

CRANE

Crane Co. Q2 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.

Q2 2019 EARNINGS SUMMARY

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\$ Millions except per-share amounts

	Q2 2019	Q2 2018	Change
Sales	\$842	\$851	(1%)
Operating Profit*	\$132	\$121	+9%
Operating Margin*	15.6%	14.2%	+140 bps
Earnings per Share*	\$1.58	\$1.41	+12%
Free Cash Flow**	\$137	\$41	NM

Additional Details

	Q2 2019		Q2 2019***
Core Growth	+1.0%	Diluted EPS: GAAP	\$1.50
Divestitures	(0.2%)	M&A Related Items	\$0.03
FX Translation	(1.9%)	Repositioning and other, net	\$0.06
Total Sales Change	(1.1%)	Diluted EPS: non-GAAP	\$1.58

* 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.

*** Totals do not sum due to rounding.

FLUID HANDLING

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\$ Millions

	Q2 2019	Q2 2018	Change
Sales	\$291	\$277	+5%
Operating Profit*	\$40	\$30	+31%
Operating Margin*	13.7%	11.0%	+270 bps
Backlog	\$275	\$292	(6%)

Q2 2019 Highlights

- Compared to Q1 2019, sequential FX neutral backlog down (3%) and FX neutral orders up +2%
- Compared to Q2 2018, year-over-year FX neutral backlog down (4%) and FX neutral orders down (2%)

	Q2 2019
Core Growth	+8.1%
Divestitures	(0.1%)
FX Translation	(3.1%)
Total Sales Change	+4.9%

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

PAYMENT & MERCHANDISING TECHNOLOGIES

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\$ Millions

	Q2 2019	Q2 2018	Change
Sales	\$291	\$324	(10%)
Operating Profit*	\$49	\$53	(7%)
Operating Margin*	16.9%	16.3%	+60 bps

Q2 2019 Highlights

- Integration activities at Crane Currency remain on track
- Sales growth at CPI and CMS more than offset by challenging comparisons related to a single Crane Currency customer

	Q2 2019
Core Growth	(7.6%)
Divestitures	(0.4%)
FX Translation	(2.3%)
Total Sales Change	(10.3%)

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

AEROSPACE & ELECTRONICS

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\$ Millions

	Q2 2019	Q2 2018	Change
Sales	\$205	\$187	+9%
Operating Profit*	\$51	\$44	+18%
Operating Margin*	25.0%	23.2%	+180 bps
Backlog	\$503	\$441	+14%

Q2 2019 Highlights

	Q2 2019
OE Sales	+9%
Aftermarket Sales	+10%
OE/Aftermarket Mix	72% / 28%

- Aftermarket strength driven by both commercial and military spares

	Q2 2019
Core Growth	+9.4%
FX Translation	(0.2%)
Total Sales Change	+9.2%

- Additional strength across both military and commercial OE

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

\$ Millions

	Q2 2019	Q2 2018	Change
Sales	\$56	\$63	(11%)
Operating Profit	\$8	\$11	(33%)
Operating Margin	13.5%	17.9%	(440 bps)

Q2 2019 Highlights

	Q2 2019
Recreational Vehicle	(29%)
Building Products	+3%
Transportation	+16%

- RV wholesale sales remain weak as channel inventory correction continues

	Q2 2019
Core Growth	(11.5%)
FX Translation	—
Total Sales Change	(11.5%)

CASH FLOW, BALANCE SHEET AND TAX

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\$ Millions

	Q2 2019	Q2 2018	Better/(Worse)
Cash Provided from Operating Activities	\$153	\$57	\$96
Capital Expenditures	(\$16)	(\$17)	\$0
Free Cash Flow*	\$137	\$41	\$96
Effective (GAAP) Tax Rate	23.2%	23.1%	(10 bps)
Non-GAAP (adjusted) Tax Rate**	22.4%	23.9%	150 bps
Total Debt	\$948	\$1,109	\$161
Cash	\$307	\$318	(\$11)

	YTD 2019	YTD 2018	Better/(Worse)
Cash Provided from Operating Activities	\$53	\$131	(\$78)
Capital Expenditures	(\$36)	(\$44)	\$8
Free Cash Flow*	\$16	\$87	(\$71)

* 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.



