Power Transmission and Motion Control Products

Third Quarter 2017 Results

Replay
Through November 3, 2017
877-660-6853 Domestic
201-612-7415 International
Conference ID: # 13672230
Webcast Replay at www.altramotion.com

October 20, 2017
10:00 AM ET
Dial In Number
877-407-8293 Domestic
201-689-8349 International
Webcast at www.altramotion.com

Altra® Industrial Motion

The Power of Experience

Safe Harbor Statement

Cautionary Statement Regarding Forward Looking Statements

All statements, other than statements of historical fact included in this release are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. Forward-looking statements can generally be identified by phrases such as "believes," "expects," "potential," "continues," "may," "should," "seeks," "predicts," "anticipates," "intends," "projects," "estimates," "plans," "could," "designed", "should be," and other similar expressions that denote expectations of future or conditional events rather than statements of fact. Forward-looking statements also may relate to strategies, plans and objectives for, and potential results of, future operations, financial results, financial condition, business prospects, growth strategy and liquidity, and are based upon financial data, market assumptions and management's current business plans and beliefs or current estimates of future results or trends available only as of the time the statements are made, which may become out of date or incomplete. Forward-looking statements are inherently uncertain, and investors must recognize that events could differ significantly from our expectations. These statements include, but may not be limited to, those related to expectations regarding economic conditions, expectations regarding the continued upturn of the Company's end markets, the expected benefit from the Company's strategic marketing initiatives and lower cost structure, the expected execution of the Company's strategic plan during the rest of the year, expectations of the Company's enhanced long-term profitability, expectations on the improvement in certain of the Company's end markets, the statements under our "Business Outlook" , our acquisition strategies, our ability to execute our strategic plan, and the Company's guidance for full year 2017

In addition to the risks and uncertainties noted in this release, there are certain factors that could cause actual results to differ materially from those anticipated by some of the statements made. These include: (1) competitive pressures, (2) changes in economic conditions in the United States and abroad and the cyclical nature of our markets, (3) loss of distributors, (4) the ability to develop new products and respond to customer needs, (5) risks associated with international operations, including currency risks, (6) accuracy of estimated forecasts of OEM customers and the impact of the current global economic environment on our customers, (7) risks associated with a disruption to our supply chain, (8) fluctuations in the costs of raw materials used in our products, (9) product liability claims, (10) work stoppages and other labor issues, (11) changes in employment, environmental, tax and other laws and changes in the enforcement of laws, (12) loss of key management and other personnel, (13) risks associated with compliance with environmental laws, (14) the ability to successfully execute, manage and integrate key acquisitions and mergers, (15) failure to obtain or protect intellectual property rights, (16) risks associated with impairment of goodwill or intangibles assets, (17) failure of operating equipment or information technology infrastructure, (18) risks associated with our debt leverage and operating covenants under our debt instruments, (19) risks associated with restrictions contained in our Credit Facility, (20) risks associated with compliance with tax laws, (21) risks associated with the global recession and volatility and disruption in the global financial markets, (22) risks associated with implementation of our ERP system, (23) risks associated with the Svendborg, Guardian and Stromag acquisitions and integration and other acquisitions, (24) risks associated with the Company's closure of a manufacturing facility in China, (25) risks associated with certain minimum purchase agreements we have with suppliers, (26) risks associated with our exposure to variable interest rates and foreign currency exchange rates, (27) risks associated with interest rate swap contracts, (28) risks associated with our exposure to renewable energy markets, (29) risks related to regulations regarding conflict minerals, (30) risks related to restructuring and plant consolidations, and (31) other risks, uncertainties and other factors described in the Company's quarterly reports on Form 10-Q and annual reports on Form 10-K and in the Company's other filings with the U.S. Securities and Exchange Commission (SEC) or in materials incorporated therein by reference. Except as required by applicable law, Altra Industrial Motion Corp. does not intend to, update or alter its forward looking statements, whether as a result of new information, future events or otherwise. AIMC-E

Third Quarter 2017 Highlights

- Achieved a 24% increase in net sales to $214.6 million, 3.8% increase net of acquisitions
- Fourth consecutive quarter of year-over-year sales growth
- Achieved a 90 basis point increase in gross margin
- Achieved a 390 basis point increase in operating margin
- Achieved a 130 basis point increase in diluted earnings per share

End Market Review

- Sales to Distribution were up slightly year over year
- Turf and Garden sales were flat compared to last year and continue to be flat with 2016 overall, which was a record year
- Ag market sales continue to be strong with another quarter of year-over-year improvement
- Material handling is gaining momentum and up significantly in the quarter
- Oil and gas sales were up for the third consecutive quarter
- Renewable energy sales were up slightly year over year, while conventional power generation sales were down significantly for the quarter
- Metals sales were up year over year and sequentially
- Mining sales continue to improve as sales were up in the quarter both year over year and sequentially

