ALTRA INDUSTRIAL MOTION CORP.

FORM 10-Q
(Quarterly Report)

Filed 05/02/17 for the Period Ending 03/31/17

Address	300 GRANITE STREET SUITE 201 BRAINTREE, MA 02184
Telephone	781-917-0600
CIK	0001374535
Symbol	AIMC
SIC Code	3569 - General Industrial Machinery and Equipment, Not Elsewhere
Industry	Industrial Machinery & Equipment
Sector	Industrials
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to

Commission File Number: 001-33209

ALTRA INDUSTRIAL MOTION CORP.
(Exact name of registrant as specified in its charter)

Delaware	**61-1478870**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 Granite Street, Suite 201, Braintree, MA	**02184**
(Address of principal executive offices)	**(Zip Code)**

(781) 917-0600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company.)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2017, 29,309,448 shares of Common Stock, $0.001 par value per share, were outstanding.

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PART I - FINANCI AL INFORMATION

Item 1. Financial Statements (unaudited)

ALTRA INDUSTRIAL MOTION CORP.
Condensed Consolidated Balance Sheets
Amounts in thousands, except share amounts

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,937	$ 69,118
Trade receivables, less allowance for doubtful accounts of $3,193 and $3,114 at March 31, 2017 and December 31, 2016, respectively	132,618	120,319
Inventories	139,444	139,840
Income tax receivable	2,714	607
Prepaid expenses and other current assets	17,448	10,429
Assets held for sale	3,907	3,874
Total current assets	349,068	344,187
Property, plant and equipment, net	178,504	177,043
Intangible assets, net	153,373	154,683
Goodwill	192,861	188,841
Deferred income taxes	1,333	2,510
Other non-current assets, net	2,389	2,560
Total assets	$ 877,528	$ 869,824
LIABILITIES, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 60,942	$ 60,845
Accrued payroll	24,010	31,302
Accruals and other current liabilities	35,882	35,080
Income tax payable	6,992	706
Current portion of long-term debt	340	43,690
Total current liabilities	128,166	171,623
Long-term debt - less current portion and net of unaccreted discount	317,649	325,969
Deferred income taxes	52,767	61,084
Pension liabilities	24,474	23,691
Other long-term liabilities	7,025	4,109
Stockholders' equity:		
Common stock ($0.001 par value, 90,000,000 shares authorized, 28,985,171 and 27,206,162 issued and outstanding at March 31, 2017 and December 31, 2016, respectively)	29	27
Additional paid-in capital	221,736	168,299
Retained earnings	197,038	191,108
Accumulated other comprehensive loss	(71,356)	(76,086)
Total stockholders' equity	347,447	283,348
Total liabilities, and stockholders' equity	$ 877,528	$ 869,824

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ALTRA INDUSTRIAL MOTION CORP.
Condensed Consolidated Statements of Operations
Amounts in thousands, except per share data

	Quarter Ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Net sales	$ 215,435	$ 180,453
Cost of sales	149,268	125,823
Gross profit	66,167	54,630
Operating expenses:		
Selling, general and administrative expenses	40,384	33,536
Research and development expenses	6,223	4,564
Restructuring costs	1,898	1,553
	48,505	39,653
Income from operations	17,662	14,977
Other non-operating income and expense:		
Interest expense, net	1,705	2,896
Other non-operating income, net	(530)	(278)
Loss on extinguishment of convertible debt	1,797	—
	2,972	2,618
Income before income taxes	14,690	12,359
Provision for income taxes	4,364	3,549
Net income	$ 10,326	$ 8,810
Weighted average shares, basic	28,763	25,740
Weighted average shares, diluted	28,897	25,759
Net income per share:		
Basic net income	$ 0.36	$ 0.34
Diluted net income	$ 0.36	$ 0.34
Cash dividend declared	$ 0.15	$ 0.15

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ALTRA INDUSTRIAL MOTION CORP.
Condensed Consolidated Statements of Comprehensive Income
Amounts in thousands

	Quarter Ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Net Income	$ 10,326	$ 8,810
Other Comprehensive income:		
Foreign currency translation adjustment	3,912	4,189
Change in fair value of derivative financial instruments, net of tax	818	—
Other comprehensive loss	4,730	4,189
Comprehensive income	$ 15,056	$ 12,999

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ALTRA INDUSTRIAL MOTION CORP.
Condensed Consolidated Statements of Cash Flows
Amounts in thousands

	Year to Date Ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Cash flows from operating activities		
Net income	$ 10,326	$ 8,810
Adjustments to reconcile net income to net cash flows:		
Depreciation	6,461	5,119
Amortization of intangible assets	2,345	2,119
Amortization of deferred financing costs	149	196
Loss/(Gain) on foreign currency, net	(144)	217
Accretion of debt discount, net	—	968
(Gain)/Loss on disposal / impairment of fixed assets	(58)	448
Loss on extinguishment of debt	1,797	—
Stock based compensation	1,751	1,163
Amortization of inventory fair value adjustment	2,347	—
Changes in assets and liabilities:		
Trade receivables	(11,348)	(8,087)
Inventories	(1,365)	2,929
Accounts payable and accrued liabilities	(6,997)	(6,832)
Other current assets and liabilities	(4,052)	(1,311)
Other operating assets and liabilities	1,810	311
Net cash provided by operating activities	3,022	6,050
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,333)	(5,653)
Net cash used in investing activities	(7,333)	(5,653)
Cash flows from financing activities		
Payments on 2015 Revolving Credit Facility	(13,459)	(4,447)
Dividend payments	(3,904)	—
Borrowing under 2015 Revolving Credit Facility	5,000	—
Payments of equipment, working capital notes, mortgages and other debt	(267)	(1,281)
Cash paid to redeem Convertible Notes	(954)	—
Proceeds from mortgages and other debt	—	3,351
Shares surrendered for tax withholding	(163)	(91)
Purchases of common stock under share repurchase program	—	(2,159)
Net cash used in financing activities	(13,747)	(4,627)
Effect of exchange rate changes on cash and cash equivalents	1,877	(1,247)
Net change in cash and cash equivalents	(16,181)	(5,477)
Cash and cash equivalents at beginning of year	69,118	50,320
Cash and cash equivalents at end of period	$ 52,937	$ 44,843
Cash paid during the period for:		
Interest	$ 1,797	$ 2,354
Income taxes	2,937	1,784
Non-cash Financing and Investing		
Conversion of Convertible Notes to common stock	$ 51,851	$ —

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ALTRA INDUSTRIAL MOTION CORP.
Consolidated Statements of Stockholders' Equity
Amounts in thousands
(Unaudited)

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2016	$ 26	25,773	$ 124,834	$ 181,539	$ (63,832)	$ 242,567
Stock-based compensation and vesting of restricted stock	—	12	1,072	—	—	1,072
Net income	—	—	—	8,810	—	8,810
Dividends declared	—	—	—	(3,908)		(3,908)
Cumulative foreign currency translation adjustment	—	—	—	—	4,189	4,189
Repurchases of common stock - 91,403 shares	—	(91)	(2,159)	—	—	(2,159)
Balance at March 31, 2016	$ 26	25,694	$ 123,747	$ 186,441	$ (59,643)	$ 250,571
Balance at January 1, 2017	$ 27	27,206	$ 168,299	$ 191,108	$ (76,086)	$ 283,348
Stock-based compensation and vesting of restricted stock	—	31	1,588	—	—	1,588
Net income	—	—	—	10,326	—	10,326
Conversion of convertible debt	2	1,748	51,849			51,851
Dividends declared	—	—	—	(4,396)	—	(4,396)
Change in fair value of interest rate swap, net of tax	—	—	—	—	818	818
Cumulative foreign currency translation adjustment	—	—	—	—	3,912	3,912
Balance at March 31, 2017	$ 29	28,985	$ 221,736	$ 197,038	$ (71,356)	$ 347,447

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

1. Organization and Nature of Operations

Headquartered in Braintree, Massachusetts, Altra Industrial Motion Corp. (the "Company", "we", or "our") is a leading multi-national designer, producer and marketer of a wide range of electro-mechanical power transmission products. The Company brings together strong brands covering over 42 product lines with production facilities in twelve countries. Altra's leading brands include Ameridrives Couplings, Bauer Gear Motor, Bibby Turboflex, Boston Gear, Delroyd Worm Gear, Formsprag Clutch, Guardian Couplings, Huco, Industrial Clutch, Inertia Dynamics, Kilian Manufacturing, Lamiflex Couplings, Marland Clutch, Matrix, Nuttall Gear, Stieber Clutch, Stromag, Svendborg Brakes, TB Wood's, Twiflex, Warner Electric, Warner Linear, and Wichita Clutch.

2. Basis of Presentation

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position for the interim periods presented, and cash flows for the interim periods presented. The results are not necessarily indicative of future results. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure.

3. Recent Accounting Standards

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). This ASU requires entities to recognize the income tax consequences of many intercompany asset transfers at the transaction date. The seller and buyer will immediately recognize the current and deferred income tax consequences of an intercompany transfer of an asset other than inventory. The tax consequences were previously deferred until the asset is sold to a third party or recovered through use. This guidance will be effective for the Company on January 1, 2018. We are currently evaluating this guidance and the impact it will have on our consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230): Classification of certain cash receipts and cash payments (a consensus of the emerging issues task force)* ("ASU 2016-15"). This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for the Company on January 1, 2018. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In February 2015, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The ASU requires management to recognize lease assets and lease liabilities by lessees for all operating leases. The ASU is effective for periods beginning after December 15, 2018 and interim periods therein on a modified retrospective basis. We are currently evaluating the impact this guidance will have on our consolidated financial statements and expect to recognize a significant lease obligation upon adoption.

