)	(\$7.0)	+64.3%
Free Cash Flow*	\$56.7	\$73.5	(22.8%)
Effective (GAAP) Tax Rate	27.5%	30.1%	(260 bps)
Non-GAAP (adjusted) Tax Rate **	31.9%	27.7%	+420 bps

- Guidance includes a \$15 million full-year increase in capital expenditures

	Q3 2014	Q4 2013	Change
Total Debt	\$864	\$875	(\$11)
Cash	\$302	\$271	\$31

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

\*\* Please see Non-GAAP Financial Measures table for details.

	Prior Guidance		Revised Guidance	
	Guidance	YoY Growth	Guidance	YoY Growth
Sales	~\$3.0B	+15% to 17%	~\$2.95B	+12% to 14%
Organic Growth		+1% to 3%		0% to +1%
EPS (Adjusted)*	\$4.55-\$4.75	+9% to 14%	\$4.40-\$4.50	+5% to +8%
EPS (GAAP)	\$4.18-\$4.38	+12% to 17%	\$3.43-\$3.53	(5%) to (8%)
Free Cash Flow**	\$225M-\$250M	+7% to 19%	\$200M-\$231M	(5%) to +10%

- Revised GAAP EPS now includes Q3 environmental charges \*\*\*

\* EPS guidance excludes Special Items. Please see non-GAAP Financial Measures table for details.

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

\*\*\* Please see non-GAAP Financial Measures table for details.



Jason D. Feldman  
Director, Investor Relations  
203-363-7329

Non-GAAP Information

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

CRANE CO.  
Non-GAAP Financial Measures  
(in thousands)

INCOME ITEMS

	Three Months Ended September 30,		Nine Months Ended September 30,		Percent Change September 30, 2014	Percent Change September 30, 2014
	2014	2013	2014	2013	Three Months	Nine Months
Net Sales	\$ 727,413	\$ 637,515	\$ 2,194,339	\$ 1,913,832	14.1%	14.7%
Operating Profit	47,733	89,009	226,699	264,755	-46.4%	-14.4%
Percentage of Sales	6.6%	14.0%	10.3%	13.8%		
<u>Special Items impacting Operating Profit:</u>						
Acquisition transaction costs (a)	-	2,854	-	12,595		
Acquisition related inventory and backlog amortization (b)	-	-	4,790	-		
Acquisition related integration costs (c)	984	-	7,739	-		
Acquisition related restructuring costs (d)	111	-	5,728	-		
Repositioning charges (e)	3,396	-	11,592	-		
Lawsuit settlement charge (f)	-	-	6,500	-		
Environmental Provision (g)	55,800	-	55,800	-		
Operating Profit before Special Items	\$ 108,024	\$ 91,863	\$ 318,848	\$ 277,350	17.6%	15.0%
Percentage of Sales	14.9%	14.4%	14.5%	14.5%		
Net Income Attributable to Common Shareholders	\$ 28,079	\$ 57,131	\$ 136,460	\$ 169,796		
Per Share	\$ 0.47	\$ 0.97	\$ 2.28	\$ 2.89	-51.6%	-21.0%
<u>Special Items impacting Net Income Attributable to Common Shareholders:</u>						
Acquisition transaction costs - Net of Tax (a)	-	2,854	-	12,595		
Per Share		\$ 0.05		\$ 0.21		
Acquisition related inventory and backlog amortization - Net of Tax (b)	-	-	3,018	-		
Per Share			\$ 0.05			
Acquisition related integration costs - Net of Tax (c)	760	-	5,763	-		
Per Share	\$ 0.01		\$ 0.10			
Acquisition related restructuring costs - Net of Tax (d)	78	-	3,805	-		
Per Share	\$ 0.00		\$ 0.06			
Repositioning charges - Net of Tax (e)	2,287	-	8,063	-		
Per Share	\$ 0.04		\$ 0.13			
Lawsuit settlement charge - Net of Tax (f)	-	-	4,225	-		
Per Share	\$ -		\$ 0.07			
Environmental Provision - Net of Tax (g)	36,270	-	36,270	-		
Per Share	\$ 0.61		\$ 0.61			
Loss on business divestiture - Net of Tax (h)	-	-	1,055	-		
Per Share			\$ 0.02			
Gain on real estate divestiture - Net of Tax (i)	(660)	-	(660)	-		
Per Share	\$ (0.01)		\$ (0.01)			
Withholding taxes related to acquisition funding (j)	-	1,240	-	1,700		
Per Share		\$ 0.02		\$ 0.03		
Net Income Attributable To Common Shareholders Before Special Items	\$ 66,814	\$ 61,225	\$ 197,999	\$ 184,091	9.1%	7.6%
Per Share	\$ 1.12	\$ 1.04	\$ 3.31	\$ 3.13	7.5%	5.8%

