

CRANE

Crane Co. Q3 2018

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

Q3 2018 EARNINGS SUMMARY

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\$ Millions except per-share amounts

	Q3 2018	Q3 2017	Change
Sales	\$856	\$696	+23%
Operating Profit*	\$138	\$106	+31%
Operating Margin*	16.1%	15.2%	+90 bps
Earnings per Share*	\$1.62	\$1.13	+43%
Free Cash Flow**	\$59	\$90	(34%)

Additional Details

	Q3 2018
Core Growth	+5.8%
Acquisitions, net	+18.9%
FX Translation	(1.7%)
Total Sales Change	+23.0%

	Q3 2018
Diluted EPS: GAAP	\$1.59
Repositioning	\$0.08
M&A Related Items	\$0.03
Impact of Tax Law Change	(\$0.08)
Diluted EPS: non-GAAP	\$1.62

*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

	Q3 2018	Q3 2017	Change
Sales	\$279	\$267	+4%
Operating Profit*	\$40	\$33	+21%
Operating Margin*	14.4%	12.4%	+200 bps
Backlog	\$298	\$269	+11%

Q3 2018 Highlights

- Compared to Q2 2018, sequential FX neutral backlog up +3% and FX neutral orders down (2%)
- Compared to Q3 2017, year-over-year FX neutral backlog up +12% and FX neutral orders up +6%
- On track to achieve full-year guidance of +3% core sales growth and 13% operating margin*

	Q3 2018
Core Growth	+6.6%
Divestiture	(0.9%)
FX Translation	(1.3%)
Total Sales Change	+4.4%

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

PAYMENT & MERCHANDISING TECHNOLOGIES

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\$ Millions

	Q3 2018	Q3 2017	Change
Sales	\$327	\$189	+74%
Operating Profit*	\$61	\$41	+48%
Operating Margin*	18.7%	22.0%	(330 bps)

Q3 2018 Highlights

- Integration activities at Crane Currency remain on track
- Transition to Malta print facility in progress
- Core growth driven by both CPI and Merchandising

	Q3 2018
Core Growth	+7.0%
Acquisitions	+71.1%
FX Translation	(4.5%)
Total Sales Change	73.6%

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

AEROSPACE & ELECTRONICS

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\$ Millions

	Q3 2018	Q3 2017	Change
Sales	\$190	\$172	+10%
Operating Profit*	\$43	\$35	+23%
Operating Margin*	22.5%	20.2%	+230 bps
Backlog	\$445	\$348	+28%

Q3 2018 Highlights

	Q3 2018
OE Sales	+7%
Aftermarket Sales	+19%
OE/Aftermarket Mix	72%/28%

- Aftermarket strength continued, driven primarily by commercial and military spares

	Q3 2018
Core Growth	+10.2%
FX Translation	—
Total Sales Change	+10.2%

- OE sales growth driven by core commercial programs, with military sales growth led by Microwave projects

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

\$ Millions

	Q3 2018	Q3 2017	Change
Sales	\$60	\$68	(12%)
Operating Profit	\$9	\$12	(27%)
Operating Margin	14.8%	17.9%	(310 bps)

Q3 2018 Highlights

	Q3 2018
Recreational Vehicle	(24%)
Building Products	(1%)
Transportation	+11%

- RV wholesale sales remain weak as channel inventory correction continues
- RV retail sell-through remains positive in the mid single-digit range

	Q3 2018
Core Growth	(12.0%)
FX Translation	—
Total Sales Change	(12.0%)

- Strong productivity and price increases offsetting material cost inflation

CASH FLOW, BALANCE SHEET AND TAX

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\$ Millions

	Q3 2018	Q3 2017	Better/(Worse)
Cash Provided from Operating Activities	\$91	\$104	(\$13)
Capital Expenditures	(\$32)	(\$14)	(\$18)
Free Cash Flow*	\$59	\$90	(\$31)
Effective (GAAP) Tax Rate	17.6%	29.4%	1180 bps
Non-GAAP (adjusted) Tax Rate**	22.0%	29.5%	750 bps
Total Debt	\$1,044	\$746	(\$298)
Cash	\$324	\$572	(\$248)

	YTD 2018	YTD 2017	Better/(Worse)
Cash Provided from Operating Activities	\$222	\$174	\$48
Capital Expenditures	(\$76)	(\$34)	(\$41)
Free Cash Flow*	\$147	\$140	\$7

*Free cash flow is defined as cash provided by operating activities less capital spending. Please see non-GAAP Financial Measures tables for details. Free cash flow includes a \$28 million discretionary pension contribution in Q3 2018.