Q3 2017 Financial Highlights

Altra® Industrial Motion

($ millions)	QTD Q3 2017	QTD Q3 2016	$ Change	% Change
Net sales	$214.6	$173.1	$41.5	24.0%
Gross Profit	$69.0	$54.2	$14.8	27.3%
% of net sales	*32.2%*	*31.3%*		
SG&A	$41.0	$36.1	$4.9	13.6%
% of net sales	*19.1%*	*20.9%*		
Income from operations	$21.3	$10.4	$10.9	104.8%
% of net sales	*9.9%*	*6.0%*		
Net Income	$13.3	$5.3	$8.0	150.9%
% of net sales	*6.2%*	*3.1%*		
Earnings Per Share:				
Diluted	$0.46	$0.20	$0.26	130.0%
Non-GAAP Diluted *	$0.48	$0.35	$0.13	37.1%
Weighted Average Common Shares Outstanding:				
Diluted	29,074	26,021	3,053	11.7%

Selected Segment Data

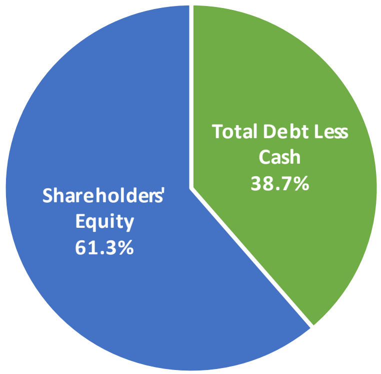
Segment Financial Information	Quarter Ended September 2017	Quarter Ended September 2016	Variance $	Variance %
Net Sales:				
Couplings, Clutches & Brakes	$ 110.1	$ 77.4	$ 32.7	42.2%
Electromagnetic Clutches & Brakes	58.3	50.7	7.6	15.0%
Gearing	48.4	47.0	1.4	3.0%
Inter-segment eliminations	(2.2)	(2.0)	(0.2)	10.0%
Net sales	$ 214.6	$ 173.1	$ 41.5	24.0%
Income from operations:				
Segment earnings:				
Couplings, Clutches & Brakes	$ 12.7	$ 6.6	$ 6.1	92.4%
% of segment sales	*11.5%*	*8.5%*		
Electromagnetic Clutches & Brakes	6.1	6.6	(0.5)	-7.6%
% of segment sales	*10.5%*	*13.0%*		
Gearing	5.7	5.7	-	0.0%
% of segment sales	*11.8%*	*12.1%*		
Restructuring	(0.7)	(3.4)	2.7	-79.4%
Corporate expenses	(2.6)	(5.1)	2.5	-49.0%
Income from operations	$ 21.3	$ 10.4	$ 10.9	104.8%
% of total sales	*9.9%*	*6.0%*		

Balance Sheet Highlights

Balance Sheet Highlights

(amounts in millions)

	Q3 2017		Q3 2016	
Cash	$53.2		$39.8	
Total Debt	$295.6		$216.2	
Total Debt less Cash	$242.4	38.7%	$176.4	41.3%
Shareholders' Equity	$383.6	61.3%	$250.9	58.7%
Shareholders' Equity plus Debt, less Cash	$626.0	100.0%	$427.3	100.0%
Diluted Shares Outstanding	29.1		26.0	3.1



2017 Guidance

- $860 - $870 Million in sales
- $1.76 - $1.82 diluted earnings per share
- $2.00 - $2.06 Non-GAAP diluted earnings per share *
- Approximately $30 Million in capital expenditures
- $35 - $37 Million in depreciation and amortization
- Tax rate approximately 29% - 31% before discrete items

* See Appendix

Summary

- Capitalizing on the positive momentum to drive organic growth initiatives
- Bottom line expected to improve as end markets strengthen and business simplification initiatives mature
- Stromag synergies continue to be on track and cross-selling initiatives are performing better than expectations

Discussion of Non-GAAP Measures

*As used in this release and the accompanying slides posted on the Company's website, non-GAAP diluted earnings per share, non-GAAP income from operations and non-GAAP net income are each calculated using either net income or income from operations that excludes acquisition related costs, restructuring costs, and other income or charges that management does not consider to be directly related to the Company's core operating performance. Non-GAAP gross profit is calculated using gross profit that excludes income or charges that management does not consider to be directly related to the Company's core operating performance. Non-GAAP gross profit margin is calculated by dividing non-GAAP income from operations by GAAP net sales. Non-GAAP diluted earnings per share is calculated by dividing non-GAAP net income by GAAP weighted average shares outstanding (diluted). Non-GAAP free cash flow is calculated by deducting purchases of property, plant and equipment from net cash flows from operating activities. Non-GAAP operating working capital is calculated by deducting accounts payable from net trade receivables plus inventories.

