



**CRANE**

CRANE CO.

Q2 2015 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 2014 and in our subsequent disclosures filed with the Securities and Exchange Commission.

# Q2 2015 Earnings Summary

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(\$ Millions except per-share amounts)

	Q2 2015	Q2 2014	Change
Sales	\$711	\$750	(5%)
Operating Profit*	\$99	\$110	(10%)
Operating Margin*	13.9%	14.6%	(70 bps)
Earnings per Share*	\$1.06	\$1.15	(8%)
Free Cash Flow**	\$48	\$53	(9%)

## Additional Details

	Q2 2015		Q2 2015
Core Growth	0.6%	Diluted EPS: GAAP	\$0.95
Divestitures	(0.6%)	M&A related items	\$0.02
FX Translation	(5.2%)	Repositioning	\$0.09
Total Sales Change	(5.2%)	Diluted EPS: non-GAAP	\$1.06

\* 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)

	Q2 2015	Q2 2014	Change
Sales	\$292	\$325	(10%)
Operating Profit*	\$38	\$53	(29%)
Operating Margin*	12.9%	16.2%	(330 bps)
Backlog	\$287	\$370	(22%)

## Q2 2015 Highlights

- Orders trending below expectations
- Project delays continue
- Had expected modest improvement over the course of 2015
- Now expect sales approximately flat sequentially through year-end

	Q2 2015
Core Growth	(1.6%)
Divestiture	(0.6%)
FX Translation	(7.8%)
<b>Total Sales Change</b>	<b>(10.1%)</b>

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

(\$ Millions)

	Q2 2015	Q2 2014	Change
Sales	\$187	\$185	+1%
Operating Profit*	\$28	\$21	+31%
Operating Margin*	15.0%	11.6%	+340 bps

## Q2 2015 Highlights

- On-track for \$9+ million of full-year synergy realization.
- Continued solid core growth at both Crane Payment Innovations and Crane Merchandising Systems
- Margin expansion driven by volume, synergies, and productivity

	Q2 2015
Core Growth	+9.2%
Divestiture	(1.2%)
FX Translation	(7.0%)
<b>Total Sales Change</b>	<b>+1.0%</b>

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

(\$ Millions)

	Q2 2015	Q2 2014	Change
Sales	\$167	\$178	(6%)
Operating Profit*	\$32	\$38	(13%)
Operating Margin*	19.4%	21.1%	(170 bps)
Backlog	\$448	\$397	13%

## Q2 2015 Highlights

	Q2 2015		Q2 2015
OE Sales	(7%)	Core Growth	(5.4%)
Aftermarket Sales	(3%)	FX Translation	(0.5%)
OE / Aftermarket Mix	73% / 27%	Total Sales Change	(5.9%)

- Sales decline largely timing related
- Commercial aftermarket sales up slightly, more than offset by lower military spares

- Expect stronger aftermarket sales in 2H15, along with initial shipments of previously announced large defense contract

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

(\$ Millions)

	Q2 2015	Q2 2014	Change
Sales	\$66	\$63	+4%
Operating Profit	\$12	\$10	+24%
Operating Margin	18.5%	15.4%	+310 bps

## Q2 2015 Highlights

	Q2 2015		Q2 2015
Recreational Vehicle	+4%	Core Growth	3.9%
Building Products	+1%	FX Translation	(0.1%)
Transportation	+1%	Total Sales Change	3.8%

- Margin improvement primarily reflects productivity, along with volume and lower raw material costs

- Expect sales and margins to moderate over the course of 2015

# Cash Flow, Balance Sheet, and Tax

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		(\$ Millions)	
	Q2 2015	Q2 2014	Better / (Worse)
Cash Provided from Operating Activities	\$58	\$64	(10%)
Capital Expenditures	(\$10)	(\$11)	12%
Free Cash Flow*	\$48	\$53	(9%)
Effective (GAAP) Tax Rate	31.5%	30.9%	(60bps)
Non-GAAP (adjusted) Tax Rate**	31.0%	31.3%	30bps
Total Debt	\$872	\$903	\$31
Cash	\$326	\$314	\$12

\* 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.



# 2015 Guidance Revision Details

	Revised 2015 Guidance	Prior 2015 Guidance (April 27, 2015)
Core Growth	(1%) to +1%	0% to +2%
Foreign Exchange*	(4%) to (6%)	(4%) to (6%)
Divestitures	(0.5%)	(0.5%)
EPS (Adjusted)**	\$4.10-\$4.30	\$4.30-\$4.50
EPS (GAAP)	\$3.90-\$4.10	\$4.17-\$4.37
Free Cash Flow (\$ millions)***	\$190-\$220	\$200-\$230

\* Prior guidance (April 27, 2015) reflects March 31 foreign exchange rates. Updated guidance reflects June 30 foreign exchange rates..

