



CRANE

CRANE CO.

Q1 2018 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 2017 and in our subsequent disclosures filed with the Securities and Exchange Commission.

Q1 2018 Earnings Summary

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(\$ Millions except per-share amounts)

	Q1 2018	Q1 2017	Change
Sales	\$799	\$673	+19%
Operating Profit*	\$112	\$97	+16%
Operating Margin*	14.0%	14.3%	(30 bps)
Earnings per Share*	\$1.31	\$1.05	+25%
Free Cash Flow**	\$47	(\$6)	NM

Additional Details

	Q1 2018		Q1 2018
Core Growth	(0.7%)	Diluted EPS: GAAP	\$1.13
Acquisitions	+15.3%	Repositioning and Related Items	\$0.01
FX Translation	+4.1%	M&A Related Items	\$0.17
Total Sales Change	+18.7%	Diluted EPS: non-GAAP	\$1.31

* 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.

(\$ Millions)

	Q1 2018	Q1 2017	Change
Sales	\$267	\$240	+11%
Operating Profit*	\$32	\$27	+19%
Operating Margin*	12.1%	11.3%	+80 bps
Backlog	\$281	\$250	+13%

Q1 2018 Highlights

- Compared to Q4 2017, sequential FX neutral backlog up +6% and FX neutral orders up +5%
- Compared to Q1 2017, year-over-year FX neutral backlog up +6% and FX neutral orders +3%

	Q1 2018
Core Growth	+2.9%
Acquisitions	+2.5%
FX Translation	+5.8%
Total Sales Change	+11.2%

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

(\$ Millions)

	Q1 2018	Q1 2017	Change
Sales	\$292	\$196	+50%
Operating Profit*	\$49	\$39	+26%
Operating Margin*	16.8%	20.0%	(320 bps)

Q1 2018 Highlights

- Core sales decline driven by extremely challenging comparisons (Q1 2017 core sales +18%)
- Operating profit* includes amortization of intangible assets of:
 - ~\$9.5 million (~320 bps) in Q1 2018
 - ~\$5.5 million (~280 bps) in Q1 2017

	Q1 2018
Core Growth	(6.8%)
Acquisitions	+49.6%
FX Translation	+6.8%
Total Sales Change	+49.6%

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

(\$ Millions)

	Q1 2018	Q1 2017	Change
Sales	\$170	\$163	+4%
Operating Profit*	\$35	\$32	+8%
Operating Margin*	20.3%	19.6%	+70 bps
Backlog	\$381	\$352	+8%

Q1 2018 Highlights

	Q1 2018		Q1 2018
OE Sales	+5%	Core Growth	+4.0%
Aftermarket Sales	+2%	FX Translation	+0.3%
OE / Aftermarket Mix	74% / 26%	Total Sales Change	+4.3%

■ OE growth driven by both commercial and defense

■ Strong aftermarket spares, partially offset by softer M&U sales

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

(\$ Millions)

	Q1 2018	Q1 2017	Change
Sales	\$70	\$75	(7%)
Operating Profit	\$12	\$14	(11%)
Operating Margin	17.8%	18.7%	(90 bps)

Q1 2018 Highlights

	Q1 2018		Q1 2018
Recreational Vehicle	(10%)	Core Growth	(6.9%)
Building Products	(3%)	FX Translation	-
Transportation	(3%)	Total Sales Change	(6.9%)

■ RV sales softer in Q1

■ Strong productivity offsetting material cost inflation

Cash Flow, Balance Sheet, and Tax

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		(\$ Millions)	
	Q1 2018	Q1 2017	Better / (Worse)
Cash Provided from Operating Activities	\$74	\$4	\$70
Capital Expenditures	(\$28)	(\$10)	(\$18)
Free Cash Flow*	\$47	(\$6)	\$53
Effective (GAAP) Tax Rate	18.6%	28.1%	950 bps
Non-GAAP (adjusted) Tax Rate**	18.9%	28.1%	920 bps
Total Debt	\$1,411	\$746	(\$665)
Cash	\$642	\$505	\$137

* 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.

2018 Guidance Revision Details

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	Revised 2018 Guidance	Prior 2018 Guidance
GAAP EPS	\$4.75-\$4.95	\$4.65-\$4.85
Adjusted EPS*	\$5.45-\$5.65	\$5.35-\$5.55
Free Cash Flow**	\$240-\$270 million	\$220-\$250 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.