## Non-GAAP Financial Measures

- (a) During the three and nine months ended September 30, 2013, the Company recorded transaction costs associated with the acquisition of MEI.
- (b) During the three months ended March 31, 2014, the Company recorded inventory step-up and backlog amortization relating to the acquisition of MEI.
- (c) During the three and nine months ended September 30, 2014, the Company recorded integration costs associated with the acquisition of MEI.
- (d) During the three and nine months ended September 30, 2014, the Company recorded restructuring costs associated with the acquisition of MEI.
- (e) During the three and nine months ended September 30, 2014, the Company recorded repositioning charges associated with certain facility consolidation activities in our Fluid Handling and Aerospace & Electronics segments. These charges primarily included severance and move costs related to the transfer of certain manufacturing operations.
- (f) During the three months ended June 30, 2014, the Company recorded a \$6.5 million charge related to the settlement of the previously disclosed environmental lawsuits by certain homeowners in Roseland, New Jersey.
- (g) During the three months ended September 30, 2014, the Company recorded two Environmental Provisions, 1) a \$49.0 million charge related to an increase in the Company's liability at its Goodyear, AZ Superfund Site, and 2) \$6.8 million charge for expected remediation costs associated with a previously disclosed environmental site in Roseland, New Jersey.
- (h) During the three month ended June 30, 2014, the Company recorded a loss on the divestiture of a small business.
- (i) During the three month ended September 30, 2014, the Company recorded a gain on real estate divested.
- (j) In the three and nine months ended September 30, 2013, the Company incurred withholding taxes related to the cash marshalling activities supporting the acquisition of MEI.

# Non-GAAP Financial Measures – EPS

**CRANE CO.**  
**Non-GAAP Financial Measures**

<b>2014 Earnings Per Share Guidance</b>	<b>2014 Full Year Guidance</b>	
	<b>Low</b>	<b>High</b>
Earnings Per Share - GAAP basis	\$ 3.43	\$ 3.53
Acquisition integration costs, inventory step-up and backlog amortization - Net of Tax (k)	0.22	0.22
Anticipated facility repositioning actions, net of real estate divestiture gains - Net of Tax (l)	0.05	0.05
Lawsuit settlement charge - Net of Tax (f)	0.07	0.07
Environmental Provision (g)	0.61	0.61
Loss on business divestiture - Net of Tax (h)	0.02	0.02
Earnings Per Share - Non-GAAP basis	\$ 4.40	\$ 4.50

k) In connection with the MEI/Conlux acquisition, the Company expects to incur transaction and integration related costs, and inventory step up and backlog amortization charges in a range of \$18 million to \$21 million. The \$0.22 represents the estimated Earnings Per Share impact for the mid-point of the \$18 million to \$21 million range.

(l) In 2014, the Company expects to incur costs associated with facility repositioning actions related to the consolidation of certain smaller manufacturing sites and expects to record gains from the sale of certain Company owned real estate.