\*\* 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.

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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

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

INCOME ITEMS

	Three Months Ended June 30,		Percent Change June 30, 2015 Three Months
	2015	2014	
Net Sales	\$ 711.2	\$ 750.1	(5.2%)
Operating Profit	90.2	97.6	(7.6%)
<i>Percentage of Sales</i>	12.7%	13.0%	
<u>Special Items impacting Operating Profit:</u>			
MEI Acquisition related inventory and backlog amortization	-	-	
MEI Acquisition related integration costs	1.8	2.0	
MEI Acquisition related restructuring costs	-	1.6	
Repositioning charges	7.1	2.1	
Lawsuit settlement charge	-	6.5	
Operating Profit before Special Items	<u>\$ 99.1</u>	<u>\$ 109.9</u>	(9.8%)
<i>Percentage of Sales</i>	13.9%	14.6%	
Net Income Attributable to Common Shareholders	\$ 55.8	\$ 59.7	
<i>Per Share</i>	\$ 0.95	\$ 1.00	(5.0%)
<u>Special Items Impacting Net Income Attributable to Common Shareholders:</u>			
MEI Acquisition related inventory and backlog amortization - Net of Tax	-	-	
<i>Per Share</i>			
MEI Acquisition related integration charges - Net of Tax	1.2	1.6	
<i>Per Share</i>	\$ 0.02	\$ 0.03	
MEI Acquisition related restructuring charges - Net of Tax	-	0.9	
<i>Per Share</i>		\$ 0.02	
Repositioning charges - Net of Tax	5.4	1.4	
<i>Per Share</i>	\$ 0.09	\$ 0.02	
Lawsuit settlement charge - Net of Tax	-	4.2	
<i>Per Share</i>		\$ 0.07	
Loss on business divestiture - Net of Tax	-	1.1	
<i>Per Share</i>		\$ 0.02	
Net Income Attributable To Common Shareholders Before Special Items	<u>\$ 62.3</u>	<u>\$ 69.0</u>	(9.7%)
<i>Per Share</i>	\$ 1.06	\$ 1.15	(8.1%)

# Non-GAAP Financial Measures

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## CRANE CO.

### Guidance

(in millions, except per share data)

2015 Earnings Per Share Guidance	2015 Full Year Guidance	
	Low	High
Earnings Per Share - GAAP basis	\$ 3.90	\$ 4.10
MEI acquisition related integration and restructuring costs - Net of Tax	0.08	0.08
Repositioning actions - Net of Tax	0.12	0.12
Earnings Per Share - Non-GAAP basis	\$ 4.10	\$ 4.30

### CASH FLOW ITEMS

	Three Months Ended June 30,		2015 Full Year Guidance	
	2015	2014	Low	High
Cash Provided by Operating Activities before Asbestos - Related Payments	\$ 71.9	\$ 82.0	\$ 303.5	\$ 313.5
Asbestos Related Payments, Net of Insurance Recoveries	(14.1)	(17.8)	(63.5)	(53.5)
Cash Provided by Operating Activities	57.8	64.2	240.0	260.0
Less: Capital Expenditures	(9.9)	(11.3)	(50.0)	(40.0)
Free Cash Flow	\$ 48.0	\$ 52.9	\$ 190.0	\$ 220.0

# Non-GAAP Financial Measures

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## CRANE CO. Non-GAAP Financial Measures

(\$ Millions)

For the three months ended June 30, 2015

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	291.8	186.5	167.1	65.8	-	711.2
Operating Profit - GAAP	32.5	26.1	31.7	12.2	-12.3	90.2
Acquisition related integration costs	-	1.8	-	-	-	1.8
Acquisition related restructuring costs	-	-	-	-	-	-
Repositioning Charges	5.1	-	0.8	-	1.1	7.1
Operating Profit before Special Items	37.7	28.0	32.5	12.2	-11.2	99.1
<i>Percentage of Sales</i>	<i>12.9%</i>	<i>15.0%</i>	<i>19.4%</i>	<i>18.5%</i>		<i>13.9%</i>

(\$ Millions)

For the three months ended June 30, 2014

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	324.5	184.6	177.6	63.4	-	750.1
Operating Profit - GAAP	52.2	18.6	35.9	9.8	-18.9	97.6
Lawsuit settlement charge	-	-	-	-	6.5	6.5
Acquisition related integration costs	-	1.1	-	-	0.9	2.0
Acquisition related restructuring costs	-	1.6	-	-	-	1.6
Repositioning charges	0.5	-	1.6	-	-	2.1
Operating Profit before Special Items	52.7	21.4	37.5	9.8	-11.5	109.9
<i>Percentage of Sales</i>	<i>16.2%</i>	<i>11.6%</i>	<i>21.1%</i>	<i>15.4%</i>		<i>14.6%</i>

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