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

INCOME ITEMS	Three Months Ended		Six Months Ended		Percent Change June 30, 2019 Three Months	Percent Change June 30, 2019 Six Months
	June 30,		June 30,			
	2019	2018	2019	2018		
Net Sales	\$ 841.6	\$ 851.0	\$ 1,673.3	\$ 1,650.0	(1.1%)	1.4%
Operating Profit	122.8	113.0	236.5	207.3	8.7%	14.1%
<i>Percentage of Sales</i>	<i>14.6%</i>	<i>13.3%</i>	<i>14.1%</i>	<i>12.6%</i>		
<u>Special Items impacting Operating Profit:</u>						
Inventory step-up and backlog amortization	-	1.9	-	8.5		
Acquisition & Integration Related Charges	2.4	4.1	3.5	9.2		
Repositioning Related Charges	6.4	1.7	11.7	2.5		
Operating Profit before Special Items	\$ 131.6	\$ 120.7	\$ 251.7	\$ 227.5	9.0%	10.6%
<i>Percentage of Sales</i>	<i>15.6%</i>	<i>14.2%</i>	<i>15.0%</i>	<i>13.8%</i>		
Net Income Attributable to Common Shareholders	\$ 91.0	\$ 80.7	\$ 173.4	\$ 149.4		
<i>Per Share</i>	<i>\$ 1.50</i>	<i>\$ 1.32</i>	<i>\$ 2.85</i>	<i>\$ 2.45</i>	13.4%	16.5%
<u>Special Items Impacting Net Income Attributable to Common Shareholders:</u>						
Inventory step-up and backlog amortization - Net of Tax	-	1.4	-	6.5		
<i>Per Share</i>		<i>\$ 0.02</i>		<i>\$ 0.11</i>		
Acquisition & Integration Related Charges - Net of Tax	1.6	2.9	2.5	6.9		
<i>Per Share</i>	<i>\$ 0.03</i>	<i>\$ 0.05</i>	<i>\$ 0.04</i>	<i>\$ 0.11</i>		
Repositioning Related Charges - Net of Tax	6.1	1.3	10.3	1.9		
<i>Per Share</i>	<i>\$ 0.10</i>	<i>\$ 0.02</i>	<i>\$ 0.17</i>	<i>\$ 0.03</i>		
Unrealized gain on marketable securities - Net of Tax	(2.5)	-	(2.5)	-		
<i>Per Share</i>	<i>\$ (0.04)</i>		<i>\$ (0.04)</i>			
Incremental financing costs associated with acquisition - Net of Tax	-	0.7	-	2.1		
<i>Per Share</i>		<i>\$ 0.01</i>		<i>\$ 0.03</i>		
Deconsolidation of joint venture - Net of Tax	-	-	0.8	-		
<i>Per Share</i>			<i>\$ 0.01</i>			
Impact of Tax Law Change	-	(0.8)	-	(0.5)		
<i>Per Share</i>		<i>\$ (0.01)</i>		<i>\$ (0.01)</i>		
Net Income Attributable To Common Shareholders Before Special Items	\$ 96.2	\$ 86.2	\$ 184.5	\$ 166.3	11.6%	10.9%
<i>Per Diluted Share</i>	<i>\$ 1.58</i>	<i>\$ 1.41</i>	<i>\$ 3.04</i>	<i>\$ 2.73</i>	12.2%	11.4%

Special Items Impacting Provision for Income Taxes	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Provision for Income Taxes - GAAP Basis	\$ 27.5	\$ 24.2	\$ 49.4	\$ 39.9
Tax effect of Inventory step-up and backlog amortization	-	0.4	-	2.0
Tax effect of Acquisition & Integration Related Charges	0.8	1.0	1.0	2.2
Tax effect of Repositioning Related Charges	0.3	0.4	1.4	0.6
Tax effect of Unrealized gain on marketable securities	(0.7)	-	(0.7)	-
Tax effect of Incremental financing costs associated with acquisition	-	0.2	-	0.6
Tax effect of Deconsolidation of joint venture	-	-	0.4	-
Impact of Tax Law Change	-	0.8	-	0.5
Provision for Income Taxes - non-GAAP Basis	\$ 27.9	\$ 27.0	\$ 51.5	\$ 45.8

Totals may not sum due to rounding

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 June 30, 2019					
	<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	290.6	291.0	204.5	55.5	-	841.6
Operating Profit - GAAP	37.3	46.5	49.4	7.5	(17.9)	122.8
Acquisition & Integration Related Charges	-	0.4	-	-	2.0	2.4
Repositioning Related charges	2.5	2.2	1.7	-	-	6.4
Operating Profit before Special Items	39.8	49.1	51.1	7.5	(15.9)	131.6
Percentage of Sales	13.7%	16.9%	25.0%	13.5%		15.6%

	For the three months ended June 30, 2018					
	<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	276.9	324.3	187.2	62.6	-	851.0
Operating Profit - GAAP	29.5	46.1	43.3	11.2	(17.1)	113.0
Inventory step-up and backlog amortization	0.1	1.8	-	-	-	1.9
Acquisition & Integration Related Charges	-	4.1	-	-	-	4.1
Repositioning Related charges	0.8	0.7	0.2	-	-	1.7
Operating Profit before Special Items	30.4	52.7	43.5	11.2	(17.1)	120.7
Percentage of Sales	11.0%	16.3%	23.2%	17.9%		14.2%

Totals may not sum due to rounding

NON-GAAP FINANCIAL MEASURES

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Guidance

(in millions, except per share data)

2019 Earnings Per Share Guidance	2019 Full Year Guidance	
	Low	High
Earnings Per Share - GAAP basis	\$ 6.00	\$ 6.20
Repositioning Costs	0.18	0.18
M&A related, net	0.07	0.07
Earnings Per Share - Non-GAAP basis	<u>\$ 6.25</u>	<u>\$ 6.45</u>

CASH FLOW ITEMS

	Three Months Ended June 30,		Six Months Ended June 30,		2019 Full Year Guidance	
	2019	2018	2019	2018	Low	High
Cash Provided by Operating Activities before Asbestos - Related Payments	\$ 161.1	\$ 89.3	\$ 70.4	\$ 166.3	\$ 475.0	\$ 505.0
Asbestos Related Payments, Net of Insurance Recoveries	(8.2)	(32.0)	(17.9)	(34.9)	(50.0)	(50.0)
Cash Provided by Operating Activities	152.9	57.3	52.5	131.4	425.0	455.0
Less: Capital Expenditures	(16.3)	(16.5)	(36.1)	(44.0)	(90.0)	(90.0)
Free Cash Flow	<u>\$ 136.6</u>	<u>\$ 40.8</u>	<u>\$ 16.4</u>	<u>\$ 87.4</u>	<u>\$ 335.0</u>	<u>\$ 365.0</u>

Totals may not sum due to rounding

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