In May 2014, the FASB issued ASU No. 2014-09 *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single principles-based, five-step model to be applied to all contracts with customers. The five steps are to (i) identify the contracts with the customer, (ii) identify the performance obligations in the contact, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when each performance obligation is satisfied. Revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU 2014-09 will be effective for the Company beginning on January 1, 2018 and the standard allows for either full retrospective adoption or modified retrospective adoption. The Company expects to adopt this new guidance using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption. We are continuing to evaluate the impact th at the adoption of this guidance will have on our financial condition, results of operations and the presentation of our consolidated financial statements, but currently do not expect the adoption to be material to our consolidated financial statements.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). The updated guidance revises aspects of stock-based compensation guidance which include income tax consequences, classification of awards as equity or liabilities, and classification on the statement of cash flows. The Company adopted this guidance on January 1, 2017 which resulted in the recognition of excess tax benefits in our provision for income taxes with the Condensed Consolidated Statements of Operations rather than paid-in capital and was not material for the quarter ended March 31, 2017. Additionally, our Condensed Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity, adjusted prospectively. Finally, the Company elected to continue to estimate forfeitures based on historical data and recognizes forfeiture compensation expense over the vesting period of the award.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* (“ASU 2015-11”). Under this guidance, entities utilizing the first-in-first-out (“FIFO”) or average cost method should measure inventory at the lower of cost or net realizable value, whereas net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company adopted this guidance on January 1, 2017. The adoption of this ASU did not have a material impact to our Condensed Consolidated Financial Statements.

4. Fair Value of Financial Instruments

Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

- Level 1- Quoted prices in active markets for identical assets or liabilities.
- Level 2- Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived,
- Level 3- Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents.

The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable, and other accrued liabilities approximate fair value. Debt under the Company’s 2015 Credit Agreement approximates the fair value due to the variable rate nature at current market rates.

The Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of the Company or the financial counterparty to perform. For interest rate and cross currency swaps, the significant inputs to these models are interest rate curves for discounting future cash flows and are adjusted for credit risk. For forward foreign currency contracts, the significant inputs are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. See additional discussion of the Company’s use of financial instruments including a cross-currency swap included in Note 15

Amounts in thousands, unless otherwise noted

5. Changes in Accumulated Other Comprehensive Loss by Component

The following is a reconciliation of changes in accumulated other comprehensive loss by component for the periods presented:

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Plans	Cumulative Foreign Currency Translation Adjustment	Total
Accumulated Other Comprehensive Loss by Component, January 1, 2017	$ (646)	$ (5,668)	$ (69,772)	$ (76,086)
Net current-period Other Comprehensive Income (Loss)	818	(234)	4,146	4,730
Accumulated Other Comprehensive Income (Loss) by Component, March 31, 2017	$ 172	$ (5,902)	$ (65,626)	$ (71,356)

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Plans	Cumulative Foreign Currency Translation Adjustment	Total
Accumulated Other Comprehensive Loss by Component, January 1, 2016	$ (140)	$ (5,807)	$ (57,885)	$ (63,832)
Net current-period Other Comprehensive Income	—	110	4,079	4,189
Accumulated Other Comprehensive Loss by Component, March 31, 2016	$ (140)	$ (5,697)	$ (53,806)	$ (59,643)

6. Acquisitions

On December 30, 2016, we acquired the shares and certain assets and liabilities of the Stromag business from GKN plc., and as a result, the Company's condensed consolidated financial statements reflect Stromag's results of operations from the beginning of business on December 30, 2016 forward. Stromag is a leading global manufacturer of highly engineered clutches and brakes, couplings, and limit switches for use in a variety of end markets including renewable energy, crane & hoist, and marine. We refer to this transaction as the Stromag Acquisition.

As of March 31, 2017, the allocation of the purchase price for the Stromag Acquisition is preliminary. The fair value of all the acquired identifiable assets and liabilities is provisional pending finalization of the Company's acquisition accounting. The Company believes that such preliminary allocations provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize fair value. The Company recorded certain immaterial measurement period adjustments during the quarter ended March 31, 2017. The preliminary purchase price allocations include such adjustments.

Amounts in thousands, unless otherwise noted

		Preliminary Purchase Price Allocation
Total purchase price, excluding acquisition costs of approximately $2.9 million	$	194,736
Cash and cash equivalents		8,758
Trade receivables		24,014
Inventories		23,558
Property, plant and equipment		40,343
Intangible assets		74,795
Prepaid expenses and other current assets		778
Total assets acquired	$	172,246
Accounts payable		(15,370)
Accrued payroll		(7,171)
Accrued expenses and other current liabilities		(4,357)
Income tax payable		(2,525)
Deferred tax liability		(26,880)
Other long-term liabilities		(1,255)
Pension liability		(15,283)
Total liabilities assumed	$	(72,841)
Net assets acquired		99,406
Excess purchase price over fair value of net assets acquired	$	95,330

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. This goodwill is not deductible for income tax purposes. The Company expects to develop synergies, such as lower cost country sourcing, global procurement, the ability to cross-sell product, and the ability to penetrate certain geographic areas, as a result of the acquisition of Stromag.

Intangible assets acquired consist of:		
Customer relationships	$	56,019
Trade names and trademarks		18,776
Total intangible assets	$	74,795

Customer relationships are subject to amortization which will be amortized on a straight-line basis over their estimated useful lives of 15 years, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets.

The following table sets forth the unaudited pro forma results of operations of the Company for the quarter to date period ended March 31, 2016, as if the Company had acquired Stromag at the beginning of the period. The pro forma information contains the actual operating results of the Company, including Stromag, adjusted to include the pro forma impact of (i) additional depreciation expense as a result of estimated depreciation based on the fair value of fixed assets and; (ii) additional expense as a result of the estimated amortization of identifiable intangible assets; (iii) additional interest expense for borrowings under the Credit Agreement associated with the Stromag Acquisition. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred at the beginning of the period or that may be obtained in the future.

	Proforma (unaudited)	
	Quarter Ended	
	March 31, 2016	
Total revenues	$	216,876
Net income	$	10,887
Basic earnings per share	$	0.42
Diluted earnings per share	$	0.42

Amounts in thousands, unless otherwise noted

7 . Net Income per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding, and diluted earnings per share is based on the weighted average number of shares of common stock outstanding and all potentially dilutive common stock equivalents outstanding. Common stock equivalents are included in the per share calculations when the effect of their inclusion is dilutive.

The following is a reconciliation of basic to diluted net income per share:

	Quarter Ended			
	March 31, 2017		March 31, 2016	
Net income	$	10,326	$	8,810
Shares used in net income per common share - basic		28,763		25,740
Incremental shares of unvested restricted common stock		134		19
Shares used in net income per common share - diluted		28,897		25,759
Earnings per share:				
Basic net income	$	0.36	$	0.34
Diluted net income	$	0.36	$	0.34

8. Inventories

Inventories at March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017		December 31, 2016	
Raw materials	$	44,623	$	45,507
Work in process		21,933		20,128
Finished goods		72,888		74,205
	$	139,444	$	139,840

9. Goodwill and Intangible Assets

Changes in goodwill from January 1, 2017 through March 31, 2017 were as follows:

	Couplings, Clutches & Brakes		Electromagnetic Clutches & Brakes		Gearing		Total	
Net goodwill balance January 1, 2017	$	104,465	$	37,161	$	47,215	$	188,841
Measurement period adjustment related to acquisition of Stromag (See Note 6)	$	1,865	$	340	$	-		2,205
Impact of changes in foreign currency and other		1,596		114		105		1,815
Net goodwill balance March 31, 2017	$	107,926	$	37,615	$	47,320	$	192,861

Other intangible assets as of March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017						December 31, 2016					
	Cost		Accumulated Amortization		Net		Cost		Accumulated Amortization		Net	
Other intangible assets												
Intangible assets not subject to amortization:												
Tradenames and trademarks	$	50,910	$	—	$	50,910	$	50,416	$	—	$	50,416
Intangible assets subject to amortization:												
Customer relationships		165,243		63,378	$	101,865		164,406		60,761		103,645
Product technology and patents		6,450		5,852	$	598		6,090		5,468		622
Total intangible assets	$	222,603	$	69,230	$	153,373	$	220,912	$	66,229	$	154,683

Amounts in thousands, unless otherwise noted

The Company recorded $2.3 million and $2.1 million of amortization expense in the quarters ended March 31, 2017 and 2016, respectively.

The estimated amortization expense for intangible assets is approximately $6.7 million for the remainder of 2017, $9.6 million in each of the next four years and then $57.6 million thereafter.