**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 (July 23, 2018)	Prior 2018 Guidance (April 23, 2018)	Original 2018 Guidance (January 29, 2018)
GAAP EPS	\$5.20-\$5.30	\$4.90-\$5.10	\$4.75-\$4.95	\$4.65-\$4.85
Adjusted EPS*	\$5.80-\$5.90	\$5.60-\$5.80	\$5.45-\$5.65	\$5.35-\$5.55
Free Cash Flow** (\$ millions)	\$260-\$290	\$250-\$280	\$240-\$270	\$220-\$250

*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

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>Segment Information:</u>	<u>For the three months ended September 30, 2018</u>					
	<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	\$ 278.7	\$ 327.4	\$ 189.5	\$ 60.2	\$ —	\$ 855.8
Operating Profit - GAAP	30.4	57.3	42.5	8.7	(15.0)	123.9
Inventory step-up and backlog amortization	—	0.3	—	—	—	0.3
Acquisition related charges	—	2.1	—	—	—	2.1
Repositioning charges, net of gain on property sale	5.5	0.9	0.2	—	—	6.6
Impact from change in accounting principle*	4.3	0.7	—	0.2	0.1	5.3
Operating Profit before Special Items	40.2	61.3	42.7	8.9	(14.9)	138.2
Percentage of Sales	14.4%	18.7%	22.5%	14.8%		16.1%

<u>Segment Information:</u>	<u>For the three months ended September 30, 2017</u>					
	<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	\$ 266.9	\$ 188.6	\$ 172.0	\$ 68.4	\$ —	\$ 695.9
Operating Profit - GAAP	30.7	40.7	35.5	12.2	(17.0)	102.1
Transaction related costs	0.5	—	—	—	—	0.5
Impact from change in accounting principle*	1.9	0.7	(0.7)	—	1.3	3.2
Operating Profit before Special Items	33.1	41.4	34.8	12.2	(15.7)	105.8
Percentage of Sales	12.4%	22.0%	20.2%	17.9%		15.2%

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

NON-GAAP FINANCIAL MEASURES

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CRANE CO. Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,		Percent Change September 30, 2018	Percent Change September 30, 2018
	2018	2017	2018	2017	Three Months	Nine Months
INCOME ITEMS						
Net sales	\$ 855.8	\$ 695.9	\$ 2,505.8	\$ 2,071.8	23.0 %	20.9 %
Operating profit	123.9	102.1	331.2	301.0	21.3 %	10.0 %
Percentage of sales	14.5 %	14.7 %	13.2 %	14.5 %		
Special items impacting operating profit:						
Inventory step-up and backlog amortization	0.3	—	8.8	—		
Acquisition related charges	2.1	0.5	11.3	3.1		
Repositioning charges	6.6	—	9.1	—		
Impact from change in accounting principle*	5.3	3.3	15.7	10.0		
Operating profit before special items	\$ 138.2	\$ 105.8	\$ 376.1	\$ 314.1	30.6 %	19.7 %
Percentage of sales	16.1 %	15.2 %	15.0 %	15.2 %		
Net income attributable to common shareholders	\$ 97.0	\$ 68.2	\$ 246.4	\$ 200.5		
Per share	\$ 1.59	\$ 1.13	\$ 4.04	\$ 3.32	40.7 %	21.6 %
Special items impacting net income attributable to common shareholders:						
Inventory step-up and backlog amortization - Net Of Tax	0.2	—	6.7	—		
Per Share	\$ 0.00		\$ 0.11			
Acquisition related charges - Net of Tax	1.7	0.4	8.6	2.2		
Per Share	\$ 0.03	\$ 0.00	\$ 0.14	\$ 0.04		
Repositioning charges - Net of Tax	5.1	—	7.0	—		
Per Share	\$ 0.08		\$ 0.11			
Incremental financing costs associated with acquisition - Net of Tax	—	—	2.1	—		
Per Share			\$ 0.03			
Impact of Tax Law Change	(5.1)	—	(5.6)	—		
Per Share	\$ (0.08)		\$ (0.09)			
Net Income Attributable To Common Shareholders Before Special Items	\$ 98.8	\$ 68.6	\$ 265.1	\$ 202.7	44.1 %	30.8 %
Per Share	\$ 1.62	\$ 1.13	\$ 4.34	\$ 3.36	42.5 %	29.4 %
Special items impacting provision for income taxes						
Provision for income taxes - GAAP Basis	\$ 20.7	\$ 28.5	\$ 60.6	\$ 83.6		
Tax effect of inventory step-up and backlog amortization	—	—	2.1	—		
Tax effect of acquisition related charges	0.4	0.2	2.7	0.9		
Tax effect of repositioning charges	1.5	—	2.1	—		
Tax effect of incremental financing costs associated with acquisition	—	—	0.6	—		
Impact of tax law change	5.1	—	5.6	—		
Provision for income taxes - non-GAAP basis	\$ 27.7	\$ 28.7	\$ 73.7	\$ 84.5		

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	\$ 5.20	\$ 5.30
Repositioning costs	0.15	0.15
Acquisition integration costs	0.55	0.55
Impact of Tax Reform	\$ (0.10)	\$ (0.10)
Earnings per share - non-GAAP basis	\$ 5.80	\$ 5.90

	Three Months Ended		Nine Months		2018 Full Year	
	September 30,		Ended		Guidance	
	2018	2017	2018	2017	Low	High
Cash provided by operating activities before asbestos-related payments	\$ 102.5	\$ 122.4	\$ 268.8	\$ 221.0	\$ 445.0	\$ 475.0
Asbestos-related payments, net of insurance recoveries	(11.5)	(18.6)	(46.4)	(46.8)	(60.0)	(60.0)
Cash provided by operating activities	91.0	103.8	222.4	174.2	385.0	415.0
Less: capital expenditures	(31.6)	(13.5)	(75.6)	(34.3)	(125.0)	(125.0)
Free cash flow	\$ 59.4	\$ 90.3	\$ 146.8	\$ 139.9	\$ 260.0	\$ 290.0

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.

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