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 millions, except per share data)		Three Months Ended March 31,		Percent Change March 31, 2018
	2018	2017	Three Months	
<u>INCOME ITEMS</u>				
Net sales	\$ 799.1	\$ 673.4		18.7 %
Operating profit	94.3	93.3		1.0 %
<i>Percentage of sales</i>	<i>11.8%</i>	<i>13.9%</i>		
<i>Special items impacting operating profit:</i>				
Inventory step-up and backlog amortization	6.6	—		
Acquisition related charges	5.2	—		
Repositioning charges	0.8	—		
Impact from change in accounting principle*	5.2	3.3		
Operating profit before special items	<u>\$ 112.1</u>	<u>\$ 96.6</u>		16.0 %
<i>Percentage of sales</i>	<i>14.0%</i>	<i>14.3%</i>		
Net income attributable to common shareholders	\$ 68.7	\$ 63.1		
<i>Per share</i>	<i>\$ 1.13</i>	<i>\$ 1.05</i>		7.7 %
<i>Special items impacting net income attributable to common shareholders:</i>				
Inventory step-up and backlog amortization - net of tax	5.1	—		
<i>Per share</i>	<i>\$ 0.08</i>			
Acquisition related charges - net of tax	4.0	—		
<i>Per share</i>	<i>\$ 0.06</i>			
Repositioning charges - net of tax	0.6	—		
<i>Per share</i>	<i>\$ 0.01</i>			
Incremental financing costs associated with acquisition - net of tax	1.4	—		
<i>Per share</i>	<i>\$ 0.02</i>			
Impact of tax law change	0.3	—		
<i>Per share</i>	<i>\$ 0.00</i>			
Net income attributable to common shareholders before special items	\$ 80.1	\$ 63.1		
<i>Per diluted share</i>	<i>\$ 1.31</i>	<i>\$ 1.05</i>		25.5 %
<i>Special items impacting provision for income taxes</i>				
Provision for income taxes - GAAP Basis	\$ 15.7	\$ 24.6		
Tax effect of inventory step-up and backlog amortization	1.5	—		
Tax effect of acquisition related charges	1.2	—		
Tax effect of repositioning charges	0.2	—		
Tax effect of incremental financing costs associated with acquisition	0.4	—		
Impact of tax law change	(0.3)	—		
Provision for income taxes - non-GAAP basis	<u>\$ 18.7</u>	<u>\$ 24.6</u>		

* Represents the impact from the change in presentation of net periodic pension and postretirement benefit costs.

Non-GAAP Financial Measures

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Guidance

(in millions, except per share data)

2018 earnings per share guidance	2018 Full Year Guidance	
	Low	High
Earnings per share - GAAP basis	\$ 4.75	\$ 4.95
Repositioning costs	0.15	0.15
Acquisition integration costs	0.55	0.55
Earnings per share - non-GAAP basis	\$ 5.45	\$ 5.65

	Three Months Ended March 31,		2018 Full Year Guidance	
	2018	2017	Low	High
Cash provided by operating activities before asbestos-related payments	\$ 77.1	\$ 18.2	\$ 425.0	\$ 455.0
Asbestos-related payments, net of insurance recoveries	(2.9)	(14.7)	(60.0)	(60.0)
Cash provided by operating activities	74.2	3.5	365.0	395.0
Less: capital expenditures	(27.5)	(9.6)	(125.0)	(125.0)
Free cash flow	\$ 46.7	\$ (6.1)	\$ 240.0	\$ 270.0

Non-GAAP Financial Measures

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<u>Segment Information:</u>	For the three months ended March 31, 2018					
	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net sales	\$ 266.6	\$ 292.4	\$ 170.4	\$ 69.7		\$ 799.1
Operating profit - GAAP	28.1	36.5	34.2	12.4	(16.9)	94.3
Inventory step-up and backlog amortization	0.2	6.4				6.6
Acquisition related charges		5.2				5.2
Repositioning charges, net of gain on property sale	0.4	0.2	0.2			0.8
Impact from change in accounting principle*	3.6	0.7	0.2		0.7	5.2
Operating profit before special items	32.3	49.0	34.6	12.4	(16.2)	112.1
Percentage of sales	12.1%	16.8%	20.3%	17.8%		14.0%

<u>Segment Information:</u>	For the three months ended March 31, 2017					
	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net sales	\$ 239.6	\$ 195.5	\$ 163.4	\$ 74.9		\$ 673.4
Operating profit - GAAP	24.4	38.4	31.7	14.0	(15.2)	93.3
Impact from change in accounting principle*	2.7	0.6	0.3		(0.3)	3.3
Operating profit before special items	27.1	39.0	32.0	14.0	(15.6)	96.6
Percentage of sales	11.3%	20.0%	19.6%	18.7%		14.3%

* Represents the impact from the change in presentation of net periodic pension and postretirement benefit costs.

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