# Non-GAAP Financial Measures – Cash Flow

**CRANE CO.**  
**Non-GAAP Financial Measures**  
(in thousands)

**CASH FLOW ITEMS**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Cash Provided from Operating Activities				
before Asbestos - Related Payments	\$ 83,601	\$ 99,828	\$ 159,627	\$ 139,313
Asbestos Related Payments, Net of Insurance Recoveries	(15,441)	(19,374)	(46,193)	(48,314)
Cash Provided from Operating Activities	68,160	80,454	113,434	90,999
Less: Capital Expenditures	(11,462)	(6,977)	(32,152)	(19,016)
Free Cash Flow	<u>\$ 56,698</u>	<u>\$ 73,477</u>	<u>\$ 81,282</u>	<u>\$ 71,983</u>

**2014 Full Year Guidance**

	<b>Low</b>	<b>High</b>
	Cash Provided from Operating Activities	
before Asbestos - Related Payments	\$ 320,000	\$ 335,000
Asbestos Related Payments, Net of Insurance Recoveries	(70,000)	(65,000)
Cash Provided from Operating Activities	250,000	270,000
Less: Capital Expenditures	(50,000)	(40,000)
Free Cash Flow	<u>\$ 200,000</u>	<u>\$ 230,000</u>

# Non-GAAP Financial Measures - Segments

## CRANE CO. Non-GAAP Financial Measures

(\$ Millions)

For the three months ended September 30, 2014

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Environmental Provision	Total Company
Net Sales	314.5	181.1	167.2	64.7	-	-	727.4
Operating Profit - GAAP	48.1	25.1	29.9	9.0	-8.6	-55.8	47.7
Acquisition related integration costs		1.8			-0.8		1.0
Acquisition related restructuring costs		0.1					0.1
Repositioning charges	1.2		2.2				3.4
Environmental provision						55.8	55.8
Operating Profit before Special Items	49.3	27.1	32.1	9.0	-9.5	0.0	108.0
<i>Percentage of Sales</i>	<i>15.7%</i>	<i>15.0%</i>	<i>19.2%</i>	<i>14.0%</i>			<i>14.9%</i>

(\$ Millions)

For the three months ended September 30, 2013

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Environmental Provision	Total Company
Net Sales	322.2	83.6	169.8	62.0	-	-	637.5
Operating Profit - GAAP	46.6	7.9	38.1	10.8	-14.4	-	89.0
Acquisition transaction costs	-	-	-	-	2.9	-	2.9
Operating Profit before Special Items	46.6	7.9	38.1	10.8	-11.5	0.0	91.9
<i>Percentage of Sales</i>	<i>14.5%</i>	<i>9.4%</i>	<i>22.4%</i>	<i>17.4%</i>			<i>14.4%</i>

## Non-GAAP Financial Measures - Tax

CRANE CO.  
Non-GAAP Financial Measures  
(in thousands)

Three Months Ended  
September 30,

	2014	2013
Income Before Income Taxes	38,902	82,202
<u>Special Items impacting Income Before Income Taxes</u>		
Acquisition transaction costs	-	2,854
Acquisition related integration costs	984	-
Acquisition related restructuring costs	111	-
Repositioning charges	3,396	-
Environmental provision	55,800	-
Gain on real estate divestiture	(1,015)	-
Income Before Income Taxes before Special Items	\$ 98,178	\$ 85,056
Less: Noncontrolling interest in subsidiaries' earnings	137	352
Income Before Income Taxes Attributable to Common Shareholders before Special Items	\$ 98,041	\$ 84,704
Provision for Income Taxes	10,686	24,719
Effective Tax Rate	27.5%	30.1%
<u>Special Items impacting Provision for Income Taxes</u>		
Acquisition Transaction Costs	-	-
Acquisition related integration costs	224	-
Acquisition related restructuring costs	33	-
Repositioning charges	1,109	-
Environmental provision	19,530	-
Gain on real estate divestiture	(355)	-
Withholding taxes related to acquisition funding	-	(1,240)
Provision for Income Taxes before Special Items	\$ 31,227	\$ 23,479
Non-GAAP Tax Rate	31.9%	27.7%