

# CRANE

**Crane Co.** Q1 2019

Earnings Release Call

# FORWARD-LOOKING STATEMENTS–DISCLAIMER

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

# Q1 2019 EARNINGS SUMMARY

**CRANE**

\$ Millions except per-share amounts

	Q1 2019	Q1 2018	Change
Sales	\$832	\$799	+4%
Operating Profit*	\$120	\$107	+12%
Operating Margin*	14.4%	13.4%	+100 bps
Earnings per Share*	\$1.45	\$1.31	+11%
Free Cash Flow**	(\$120)	\$47	NM

## Additional Details

	Q1 2019		Q1 2019
Core Growth	+5.7%	<b>Diluted EPS: GAAP</b>	<b>\$1.36</b>
Acquisitions, net	+0.9%	M&A Related Items	\$0.01
FX Translation	(2.5%)	Repositioning and other	\$0.08
<b>Total Sales Change</b>	<b>+4.1%</b>	<b>Diluted EPS: non-GAAP</b>	<b>\$1.45</b>

\* 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.

# FLUID HANDLING

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\$ Millions

	Q1 2019	Q1 2018	Change
Sales	\$274	\$267	+3%
Operating Profit*	\$36	\$29	+26%
Operating Margin*	13.3%	10.8%	+250 bps
Backlog	\$285	\$281	+1%

## Q1 2019 Highlights

- Compared to Q4 2018, sequential FX neutral backlog up +2% and FX neutral orders up +5%
- Compared to Q1 2018, year-over-year FX neutral backlog up +6% and FX neutral orders up +2%

	Q1 2019
Core Growth	+6.4%
FX Translation	(3.7%)
<b>Total Sales Change</b>	<b>+2.7%</b>

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

# PAYMENT & MERCHANDISING TECHNOLOGIES

**CRANE**

\$ Millions

	Q1 2019	Q1 2018	Change
Sales	\$304	\$292	+4%
Operating Profit*	\$47	\$48	(3%)
Operating Margin*	15.4%	16.5%	(110 bps)

## Q1 2019 Highlights

- Integration activities at Crane Currency remain on track
- Double-digit core growth at CPI partially offset by tough comparisons at Crane Currency

	Q1 2019
Core Growth	+4.9%
Acquisitions, net	+2.4%
FX Translation	(3.4%)
<b>Total Sales Change</b>	<b>3.9%</b>

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

# AEROSPACE & ELECTRONICS

**CRANE**

\$ Millions

	Q1 2019	Q1 2018	Change
Sales	\$195	\$170	+14%
Operating Profit*	\$45	\$34	+32%
Operating Margin*	23.3%	20.2%	+310 bps
Backlog	\$487	\$381	+28%

## Q1 2019 Highlights

	Q1 2019
OE Sales	+12%
Aftermarket Sales	+21%
<b>OE/Aftermarket Mix</b>	<b>73% / 27%</b>

- OE growth led by both military and commercial transportation

	Q1 2019
Core Growth	+14.4%
FX Translation	(0.2%)
<b>Total Sales Change</b>	<b>+14.2%</b>

- Aftermarket strength driven by commercial and military spares, and commercial modernization & upgrade programs

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

\$ Millions

	Q1 2019	Q1 2018	Change
Sales	\$60	\$70	(14%)
Operating Profit	\$9	\$12	(24%)
Operating Margin	15.8%	17.8%	(200 bps)

## Q1 2019 Highlights

	Q1 2019
Recreational Vehicle	(29%)
Building Products	(1%)
Transportation	+11%

- RV wholesale sales remain weak as channel inventory correction continues

	Q1 2019
Core Growth	(14.5%)
FX Translation	—
<b>Total Sales Change</b>	<b>(14.5%)</b>

- Strong productivity and price increases largely offsetting material cost inflation

# CASH FLOW, BALANCE SHEET AND TAX

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\$ Millions

	Q1 2019	Q1 2018	Better/(Worse)
Cash Provided from Operating Activities	(\$100)	\$74	(\$175)
Capital Expenditures	(\$20)	(\$28)	\$8
Free Cash Flow*	(\$120)	\$47	(\$167)
Effective (GAAP) Tax Rate	21.0%	18.6%	(240 bps)
Non-GAAP (adjusted) Tax Rate**	21.1%	18.9%	(220 bps)
Total Debt	\$1,003	\$1,411	\$408
Cash	\$257	\$642	(\$385)

\* 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.