10. Warranty Costs

The contractual warranty period of the Company's products generally ranges from three months to two years with certain warranties extending for longer periods. Estimated expenses related to product warranties are accrued at the time products are sold to customers and are recorded in accruals and other current liabilities on the unaudited condensed consolidated balance sheet. Estimates are established using historical information as to the nature, frequency and average costs of warranty claims. Changes in the carrying amount of accrued product warranty costs for each of the quarters ended March 31, 2017 and March 31, 2016 are as follows:

	March 31, 2017	March 31, 2016
Balance at beginning of period	$ 9,158	$ 9,468
Accrued current period warranty expense	122	133
Payments and adjustments	(110)	(104)
Balance at end of period	$ 9,170	$ 9,497

11. Debt

Outstanding debt obligations at March 31, 2017 and December 31, 2016 were as follows.

	March 31, 2017	December 31, 2016
Debt:		
Revolving Credit Facility	$ 305,407	$ 313,620
Convertible Notes	—	45,656
Mortgages	12,269	12,755
Capital leases	313	363
Total debt	317,989	372,394
Less: debt discount, net of accretion	—	(2,735)
Total debt, net of unaccreted discount	$ 317,989	$ 369,659
Less current portion of long-term debt	(340)	(43,690)
Total long-term debt, net of unaccreted discount	$ 317,649	$ 325,969

Second Amended and Restated Credit Agreement

On October 22, 2015, the Company entered into a Second Amended and Restated Credit Agreement, which may be amended from time to time (the “2015 Credit Agreement”). Under the 2015 Credit Agreement, the amount of the Company’s prior revolving credit facility was increased to $350 million (the “2015 Revolving Credit Facility”). The amounts available under the 2015 Revolving Credit Facility can be used for general corporate purposes, including acquisitions, and to repay existing indebtedness. The stated maturity of the 2015 Revolving Credit Facility is October 22, 2020.

The amounts available under the 2015 Revolving Credit Facility may be drawn upon in accordance with the terms of the 2015 Credit Agreement. All amounts outstanding under the 2015 Revolving Credit Facility are due on the stated maturity or such earlier time, if any, required under the 2015 Credit Agreement. The amounts owed under the 2015 Revolving Credit Facility may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the 2015

Revolving Credit Facility is calculated us ing either an ABR Rate or Eurodollar Rate, plus the applicable margin. The applicable margins for Eurodollar Loans are between 1.25% to 2.00%, and for ABR Loans are between 0.25% and 1.00%. The amounts of the margins are calculated based on either a consol idated total net leverage ratio (as defined in the 2015 Credit Agreement), or the then applicable rating(s) of the Company's debt and then to the extent as provided in the 2015 Credit Agreement. The rate at December 31, 2015 was 1.5%. A portion of the 201 5 Revolving Credit Facility may also be used for the issuance of letters of credit, and a portion of the amount of the 2015 Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The 2015 Credit Agreement contains various affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leve rage and interest coverage, limit maximum annual capital expenditures, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital sto ck or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The 2015 Credit Agreement also contains customary events of default.

On October 21, 2016, the Company entered into an agreement to amend the 2015 Credit Agreement. This amendment, which became effective upon closing of the purchase of Stromag, which was December 30, 2016, increased the 2015 Revolving Credit Facility by $75 million to $425 million. The Company used additional borrowings under the increased facility to finance its purchase of Stromag. In addition, the amendment increased the multicurrency sublimit to $250 million and adjusted certain financial covenants. The pricing terms and maturity date under the 2015 Credit Agreement remain unchanged. The Company paid $0.6 million in fees in connection with the October 2016 amendment, which is recorded in other non-current assets.

As of March 31, 2017 we had $305.4 million outstanding on our 2015 Revolving Credit Facility, including $297.9 million outstanding on our USD tranche at an interest rate of 2.54% and $7.5 million outstanding on our Euro tranche at an interest rate of 1.75%. As of March 31, 2017 and December 31, 2016, we had $4.5 million and $4.1 million in letters of credit outstanding, respectively. We had $115.1 million available to borrow under the 2015 Revolving Credit Facility at March 31, 2017 and may borrow an additional $150 million under certain circumstances.

Convertible Senior Notes

In March 2011, the Company issued Convertible Senior Notes (the "Convertible Notes") due March 1, 2031. The Convertible Notes were guaranteed by the Company's U.S. domestic subsidiaries. Interest on the Convertible Notes was payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.3 million, net of fees and expenses that were capitalized.

On December 12, 2016 the Company gave notice to the holders of the Convertible Notes of its intention to redeem all of the Convertible Notes outstanding on January 12, 2017 (the "Redemption Date"), pursuant to the optional redemption provisions in the Indenture. The redemption price for the Convertible Notes was 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date plus a Make-Whole Premium equal to the present values of the remaining scheduled payments of interest on any Convertible Notes through March 1, 2018 (excluding interest accrued to, but excluding, the Redemption Date). In lieu of receiving the redemption price, holders of the Notes could surrender their Convertible Notes for conversion at any time before January 9, 2017. The conversion rate of the Convertible Notes was 39.0809 shares of the Company's common stock, for each $1,000 of outstanding principal of the Convertible Notes. As of December 31, 2016, Convertible Notes with an outstanding principal of approximately $39.3 million were converted resulting in the issuance of 1.5 million shares of the Company's common stock. As a result of the conversion, the Company incurred a loss on extinguishment of debt of approximately $1.9 million and the carrying value of the Convertible Notes was $42.9 million as of December 31, 2016. In January 2017, additional Convertible Notes with an outstanding principal of approximately $44.7 million were converted resulting in the issuance of 1.7 million shares of the Company's common stock, and $0.9 million of Convertible Notes were redeemed for cash. The Company incurred an additional loss on extinguishment of debt of approximately $1.8 million during the quarter ended March 31, 2017. All Convertible Notes were converted or redeemed as of January 12, 2017.

Mortgages

Heidelberg Germany

During 2015, a foreign subsidiary of the Company entered into a mortgage with a bank for €1.5 million, or $1.7 million, secured by its facility in Heidelberg, Germany to replace its previously existing mortgage. The mortgage has an interest rate of 1.79%, which is payable in monthly installments through August 2023. The mortgage has a remaining principal balance of € 1.3 million, or $1.4 million, at March 31, 2017.

Esslingen Germany

During 2015, a foreign subsidiary of the Company entered into a mortgage with a bank for €6.0 million, or $6.7 million, secured by its facility in Esslingen, Germany. The mortgage has an interest rate of 2.5% per year, which is payable in annual interest payments of €0.1 million, or $0.1 million, to be paid in monthly installments. The mortgage had a remaining principal balance of €6.0 million, or $6.3 million, at March 31, 2017. The principal portion of the mortgage will be due in a lump-sum payment in May 2019.

During the quarter ended March 31, 2016, a foreign subsidiary of the Company entered in to a loan with a bank to equip its facility in Zlate Moravce, Slovakia. As of March 31, 2017, the total principal outstanding was €2.7 million, or $2.5 million, and is guaranteed by land security at its parent company facility in Esslingen, Germany. The loan is due in installments from 2016 through 2020, with an interest rate of 1.95%.

Angers France

During 2015, a foreign subsidiary of the Company entered into a mortgage with a bank for €2.1 million, or $2.3 million, secured by its facility in in Angers, France. The mortgage has an interest rate of 1.85% per year which is payable in monthly installments from June 2016 until May 2025. The mortgage had a balance of €1.9 million, or $2.0 million, at March 31, 2017.

Capital Leases

The Company leases certain equipment under capital lease arrangements, whose obligations are included in both short-term and long-term debt. Capital lease obligations amounted to approximately $0.3 million at March 31, 2017 and approximately $0.4 million at December 31, 2016. Assets subject to capital leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of March 31, 2017 or December 31, 2016 under any of the overdraft agreements.

12. Stockholders' Equity

Stock-Based Compensation

The Company's 2004 Equity Incentive Plan (the "2004 Plan") permitted the grant of various forms of stock based compensation to our officers and senior level employees. The 2004 Plan expired in 2014 and, upon expiration, there were 750,576 shares subject to outstanding awards under the 2004 Plan. The 2014 Omnibus Incentive Plan (the "2014 Plan") was approved by the Company's shareholders at its 2014 annual meeting. The 2014 Plan provides for various forms of stock based compensation to our directors, executive personnel and other key employees and consultants. Under the 2014 Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards ("Awards") was originally 750,000. Shares of our common stock subject to Awards awarded under the 2004 Plan and outstanding as of the effective date of the 2014 Plan (except for substitute awards) that terminate without being exercised, expire, are forfeited or canceled, are exchanged for Awards that did not involve shares of common stock, are not issued on the stock settlement of a stock appreciation right, are withheld by the Company or tendered by a participant (either actually or by attestation) to pay an option exercise price or to pay the withholding tax on any Award, or are settled in cash in lieu of shares will again be available for Awards under the 2014 Plan.

The restricted shares issued pursuant to the 2014 Plan generally vest ratably over a period ranging from immediately to five years from the date of grant, provided, that the vesting of the restricted shares may accelerate upon the occurrence of certain events. Common stock awarded under the 2014 Plan is generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements. The fair value of the shares repurchased are measured based on the share price on the date of grant.

The 2014 Plan permits the Company to grant, among other things, restricted stock, restricted stock units, and performance share awards to key employees and other persons who make significant contributions to the success of the Company. The restrictions and vesting schedule for restricted stock granted under the 2014 Plan are determined by the Personnel and Compensation Committee of the Board of Directors.

Amounts in thousands, unless otherwise noted

Stock-based compensation expense recorded during the qu arters ended March 31, 2017 and March 31, 2016, was $1.8 million and $1.2 million, respectively. The Company recognizes stock-based compensation expense on a straight-line basis for the shares vesting ratably under the plan and uses the graded-vesting met hod of recognizing stock-based compensation expense for the performance share awards based on the probability of the specific performance metrics being achieved over the requisite service period.

The following table sets forth the activity of the Company's restricted stock and performance share grants in the quarter ended March 31, 2017:

	Shares	Weighted-average grant date fair value
Shares unvested January 1, 2017	199,712	$ 24.68
Shares granted	142,304	39.19
Shares for which restrictions lapsed	(19,504)	38.59
Shares unvested March 31, 2017	322,512	$ 30.83

Total remaining unrecognized compensation cost was $6.3 million as of March 31, 2017, which will be recognized over a weighted average remaining period of 3 years. The fair market value of the shares for which the restrictions have lapsed during the quarter ended March 31, 2017 was $0.8 million. Restricted shares granted are valued based on the fair market value of the stock on the date of grant.

Share Repurchase Program

In May 2014, our board of directors approved a share repurchase program (the "2014 Program") authorizing the buyback of up to $50.0 million of the Company's common stock. Under the 2014 program, the Company was authorized to purchase shares on the open market, through block trades, in privately negotiated transactions, in compliance with SEC Rule 10b-18 (including through Rule 10b5-1 plans), or in any other appropriate manner. The timing of the shares repurchased was at the discretion of management and depended on a number of factors, including price, market conditions and regulatory requirements. Shares acquired through the repurchase program were retired.

On October 19, 2016, our board of directors approved a new share repurchase program authorizing the buyback of up to $30.0 million of the Company's common stock through December 31, 2019. This plan replaces the 2014 Program which was terminated. The Company expects to purchase shares on the open market, through block trades, in privately negotiated transactions, in compliance with SEC Rule 10b-18 (including through Rule 10b5-1 plans), or in any other appropriate manner. The timing of the shares repurchased will be at the discretion of management and will depend on a number of factors, including price, market conditions and regulatory requirements. Shares acquired through the repurchase program will be retired. The Company retains the right to limit, terminate or extend the share repurchase program at any time without prior notice. The Company expects to fund any further repurchases of its common stock through a combination of cash on hand and cash generated by operations. During the quarter ended March 31, 2017, the Company did not repurchase any of its common stock under the share repurchase program.

Dividends

The Company declared a dividend of $0.15 per share of common stock related to the quarter ended March 31, 2017. The dividend for the quarter ended March 31, 2017 was accrued in the balance sheet at March 31, 2017.

Future declarations of quarterly cash dividends are subject to approval by the Board of Directors and to the Board's continuing determination that the declaration of dividends are in the best interest of the Company's stockholders and are in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

13. Restructuring, Asset Impairment, and Transition Expenses

From time to time, the Company has initiated various restructuring programs and incurred severance and other restructuring costs.

Amounts in thousands, unless otherwise noted

In the quarter ended March 31, 2015, the Company commenced a restructuring plan (“2015 Altra Plan”) as a result of weak demand i n Europe and to make certain adjustments to improve business effectiveness, reduce the number of facilities and streamline the Company's cost structure. The actions taken pursuant to the 2015 Altra Plan included reducing headcount, facility consolidations and related asset impairments, and limiting discretionary spending to improve profitability.

The following table details restructuring charges incurred by segment for the periods presented.

	Quarter Ended	
	March 31, 2017	March 31, 2016
Couplings, Clutches & Brakes	$ 1,361	$ 404
Electromagnetic Clutches & Brakes	—	673
Gearing	296	16
Corporate (1)	241	460
Total	$ 1,898	$ 1,553

(1) Certain expenses are maintained at the corporate level and not allocated to the segments. These include various administrative expenses related to corporate headquarters, depreciation on capitalized software costs, non-capitalizable software implementation costs and acquisition related expenses and non-cash partial pension settlements.

The amounts for the quarter ended March 31, 2017 were comprised of approximately $0.1 million in severance, $0.7 million in consolidation costs, $0.7 million in moving and relocation costs, and $0.4 million in travel-related and other restructuring costs. The amounts for the quarter ended March 31, 2016 were comprised of approximately $1.0 million in severance, $0.2 million in building impairments, and $0.3 million in other restructuring costs, and are classified in the accompanying unaudited condensed consolidated statement of income as restructuring costs.

The following is a reconciliation of the accrued restructuring costs between January 1, 2017 and March 31, 2017.

	All Plans
Balance at January 1, 2017	$ 1,971
Restructuring expense incurred	1,898
Cash payments	(2,472)
Balance at March 31, 2017	$ 1,397

The total accrued restructuring reserve as of March 31, 2017 relates to severance costs to be paid to former employees which are expected to be paid during 2017 and are recorded in accruals and other current liabilities on the accompanying unaudited condensed consolidated balance sheet. The Company expects to incur between approximately $1.0 and $3.5 million in additional restructuring expenses between 2017 and 2018 under the 2015 Altra Plan, primarily in the Couplings, Clutches & Brakes and Gearing business segments.

14. Segments, Concentrations and Geographic Information

Segments

The Company currently operates through three business segments that are aligned with key product types and end markets served:

- *Couplings, Clutches & Brakes.*

  Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other. Clutches in this segment are devices which use mechanical, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations of interacting parts that work to slow or stop machinery. Products in this segment are generally used in heavy industrial applications and energy markets.

Amounts in thousands, unless otherwise noted

- *Electromagnetic Clutches & Brakes.*

  Products in this segment include brakes and clutches that are used to electronically slow, stop, engage or disengage equipment utilizing electromagnetic friction type connections. Products in this segment are used in industrial and commercial markets including agricultural machinery, material handling, motion control, and turf & garden.

- *Gearing.*

  Gears are utilized to reduce the speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. Gears produced by the Company are primarily utilized in industrial applications.

Segment financial information and a reconciliation of segment results to consolidated results follows:

	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Net Sales:		
Couplings, Clutches & Brakes	$ 106,232	$ 75,623
Electromagnetic Clutches & Brakes	63,878	57,349
Gearing	47,028	48,920
Inter-segment eliminations	(1,703)	(1,439)
Net sales	$ 215,435	$ 180,453
Income from operations:		
Segment earnings:		
Couplings, Clutches & Brakes	$ 8,345	$ 6,291
Electromagnetic Clutches & Brakes	7,593	6,463
Gearing	5,525	5,762
Restructuring	(1,898)	(1,553)
Corporate expenses (1)	(1,903)	(1,986)
Income from operations	$ 17,662	$ 14,977
Other non-operating (income) expense:		
Net interest expense	$ 1,705	$ 2,896
Other non-operating expense (income), net	(530)	(278)
Loss on extinguishment of convertible debt	1,797	-
	2,972	2,618
Income before income taxes	14,690	12,359
Provision for income taxes	4,364	3,549
Net income	$ 10,326	$ 8,810

(1) Certain expenses are maintained at the corporate level and not allocated to the segments. These include various administrative expenses related to corporate headquarters, depreciation on capitalized software costs, non-capitalizable software implementation costs and acquisition related expenses and non-cash partial pension settlements.

Amounts in thousands, unless otherwise noted

Selected information by segment (continued)

	Quarter Ended	
	March 31, 2017	March 31, 2016
Depreciation and amortization:		
Couplings, Clutches & Brakes	$ 5,137	$ 3,688
Electromagnetic Clutches & Brakes	1,215	1,148
Gearing	1,651	1,671
Corporate	803	731
Total depreciation and amortization	$ 8,806	$ 7,238

	March 31, 2017	March 31, 2016
Total assets:		
Couplings, Clutches & Brakes	$ 541,343	$ 333,595
Electromagnetic Clutches & Brakes	176,167	130,038
Gearing	132,971	135,231
Corporate (2)	27,047	37,066
Total assets	$ 877,528	$ 635,930

(2) Corporate assets are primarily cash and cash equivalents, tax related asset accounts, certain capitalized software costs, property, plant and equipment and deferred financing costs.

Net sales to third parties by geographic region are as follows:

	Net Sales	
	Quarter Ended	
	March 31, 2017	March 31, 2016
North America (primarily U.S.)	$ 115,140	$ 112,183
Europe	83,294	52,113
Asia and other	17,001	16,157
Total	$ 215,435	$ 180,453

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for property, plant and equipment are based on the location of the entity which holds such assets.

Concentrations

Financial instruments, which are potentially subject to counter party performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within 30 days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management's expectations. While the Company did not have any customers that represented total sales greater than 10% for each of the quarters ended March 31, 2017 and 2016, the Gearing business had one customer that approximated 10% of total sales for that segment during the quarter ended March 31, 2017.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments. Cash and cash equivalents are held by well-established financial institutions and invested in AAA rated mutual funds. The Company is exposed to swap counterparty credit risk with well-established financial institutions.