# 2019 SUMMARY GUIDANCE

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Unchanged from February 28, 2019 Investor Day

\$ Millions except per share amounts	2018	2019G	Change***
Net Sales	\$3,345	\$3,296	(2%)
EPS*	\$5.99	\$6.25 - \$6.45	+6%
Free Cash Flow**	\$305	\$335 - \$365	+15%

	2019G	Other 2019 Guidance Details	
Core Growth	(2%) to +1%	■ Adjusted tax rate of ~21%	■ Non-operating income of ~\$15 million
Acquisitions	—	■ Corporate expense of ~\$65 million	■ Diluted share count of ~61.1 million
FX Translation	(1.5%)	■ Net interest expense of ~\$45 million	■ Capital expenditures of ~\$90 million
<b>Total Sales Change</b>	<b>(2%)</b>		

\* 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 2018 Free cash flow includes a \$28 million discretionary pension contribution in Q3 2018.

\*\*\* Reflects midpoint of EPS and Free Cash Flow guidance ranges.

# 2019 SEGMENT GUIDANCE

**CRANE**

Unchanged from February 28, 2019 Investor Day

	Core Sales Growth		Segment Margin*		
	2018	2019G	2018	2019G	Change
Fluid Handling	+4%	+4%	11.7%	13.0%	+130 bps
Payment & Merchandising Technologies	+2%	(7%)	17.4%	19.0%	+160 bps
Aerospace & Electronics	+8%	+4%	22.2%	23.5%	+130 bps
Engineered Materials	(12%)	Flat	15.5%	15.0%	(50 bps)
<b>Crane Co.</b>	<b>+3%</b>	<b>(2%) to +1%</b>	<b>14.5%</b>	<b>15.8%</b>	<b>+130 bps</b>



**PAYMENT & MERCHANDISING TECHNOLOGIES CORE GROWTH UP 3% TO 5% EXCLUDING TWO LARGE CUSTOMER PROJECTS IN 2018**

\* Excludes Special Items. For 2018, segment margins are shown as restated for amended FASB guidance on pension classification. Please see non-GAAP Financial Measures tables for details.



**»» NON-GAAP  
INFORMATION**

# NON-GAAP EXPLANATION

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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