15. Derivative Financial Instruments

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, and foreign currency exposures. Derivative instruments utilized during the period include interest rate swap agreements and foreign currency contracts. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each period. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company continually monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

Cross Currency Interest Rate Swaps

The Company is exposed to foreign currency and interest rate cash flow exposure related to non-functional currency long-term debt of the Company's wholly owned Dutch subsidiary. To manage this foreign currency and interest rate cash flow exposure, the Company entered into a cross-currency interest rate swap that converts $100.0 million of U.S. dollar denominated floating interest payments to functional currency (euro) fixed interest payments during the life of the hedging instrument. In addition, the Company entered into two cross-currency interest rate swaps that convert an additional $70.0 million of the U.S. dollar denominated floating interest payments to functional currency (euro) floating interest payments during the life of the hedging instruments. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedges are intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

The Company designated the $100.0 million swap as a cash flow hedge, with the effective portion of the gain or loss on the derivative reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction impacts earnings. There were no amounts recorded for ineffectiveness for the periods reported herein related to the cross-currency interest rate swaps. Changes in the fair value of the derivatives that are not designated as a cash flow hedge are recorded in other operating (income) expense, net.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income and reclassified into earnings as the underlying hedged item affects earnings. As of March 31, 2017, approximately $0.1 million of net unrealized gains related to the cross-currency interest rate swaps were included in accumulated other comprehensive income (loss).

Interest Rate Swap

In January 2017, the Company entered into an interest rate swap agreement designed to fix the variable interest rate payable on a portion of its outstanding borrowings under the 2015 Credit Agreement, for a notional value of $50.0 million, at 1.625%. The effective date was January 31, 2017 and the maturity date is January 31, 2020.

The interest rate swap agreement was designed to manage exposure to interest rates on the Company's variable rate indebtedness. The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated this interest rate swap agreement as a cash flow hedge. Changes in the fair value of the swap will be recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swap will be reported by the Company in interest expense. As of March 31, 2017, approximately $10 thousand of unrealized gain related to the interest rate swap was included in accumulated other comprehensive income (loss).

The following table summarizes outstanding swaps which the Company has recorded at March 31, 2017.

Date Entered into	Derivative Financial Instrument	Initial US$ Notional Amount (thousands)	Floating Leg (swap counterparty)	Fixed Rate	Floating Leg (Company)	Settlement Dates	Effective Period of swap
12/21/2016	Cross currency interest rate swap	$ 100,000	Variable rate 1-month USD Libor plus 1.50% to 3/31/17 and 1.75% thereafter	1.027% EUR	N/A	Monthly on the last banking day of each month commencing December 30, 2016	12/23/2016 - 12/31/2019
12/21/2016	Cross currency interest rate swap	40,000	Variable rate 1-month USD Libor plus 1.50% to 3/31/17 and 1.75% thereafter	N/A	Variable rate 1-month EURIBOR, floored at 0.00%, plus 0.920%	Monthly on the last banking day of each month commencing December 30, 2016	12/23/2016 - 12/31/2018
12/21/2016	Cross currency interest rate swap	30,000	Variable rate 1-month USD Libor plus 1.50% to 3/31/17 and 1.75% thereafter	N/A	Variable rate 1-month EURIBOR, floored at 0.00%, plus 0.721%	Monthly on the last banking day of each month commencing December 30, 2016	12/23/2016 - 6/30/2017
1/31/2017	Interest rate swap	50,000	Variable rate 1-month USD Libor	1.625% USD	N/A	Monthly on the last banking day of each month commencing February 28, 2017	1/31/2017 - 1/31/2020

The following table summarizes the location and fair value, using Level 2 inputs (see Note 4 for a description of the f air value levels), of the Company's derivatives designated and not designated as hedging instruments in the Condensed Consolidated Balance Sheets (in thousands).

	Balance Sheet Location	March 31, 2017	December, 2016
Designated as hedging instruments:			
Cross currency swap agreements	Other long-term liabilities	$ 2,355	$ 1,642
Interest rate swap agreement	Other long-term assets	10	-
Not designated as hedging instruments:			
Cross currency swap agreements	Other long-term liabilities	1,672	889
		$ 4,017	$ 2,531

The following table summarizes the location of (gain) loss reclassified from Accumulated other comprehensive loss into earnings for derivatives designated as hedging instruments and the location of (gain) loss for our derivatives not designated as hedging instruments in the Consolidated Statements of Income (in thousands).

	Income Statement Location	March, 31 2017
Designated as hedging instruments:		
Cross currency swap agreements	Other non-operating (income) expense, net	$ 1,521
Not designated as hedging instruments:		
Cross currency swap agreements	Other non-operating (income) expense, net	783
		$ 2,304

16. Commitments and Contingencies

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims, and workers' compensation claims. None of these legal proceedings are expected to have a material adverse effect on the results of operations, cash flows, or financial condition of the Company. Wi th respect to these proceedings, management believes that the Company will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assu rance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the results of operations, cash flows , or financial condition of the Company. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. There were no material amounts accrued in the accompanying unaudited condensed consolidated balance sheet for potential litigation as of March 31, 2017 or December 31, 2016. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an expo sure to loss in excess of the amount accrued is reasonably possible, we believe that such losses, individually and in the aggregate, will not have a material effect on our unaudited condensed consolidated financial statements.

The Company also risks exposure to product liability claims in connection with products it has sold and those sold by businesses that the Company acquired. Although in some cases third parties have retained responsibility for product liability claims relating to products manufactured or sold prior to the acquisition of the relevant business and in other cases the persons from whom the Company has acquired a business may be required to indemnify the Company for certain product liability claims subject to certain caps or limitations on indemnification, the Company cannot assure that those third parties will in fact satisfy their obligations with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which the Company is obligated were not retained by third parties or are not subject to these indemnities, the Company could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liability claims or are required to indemnify the Company, significant claims arising from products that have been acquired could have a material adverse effect on the Company’s ability to realize the benefits from an acquisition, could result in the reduction of the value of goodwill that the Company recorded in connection with an acquisition, or could otherwise have a material adverse effect on the Company’s business, financial condition, or operations.

17. Subsequent Events

Dividend

On April 26, 2017, the Company declared a dividend of $0.17 per share for the quarter ended June 30, 2017, payable on July 6, 2017 to shareholders of record as of June 16, 2017.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the Company's current estimates, expectations and projections about the Company's future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning the Company's possible future results of operations including revenue, costs of goods sold, gross margin, future profitability, future economic improvement, business and growth strategies, financing plans, the Company's competitive position and the effects of competition, the projected growth of the industries in which we operate, and the Company's ability to consummate strategic acquisitions and other transactions. Forward-looking statements include statements that are not historical facts and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "may," "should," "will," "would," "project," "forecast" and similar expressions. These forward-looking statements are based upon information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company's actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Important factors that could cause the Company's actual results to differ materially from the results referred to in the forward-looking statements the Company makes in this report include:

- the effects of intense competition in the markets in which we operate;
- the cyclical nature of the markets in which we operate;
- developments stemming from the recent U.S. federal elections;
- the loss of independent distributors on which we rely;
- changes in market conditions in which we operate that would influence the value of the Company's stock;
- the Company's ability to achieve its business plans, including with respect to an uncertain economic environment;
- the risks associated with international operations, including currency risks;
- the Company's ability to retain existing customers and our ability to attract new customers for growth of our business;
- the effects of the loss or bankruptcy of or default by any significant customer, suppliers, or other entity relevant to the Company's operations;
- political and economic conditions nationally, regionally, and in the markets in which we operate;
- natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, or other matters beyond the Company's control;
- the Company's risk of loss not covered by insurance;
- the accuracy of estimated forecasts of OEM customers and the impact of the current global and European economic environment on our customers;
- the risks associated with certain minimum purchase agreements we have with suppliers;
- disruption of our supply chain;
- fluctuations in the costs of raw materials used in our products;
- the outcome of litigation to which the Company is a party from time to time, including product liability claims;
- work stoppages and other labor issues;
- changes in employment, environmental, tax and other laws and changes in the enforcement of laws;
- the Company's ability to attract and retain key executives and other personnel;
- the Company's ability to successfully pursue the Company's development activities and successfully integrate new operations and systems, including the realization of revenues, economies of scale, cost savings, and productivity gains associated with such operations;
- the Company's ability to obtain or protect intellectual property rights and avoid infringing on the intellectual property rights of others;
- the risks associated with the portion of the Company's total assets comprised of goodwill and indefinite lived intangibles;

- chang es in market conditions that would result in the impairment of goodwill or other assets of the Company;
- changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;
- the effects of changes to critical accounting estimates;
- changes in volatility of the Company's stock price and the risk of litigation following a decline in the price of the Company's stock;
- failure of the Company's operating equipment or information technology infrastructure;
- the Company's ability to implement our Enterprise Resource Planning (ERP) system;
- the Company's access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company's debt obligations;
- the risks associated with our debt;
- the risks associated with the Company's exposure to variable interest rates and foreign currency exchange rates;
- the risks associated with interest rate swap contracts;
- the risks associated with the Company's being subject to tax laws and regulations in various jurisdictions;
- the risks associated with the Company's exposure to renewable energy markets;
- the risks related to regulations regarding conflict minerals;
- the risks associated with the volatility and disruption in the global financial markets;
- the Company's ability to successfully execute, manage and integrate key acquisitions and mergers, including but not limited to the Svendborg Acquisition, the Guardian Acquisition and the Stromag Acquisition;
- the risks associated with the Company's closure of its manufacturing facility in Changzhou, China;
- the Company's ability to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement, restructuring, plant consolidation and other business optimization initiatives;
- the risk associated with the UK vote to leave the European Union; and
- other factors, risks, and uncertainties referenced in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" set forth in this document.

ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS REPORT. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT ANY EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO US OR ANY PERSON ACTING ON THE COMPANY'S BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION AND IN OUR RISK FACTORS SET FORTH IN PART I, ITEM 1A OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2016, AND IN OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Industrial Motion Corp. and its subsidiaries should be read together with the audited financial statements of Altra Industrial Motion Corp. and its subsidiaries and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. Unless the context requires otherwise, the terms "Altra," "Altra Industrial Motion Corp.," "the Company," "we," "us," and "our" refer to Altra Industrial Motion Corp. and its subsidiaries.

General

We are a leading global designer, producer and marketer of a wide range of electromechanical power transmission and motion control products with a presence in over 70 countries. Our global sales and marketing network includes over 1,000 direct OEM customers and over 3,000 distributor outlets. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, couplings, engineered bearing assemblies, linear components, gear motors, and other related products. Our products serve a wide variety of end markets including energy, general industrial, material handling, mining, transportation and turf and garden. We primarily sell our products to a wide range of OEMs and through long-standing relationships with industrial distributors such as Motion Industries, Applied Industrial Technologies, Kaman Industrial Technologies and W.W. Grainger.

Business Segments

The Company currently operates through three business segments that are aligned with key product types and end markets served:

- *Couplings, Clutches & Brakes.*

  Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other. Clutches in this segment are devices which use mechanical, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations of interacting parts that work to slow or stop machinery. Products in this segment are generally used in heavy industrial applications and energy markets.

- *Electromagnetic Clutches & Brakes.*

  Products in this segment include brakes and clutches that are used to electronically slow, stop, engage or disengage equipment utilizing electromagnetic friction type connections. Products in this segment are used in industrial and commercial markets including agricultural machinery, material handling, motion control, and turf & garden.

- *Gearing.*

  Gears are utilized to reduce the speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. Gears produced by the Company are primarily utilized in industrial applications.

The following tables show the percentage of net sales and operating income generated by each of our three segments for the quarters ended March 31, 2017 and 2016:

	Net Sales	
	Quarter Ended	
	March 31, 2017	March 31, 2016
Couplings, Clutches & Brakes	50%	42%
Electromagnetic Clutches & Brakes	30%	32%
Gearing	20%	26%

	Operating Income	
	Quarter Ended	
	March 31, 2017	March 31, 2016
Couplings, Clutches & Brakes	39%	34%
Electromagnetic Clutches & Brakes	35%	35%
Gearing	26%	31%

Our Internet address is www.altramotion.com. By following the link "Investor Relations" and then "SEC filings" on our Internet website, we make available, free of charge, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after such forms are filed with or furnished to the Securities and Exchange Commission. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Quarterly Report on Form 10-Q.

Business Outlook

Over the past several quarters, a number of our end markets were challenged and negatively impacted our performance. During this period, however, we were able to make progress on our restructuring and cost reduction initiatives including our facilities co nsolidation, supply chain and operational excellence initiatives. During the first quarter of 2017, we began to see that some of our challenged end markets have started to rebound. Although we expect sales to these end markets to increase gradually, there is still much uncertainty so we remain cautious and will continue to manage our business in accordance with the level of demand. Provided these end markets continue to improve, we believe the improvements in our cost structure we achieved during the past t wo years will have a positive effect on our profitability. In addition, the integration of our recently acquired Stromag business, which we closed on December 30, 2016, has proceeded well so far. We have already moved the Stromag production operations from one of the seller's US facilities, a facility in China and a facility in Brazil to existing Altra facilities. In addition, we are ramping up cross-selling activities and we are pleased with the financial performance of the business in the first quarter of 2017

Critical Accounting Policies

The preparation of our unaudited condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect our reported amounts of assets, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We base our estimates on past experiences and other assumptions we believe to be appropriate, and we evaluate these estimates on an on-going basis. See the discussion of critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no changes in the identification or application of the Company's critical accounting policies during the quarter ended March 31, 2017.

Recent Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). This ASU requires entities to recognize the income tax consequences of many intercompany asset transfers at the transaction date. The seller and buyer will immediately recognize the current and deferred income tax consequences of an intercompany transfer of an asset other than inventory. The tax consequences were previously deferred until the asset is sold to a third party or recovered through use. This guidance will be effective for the Company on January 1, 2018. We are currently evaluating this guidance and the impact it will have on our consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230): Classification of certain cash receipts and cash payments (a consensus of the emerging issues task force)* ("ASU 2016-15"). This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for the Company on January 1, 2018. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In February 2015, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The ASU requires management to recognize lease assets and lease liabilities by lessees for all operating leases. The ASU is effective for periods beginning after December 15, 2018 and interim periods therein on a modified retrospective basis. We are currently evaluating the impact this guidance will have on our consolidated financial statements and expect to recognize a significant lease obligation upon adoption.

In May 2014, the FASB issued ASU No. 2014-09 *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single principles-based, five-step model to be applied to all contracts with customers. The five steps are to (i) identify the contracts with the customer, (ii) identify the performance obligations in the contact, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when each performance obligation is satisfied. Revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU 2014-09 will be effective for the Company beginning on January 1, 2018 and the standard allows for either full retrospective adoption or modified retrospective adoption. The Company expects to adopt this new guidance using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption. We are continuing to evaluate the impact that the adoption of this guidance will have on our financial condition, results of operations and the presentation of our consolidated financial statements, but currently do not expect the adoption to be material to our consolidated financial statements.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share- Based Payment Accounting* ("ASU 2016-09"). The updated guidance revises aspects of stock-based compensation guidance which include income tax consequences, classification of awards as equity or liabilities, and classification on the statement of cash flows. The Company adopted thi s guidance on January 1, 2017 which resulted in the recognition of excess tax benefits in our provision for income taxes with the Condensed Consolidated Statements of Operations rather than paid-in capital and was not material for the quarter ended March 3 1, 2017. Additionally, our Condensed Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity, adjusted prospectively. Finally, the Company elected to continue to estimate forfeitures based on historical data and recog nizes forfeiture compensation expense over the vesting period of the award.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). Under this guidance, entities utilizing the first-in-first-out ("FIFO") or average cost method should measure inventory at the lower of cost or net realizable value, whereas net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company adopted this guidance on January 1, 2017. The adoption of this ASU did not have a material impact to our Condensed Consolidated Financial Statements.

Results of Operations

(Amounts in thousands, unless otherwise noted)

	Quarter Ended	
	March 31, 2017	**March 31, 2016**
Net sales	$ 215,435	$ 180,453
Cost of sales	149,268	125,823
Gross profit	66,167	54,630
Gross profit percentage	30.7%	30.3%
Selling, general and administrative expenses	40,384	33,536
Research and development expenses	6,223	4,564
Restructuring costs	1,898	1,553
Income from operations	17,662	14,977
Interest expense, net	1,705	2,896
Other non-operating income (loss), net	(530)	(278)
Loss on extinguishment of debt	1,797	—
Income before income taxes	14,690	12,359
Provision for income taxes	4,364	3,549
Net income	$ 10,326	$ 8,810

Quarter Ended March 31, 2017 compared with Quarter Ended March 31, 2016

(Amounts in thousands, unless otherwise noted)

Amounts in thousands, except percentage data	Quarter-Ended			
	March 31, 2017	**March 31, 2016**	**Change**	**%**
Net sales	$ 215,435	$ 180,453	34,982	19.4%

The increase in sales during the quarter ended March 31, 2017 was due to the acquisition of Stromag, price increases, and higher sales levels in several end markets offset by the effect of changes in foreign exchange rates of $2.6 million. Of the increase in sales, approximately $34.6 million relates to the inclusion of additional sales related to the acquisition of Stromag for the quarter. In addition, price increases contributed $1.6 million to the increase during the quarter. The rest of the increase related to a slight recovery in sales levels in various end markets in the Couplings, Clutches, and Brakes business segment.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	**March 31, 2016**	**Change**	**%**
Gross Profit	$ 66,167	$ 54,630	11,537	21.1%
Gross Profit as a percent of sales	30.7%	30.3%		

Gross profit as a percentage of sales increased during the quarter ended March 31, 2017 primarily due to the acquisition of Stromag. This increase in gross profit was reduced by the impact of acquired inventory related to the Stromag acquisition in the amount of $2.3 million which was recorded at fair value rather than cost. Without this charge of $2.3 million, gross profit as a percentage of sales would be 31.8% for the quarter ended March 31, 2017.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Selling, general and administrative expense ("SG&A")	$ 40,384	$ 33,536	$ 6,848	20.4%
SG&A as a percent of sales	18.7%	18.6%		

The entire increase in SG&A is due to the inclusion of SG&A related to the acquisition of Stromag.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Research and development expenses ("R&D")	$ 6,223	$ 4,564	1,659	36.3%

The increase in R&D is due to the inclusion of Stromag for the quarter.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Restructuring Costs	$ 1,898	$ 1,553	345	22.2%