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

<u>INCOME ITEMS</u>	<u>Three Months Ended</u> <u>March 31,</u>		<u>Percent Change</u> <u>March 31, 2019</u> <u>Three Months</u>
	<u>2019</u>	<u>2018</u>	
	Net Sales	\$ 831.7	
Operating Profit	113.7	94.3	20.6%
<i>Percentage of Sales</i>	<i>13.7%</i>	<i>11.8%</i>	
<u>Special Items impacting Operating Profit:</u>			
Inventory step-up and backlog amortization	-	6.6	
Acquisition & Integration Related Charges	1.1	5.2	
Repositioning Related charges	5.3	0.8	
Operating Profit before Special Items	\$ 120.1	\$ 106.9	12.3%
<i>Percentage of Sales</i>	<i>14.4%</i>	<i>13.4%</i>	
Net Income Attributable to Common Shareholders	\$ 82.4	\$ 68.7	
<i>Per Share</i>	<i>\$ 1.36</i>	<i>\$ 1.13</i>	20.4%
<u>Special Items Impacting Net Income Attributable to Common Shareholders:</u>			
Inventory step-up and backlog amortization - Net of Tax	-	5.1	
<i>Per Share</i>		<i>\$ 0.08</i>	
Acquisition & Integration Related Charges - Net of Tax	0.9	4.0	
<i>Per Share</i>	<i>\$ 0.01</i>	<i>\$ 0.06</i>	
Repositioning Related charges - Net of Tax	4.2	0.6	
<i>Per Share</i>	<i>\$ 0.07</i>	<i>\$ 0.01</i>	
Incremental financing costs associated with acquisition - Net of Tax	-	1.4	
<i>Per Share</i>		<i>\$ 0.02</i>	
Deconsolidation of joint venture - Net of Tax	0.8	-	
<i>Per Share</i>	<i>\$ 0.01</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	\$ 88.3	\$ 80.1	10.2%
<i>Per Diluted Share</i>	<i>\$ 1.45</i>	<i>\$ 1.31</i>	10.6%
<u>Special Items Impacting Provision for Income Taxes</u>			
Provision for Income Taxes - GAAP Basis	\$ 21.9	\$ 15.7	
Tax effect of Inventory step-up and backlog amortization	-	1.5	
Tax effect of Acquisition & Integration Related Charges	0.2	1.2	
Tax effect of Repositioning Related charges	1.1	0.2	
Tax effect of Incremental financing costs associated with acquisition	-	0.4	
Tax effect of Deconsolidation of joint venture	0.4	-	
Impact of Tax Law Change	-	(0.3)	
Provision for Income Taxes - non-GAAP Basis	\$ 23.6	\$ 18.7	

# NON-GAAP FINANCIAL MEASURES

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## CRANE CO.

### Non-GAAP Financial Measures

(in millions, except per share data)

#### SEGMENT INFORMATION:

	For the three months ended March 31, 2019					
	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	273.7	303.8	194.6	59.6	-	831.7
Operating Profit - GAAP	34.1	43.2	44.8	9.4	(17.8)	113.7
Acquisition & Integration Related Charges	-	1.1	-	-	-	1.1
Repositioning Related charges	2.2	2.6	0.6	-	-	5.3
Operating Profit before Special Items	36.3	46.9	45.4	9.4	(17.8)	120.1
Percentage of Sales	13.3%	15.4%	23.3%	15.8%		14.4%
	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 & Integration Related Charges	-	5.2	-	-	-	5.2
Repositioning Related charges	0.4	0.2	0.2	-	-	0.8
Operating Profit before Special Items	28.7	48.3	34.4	12.4	(16.9)	106.9
Percentage of Sales	10.8%	16.5%	20.2%	17.8%		13.4%

# NON-GAAP FINANCIAL MEASURES

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## CRANE CO.

### Guidance

(in millions, except per share data)

2019 Earnings Per Share Guidance	2019 Full Year Guidance	
	Low	High
Earnings Per Share - GAAP basis	\$ 6.05	\$ 6.25
Repositioning Costs	0.13	0.13
Acquisition Integration Costs	0.07	0.07
Earnings Per Share - Non-GAAP basis	<u>\$ 6.25</u>	<u>\$ 6.45</u>

### CASH FLOW ITEMS

	Three Months Ended March 31,		2019 Full Year Guidance	
	2019	2018	Low	High
Cash Provided by Operating Activities before Asbestos - Related Payments	\$ (90.7)	\$ 77.1	\$ 475.0	\$ 505.0
Asbestos Related Payments, Net of Insurance Recoveries	(9.7)	(2.9)	(50.0)	(50.0)
Cash Provided by Operating Activities	(100.4)	74.2	425.0	455.0
Less: Capital Expenditures	(19.8)	(27.5)	(90.0)	(90.0)
Free Cash Flow	<u>\$ (120.2)</u>	<u>\$ 46.7</u>	<u>\$ 335.0</u>	<u>\$ 365.0</u>

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