During the quarter ended March 31, 2015, the Company adopted a restructuring plan ("2015 Altra Plan") in response to weak demand and to make certain adjustments to improve business effectiveness, reduce the number of facilities and streamline the Company's cost structure. The actions taken pursuant to the 2015 Altra Plan included reducing headcount and limiting discretionary spending to improve profitability. Approximately $1.4 million, $0.3 million, and $0.2 million were related to the Couplings, Clutches and Brakes segment, Electromagnetic Clutches and Brakes segment, and Corporate business segments, respectively. The Company expects to incur approximately $1.1 million in additional expenses associated with the 2015 Altra Plan through 2017. We expect to realize cost savings of approximately $0.7 million related to these actions during the remainder of 2017.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Interest Expense, net	$ 1,705	$ 2,896	(1,191)	(41.1)%

Interest expense decreased significantly during the quarter as a result of the conversion and redemption of our convertible notes and the favorable impact of the cross currency interest rate swaps despite the higher borrowing under our Credit Facility for the Stromag Acquisition.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Other non-operating income, net	$ (530)	$ (278)	(252)	90.6%

Other non-operating expense in each period in the chart above relates primarily to foreign currency transaction gains and losses arising from changes in exchange rates related to the Euro, British Pound, and Chinese Renminbi.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2017	March 31, 2016	Change	%
Provision for income taxes	4,364	3,549	$ 815	23.0%
Provision for income taxes as a % of income before income taxes	29.7%	28.7%		

The provision for income tax, as a percentage of income before taxes, during the quarter ended March 31, 2017 was higher than that of the quarter ended March 31, 2016 primarily due to increased foreign income in jurisdictions with higher tax rates during the period ending March 31, 2017, as compared to period ending March 31, 2016. This increase is partially offset by the one-time reduction of valuation allowance during the period ending March 31, 2016 related to our Changzhou facility.

Segment Performance.

Amounts in thousands

	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Net Sales:		
Couplings, Clutches & Brakes	$ 106,232	$ 75,623
Electromagnetic Clutches & Brakes	63,878	57,349
Gearing	47,028	48,920
Intra-segment eliminations	(1,703)	(1,439)
Net sales	$ 215,435	$ 180,453
Income from operations:		
Segment earnings:		
Couplings, Clutches & Brakes	$ 8,345	$ 6,291
Electromagnetic Clutches & Brakes	7,593	6,463
Gearing	5,525	5,762
Restructuring	(1,898)	(1,553)
Corporate expenses (1)	(1,903)	(1,986)
Income from operations	$ 17,662	$ 14,977

(1) Certain expenses are maintained at the corporate level and not allocated to the segments. These include various administrative expenses related to the corporate headquarters, depreciation on capitalized software costs, non-capitalizable software implementation costs and acquisition related expenses.

Couplings, Clutches & Brakes

Net sales in the Couplings, Clutches & Brakes segment were $106.2 million in the quarter ended March 31, 2017, an increase of approximately $30.6 million or 40.5%, from the quarter ended March 31, 2016. Approximately $28.6 million of the increase was due to the inclusion of sales from the newly acquired Stromag business for the quarter. The remainder of the increase was due to a slight recovery in certain end markets. Segment operating income increased approximately $2.1 million compared to the prior period primarily as a result of the addition of Stromag.

Electromagnetic Clutches & Brakes

Net sales in the Electromagnetic Clutches & Brakes segment were $63.9 million in the quarter ended March 31, 2017, an increase of approximately $6.5 million, or 11.4%, from the quarter ended March 31, 2016. Approximately $6.0 million of the increase was due to the inclusion of sales from the newly acquired Stromag business in the quarter. Segment operating income increased $1.1 million compared to the prior period primarily as a result of the addition of Stromag.

Gearing

Net sales in the Gearing segment were $47.0 million in the quarter ended March 31, 2017, compared with $48.9 million in the quarter ended March 31, 2016, a decrease of $1.9 million. This is primarily due to weakness in the Oil and Gas end market. Segment operating income decreased $0.2 million compared to the prior period primarily due to the impact of changes to foreign exchange rates.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under our Revolving Credit Facility (defined below). We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions, pensions, dividends and share repurchases. In the event additional funds are needed for operations, we could borrow additional funds available under our existing Revolving Credit Facility, request an expansion by up to $150 million of the amount available to be borrowed under the 2015 Credit Agreement, attempt to secure new debt, attempt to refinance our loans under the 2015 Credit Agreement, or attempt to raise capital in the equity markets. As of March 31, 2017, we have the ability under our Revolving Credit Facility to borrow an additional $115.1 million based on current availability calculations. There can be no assurance however that additional debt financing will be available on commercially acceptable terms, if at all. Similarly, there can be no assurance that equity financing will be available on commercially acceptable terms, if at all.

Second Amended and Restated Credit Agreement

On October 22, 2015, the Company entered into a Second Amended and Restated Credit Agreement by and among the Company, Altra Industrial Motion Netherlands, B.V. ("Altra Netherlands"), one of the Company's foreign subsidiaries (collectively with the Company, the "Borrowers"), the lenders party to the Second Amended and Restated Credit Agreement from time to time (collectively, the "Lenders"), J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, and KeyBanc Capital Markets, Inc., as joint lead arrangers and joint bookrunners, and JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), to be guaranteed through a Guarantee Agreement by certain domestic subsidiaries of the Company (each a "Guarantor" and collectively the "Guarantors"; the Guarantors collectively with the Borrowers, the "Loan Parties"), and which may be amended from time to time (the "2015 Credit Agreement").

Under the 2015 Credit Agreement, the amount of our Revolving Credit Facility was increased to $350 million (the "2015 Revolving Credit Facility"). The amounts available under the 2015 Revolving Credit Facility can be used for general corporate purposes, including acquisitions, and to repay existing indebtedness.

The stated maturity of the 2015 Revolving Credit Facility is October 22, 2020.

The amounts available under the 2015 Revolving Credit Facility may be drawn upon in accordance with the terms of the 2015 Credit Agreement. All amounts outstanding under the 2015 Revolving Credit Facility are due on the stated maturity or such earlier time, if any, required under the 2015 Credit Agreement. The amounts owed under the 2015 Revolving Credit Facility may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the credit facilities is calculated using either an ABR Rate or Eurodollar Rate, plus the applicable margin. The applicable margins for Eurodollar Loans are between 1.25% to 2.00%, and for ABR Loans are between 0.25% and 1.00%. The amounts of the margins are calculated based on either a consolidated total net leverage ratio (as defined in the 2015 Credit Agreement), or the then applicable rating(s) of the Company's debt if and then to the extent as provided in the 2015 Credit Agreement. A portion of the 2015 Revolving Credit Facility may also be used for the issuance of letters of credit, and a portion of the amount of the 2015 Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The 2015 Credit Agreement contains various affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, limit maximum annual capital expenditures, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The 2015 Credit Agreement also contains customary events of default.

On October 21, 2016, the Company entered into an agreement to amend its 2015 Credit Agreement. This amendment, which became effective upon closing of Altra's purchase of Stromag, which was December 30, 2016, increased the Company's 2015 Revolving Credit Facility by $75 million to $425 million. The Company borrowed additional funds under the increased facility to finance its purchase of Stromag. The amendment also reset the possible expansion of up to $150 million of additional future loan commitments. In addition, the amendment increased the multicurrency sublimit to $250 million and adjusted certain financial covenants.

Ratification Agreement

Pursuant to an Omnibus Reaffirmation and Ratification and Amendment of Collateral Documents entered into on October 22, 2015 in connection with the 2015 Credit Agreement by and among the Company, the Loan Parties and the Administrative Agent (the "Ratification Agreement"), the Loan Parties (exclusive of the foreign subsidiary Borrower) have reaffirmed their obligations to the Lenders under the Pledge and Security Agreement dated November 20, 2012 (the "Pledge and Security Agreement"), pursuant to which each Loan Party pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property, whether now owned by or owing to, or after acquired by or arising in favor of such Loan Party (including under any trade name or derivations), and whether owned or consigned by or to, or leased from or to, such Loan Party, and regardless of where located, except for specific excluded personal property identified in the Pledge and Security Agreement (collectively, the "Collateral"). Notwithstanding the foregoing, the Collateral does not include, among other items, more than 65% of the capital stock of the first tier foreign subsidiaries of the Company. The Pledge and Security Agreement contains other customary representations, warranties and covenants of the parties. The 2015 Credit Agreement provides that the obligation to grant the security interest can cease upon the obtaining of certain corporate family credit ratings for the Company, but the obligation to grant a security interest is subject to subsequent reinstatement if the ratings are not maintained as provided in the 2015 Credit Agreement.

Pursuant to the Ratification Agreement, the Loan Parties (other than the foregoing subsidiary Borrower) have also reaffirmed their obligations under each of the Patent Security Agreement and a Trademark Se curity Agreement in favor of the Administrative Agent dated November 20, 2012 (the "2012 Security Agreements") pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ra table benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties.

Additional Trademark Security Agreement and Patent Security Agreement

In connection with the reaffirmation of the Pledge and Security Agreement, certain of the Loan Parties delivered a new Patent Security Agreement and a new Trademark Security Agreement in favor of the Administrative Agent pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties and not covered by the 2012 Security Agreements.

As of March 31, 2017 and December 31,2016 we had $305.4 million and $145.2 million outstanding on our 2015 Revolving Credit Facility, respectively. As of March 31, 2017 and December 31, 2016, we had $4.5 million, and $4.1 million in letters of credit outstanding, respectively. We had $115.1 million available to borrow under the 2015 Revolving Credit Facility at March 31, 2017. On October 21, 2016, the Company entered into a First Amendment to the Second Amended and Restated Credit Agreement.

We were in compliance in all material respects with all covenants of the indenture governing the 2015 Credit Agreement at March 31, 2017.

Convertible Senior Notes

In March 2011, the Company issued Convertible Senior Notes (the "Convertible Notes") due March 1, 2031. The Convertible Notes were guaranteed by the Company's U.S. domestic subsidiaries. Interest on the Convertible Notes was payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.3 million, net of fees and expenses that were capitalized.

On December 12, 2016 the Company gave notice to the holders of the Convertible Notes of its intention to redeem all of the Convertible Notes outstanding on January 12, 2017 (the "Redemption Date"), pursuant to the optional redemption provisions in the Indenture. The redemption price for the Convertible Notes was 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date plus a Make-Whole Premium equal to the present values of the remaining scheduled payments of interest on any Convertible Notes through March 1, 2018 (excluding interest accrued to, but excluding, the Redemption Date). In lieu of receiving the redemption price, holders of the Notes could surrender their Convertible Notes for conversion at any time before January 9, 2017. The conversion rate of the Convertible Notes was 39.0809 shares of the Company's common stock, for each $1,000 of outstanding principal of the Convertible Notes. As of December 31, 2016 approximately $39.3 million notes were converted resulting in the issuance of 1.5 million shares of the Company's common stock. As a result of the conversion, the Company incurred a loss on extinguishment of debt of approximately $1.9 million and the carrying value of the Convertible Notes was $42.9 million as of December 31, 2016. In January 2017, the remaining principal was converted to common stock, with the exception of $0.9 million that was redeemed for cash. The Company incurred an additional loss on extinguishment of debt of approximately $1.8 million during the quarter ended March 31, 2017.

Borrowings

	Amounts in millions	
	March 31, 2017	**December 31, 2016**
Debt:		
Revolving Credit Facility	$ 305.4	$ 313.6
Convertible Notes	-	45.7
Mortgages	12.3	12.7
Capital leases	0.3	0.4
Total debt	$ 318.0	$ 372.4

Cash and Cash Equivalents

The following is a summary of our cash balances and cash flows (in thousands) as of and for the year to date periods ended March 31, 2017 and March 31, 2016, respectively:

	March 31, 2017	March 31, 2016	Change
Cash and cash equivalents at the beginning of the year	$ 69,118	$ 50,320	$ 18,798
Cash flows from operating activities	3,022	6,050	(3,028)
Cash flows used in investing activities	(7,333)	(5,653)	(1,680)
Cash flows used in financing activities	(13,747)	(4,627)	(9,120)
Effect of exchange rate changes on cash and cash equivalents	1,877	(1,247)	3,124
Cash and cash equivalents at the end of the period	$ 52,937	$ 44,843	$ 8,094

Cash Flows for 2017

Net cash provided from operating activities was approximately $3.0 million for the quarter ended March 31, 2017. This was generated by net income of $10.3 million and the net impact of the add-back of certain items including non-cash depreciation, amortization of intangible assets, stock-based compensation, accretion of debt discount, amortization of deferred financing costs, loss on extinguishment of debt, loss on disposal of fixed assets, amortization of inventory fair value adjustment and non-cash loss on foreign currency which was approximately $14.6 million. This was partially offset by a net increase in current assets and liabilities of approximately $8.9 million.

Net cash used in investing activities for the quarter ended March 31, 2017 increased approximately $1.7 million compared to the year to date period ended March 31, 2016. The increase is attributed to higher capital expenditure spend compared to prior year.

Net cash used in financing activities in the quarter ended March 31, 2017 as compared to the quarter ended March 31, 2016 increased by $9.1 million. This increase relates primarily to the payment of debt under the Revolving Credit Facility and a dividend payment of $3.9 million during the current quarter. These increases are partially offset by a decrease of $2.2 million in stock repurchases related to the Company’s share repurchase program compared with the prior year period.

We intend to use our remaining cash and cash equivalents and cash flow from operations to provide for our working capital needs, to fund potential future acquisitions, to service our debt, including principal payments, for capital expenditures, for pension funding, share repurchases and to pay dividends to our stockholders. As of March 31, 2017 we have approximately $48.5 million of cash and cash equivalents held by foreign subsidiaries that are generally subject to U.S. income taxation on repatriation to the U.S. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our 2015 Revolving Credit Facility provide additional potential sources of liquidity should they be required.

Contractual Obligations

There were no material changes in our contractual obligations during the period ended March 31, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates, and changes in commodity prices. During the reporting period, there have been no material changes to the quantitative and qualitative disclosures regarding our market risk set forth in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2017, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, such as this Form 10-Q, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to management, including the principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded th at, as of March 31, 2017, our disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a—15(f) under the Exchange Act) that occurred during our fiscal quarter ended March 31, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHE R INFORMATION

Item 1. Legal Proceedings

We are, from time to time, party to various legal proceedings arising out of our business. During the reporting period, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 1A. Risk Factors

The reader should carefully consider the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission. Those risk factors described elsewhere in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016 are not the only ones we face, but are considered to be the most material. These risk factors could cause our actual results to differ materially from those stated in forward looking statements contained in this Form 10-Q and elsewhere. All risk factors stated in our Annual Report on Form 10-K for the year ended December 31, 2016 are incorporated herein by reference.

During the reporting period there were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our share repurchase activity by month for the quarter ended March 31, 2017.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet be Purchased Under The Plans or Programs
January 1, 2017 to January 31, 2017	—	$ —	—	$ 30,000,000
February 1, 2017 to February 28, 2017	—	$ —	—	$ —
March 1, 2017 to March 31, 2017	—	$ —	—	$ —

(1) On October 19, 2016, our board of directors approved a new share repurchase program authorizing the buyback of up to $30.0 million of the Company's common stock through December 31, 2019. This plan, which was announced on October 21, 2016, replaces the previous share repurchase program which was terminated. The Company expects to purchase shares on the open market, through block trades, in privately negotiated transactions, in compliance with SEC Rule 10b-18 (including through Rule 10b5-1 plans), or in any other appropriate manner. The timing of the shares repurchased will be at the discretion of management and will depend on a number of factors, including price, market conditions and regulatory requirements. Shares acquired through the repurchase program will be retired. The Company retains the right to limit, terminate or extend the share repurchase program at any time without prior notice. The Company expects to fund any further repurchases of its common stock through a combination of cash on hand and cash generated by operations.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Disclosure of Activities Under Section 13(r) of the Securities Exchange Act of 1934

Under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, we are required to disclose whether Altra or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or certain designated individuals or entities. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law. The following information is disclosed pursuant to Section 13(r). None of the following activities involved U.S. affiliates of Altra.

During the reporting period, Bibby Transmissions Limited, a subsidiary of Altra organized and existing under the laws of England ("Bibby"), sold couplings to a European distributor, for ultimate re-sale to an Iranian customer for use in a steam turbine at a methanol plant. Gross revenues received by Bibby in connection with this transaction were approximately GBP 33.6 thousand and net profits were approximately GBP 6.5 thousand. Bibby intends to continue pursuing opportunities with this distributor and end customer, to the extent compliant with applicable law .

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description
3.1(1)	Second Amended and Restated Certificate of Incorporation of the Registrant
3.2(2)	Second Amended and Restated Bylaws of the Registrant
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Operations, (ii) the Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss), (iii) the Unaudited Condensed Consolidated Balance Sheet, (iv) the Unaudited Condensed Consolidated Statement of Cash Flows, (v) the Unaudited Consolidated Statement of Stockholders' Equity and (vi) Notes to Unaudited Condensed Consolidated Interim Financial Statements.

* Filed herewith.
** Furnished herewith.
(1) Incorporated by reference to Altra Industrial Motion Corp.'s (formerly known as Altra Holdings, Inc.) Registration Statement on Form S-1A, as amended, filed with the Securities and Exchange Commission on December 4, 2006.
(2) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on October 27, 2008.

SIGNA TURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTRA INDUSTRIAL MOTION CORP.

May 2, 2017	By:	/s/ Carl R. Christenson
	Name:	Carl R. Christenson
	Title	Chairman and Chief Executive Officer
May 2, 2017	By:	/s/ Christian Storch
	Name:	Christian Storch
	Title:	Vice President and Chief Financial Officer
May 2, 2017	By:	/s/ Todd B. Patriacca
	Name:	Todd B. Patriacca
	Title:	Vice President of Finance, Corporate Controller and Treasurer

EXHIBIT INDEX

Exhibit Number	Description
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31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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* Filed herewith.
** Furnished herewith.

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Carl R. Christenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altra Industrial Motion Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2017	By:	/s/ Carl R. Christenson
	Name:	Carl R. Christenson
	Title:	Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Christian Storch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altra Industrial Motion Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 2, 2017	By:	/s/ Christian Storch
	Name:	Christian Storch
	Title:	Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Altra Industrial Motion Corp. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl R. Christenson, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2017	By:	/s/ Carl R. Christenson
	Name:	Carl R. Christenson
	Title:	Chairman and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Altra Industrial Motion Corp. (the "Company") on Form 10-Q for the period ended March 31, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian Storch, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2017	By:	/s/ Christian Storch
	Name:	Christian Storch
	Title:	Vice President and Chief Financial Officer