Altra believes that the presentation of non-GAAP net income, non-GAAP income from operations, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP diluted earnings per share, non-GAAP free cash flow and non-GAAP operating working capital provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations.

Appendix
Non-GAAP Measures *

Non-GAAP Net Income
(amounts in millions)

	Q3 2017		Q3 2016	
Reported Net Income	$13.3		$5.3	
Restructuring and consolidation costs	0.7		3.9	
remedy	-		0.2	
Acquisition related expenses	0.1		1.1	
Tax impact of above adjustments	(0.2)	(1)	(1.5)	(2)
Non-GAAP net income	13.8		9.0	
Non-GAAP diluted earnings per share	$0.48		$0.35	

(1) tax impact is calculated by multiplying the estimated effective tax rate, 28.6% by the above items

(2) tax impact is calculated by multiplying the estimated effective tax rate, 28.6% by the above items

Non-GAAP Income from operations
(amounts in millions)

	Q3 2017	Q3 2016
Reported Income from Operations	$21.3	$10.4
Income from operations as a percentage of net sales	*9.9%*	*6.0%*
Restructuring and consolidation costs	0.7	3.9
Legal fees associated with pursuit of unfair trade remedy	-	0.2
Acquisition related expenses	0.1	1.1
Non-GAAP income from operations	$22.1	$15.6
Non-GAAP income from operations as a percentage of net sales	*10.3%*	*9.0%*

Free Cash Flow
(amounts in millions)

	Q3 2017	Q3 2016
Operating Cash Flow	$17.3	$16.4
Less Capex	(8.9)	(4.8)
Free Cash Flow	$8.4	$11.6

*Reconciliation of 2017 Non-GAAP Net Income and Diluted EPS Guidance
(Amounts in millions except per share information)

	Fiscal Year 2017	Fiscal Year 2017 Diluted earnings per share
Net Income	$51.4 - $52.9	$1.76 - $1.82
Adjustments *		
Restructuring and consolidation costs	3.8	
Acquisition related expenses	1.7	
Amortization of inventory fair value adjustment	2.3	
Loss on extinguishment of debt	1.8	
Tax impact of above adjustments**	(2.8)	
Non-GAAP Net Income	$58.2 - $59.7	$2.00 - $2.06

* Adjustments are pre-tax, with net tax impact listed separately

** Tax impact is calculated by multiplying the effective tax rate for the period of 31% by the above items.

Non-GAAP Operating Working Capital
(amounts in millions)

	Q3 2017	Q3 2016
Accounts Receivable	$136.5	$104.7
Inventories	153.0	121.4
Accounts Payable	(59.6)	(41.8)
Operating Working Capital	$229.9	$184.3

Appendix
Non-GAAP EBITDA Reconciliation *

EBITDA Reconciliation
(amounts in millions)

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	LTM
Net Income	$1.7	$10.3	$15.4	$13.3	$40.7
Asset Impairment and Other, Net	7.7	(0.1)	-	0.1	7.7
Loss on write-off of deferred financing and extinguishment of convertible debt	2.0	1.8	-	-	3.8
Taxes	(1.1)	4.4	5.9	5.5	14.7
Interest Expense, net	3.1	1.7	2.0	1.8	8.6
Depreciation Expense	5.4	6.5	6.4	6.9	25.2
Amortization Expense	1.9	2.3	2.4	2.4	9.0
Amortization of inventory fair value adjustment	-	2.3	-	-	2.3
Stock Compensation Expense	0.8	1.8	1.4	1.3	5.3
Restructuring and consolidation expense	3.3	1.9	1.2	0.7	7.1
Adjusted EBITDA	$24.8	$32.9	$34.7	$32.0	$124.4
Three mos. ended 12/31/2016 Estimated Stromag Adjusted EBITDA *					$ 5.6
Proforma Combined Adjusted EBITDA					$ 130.0

* Based upon management's estimate of Stromag's financial results for the three months ended December 31, 2016. Stromag's actual historical results for the period have not been subject to an audit and cannot be verified at this point in time. Moreover, the non-GAAP adjusted EBITDA of Stromag cannot be reconciled to actual audited results because no such results are available to management. Nonetheless, management believes that an estimate of Stromag's adjusted EBITDA is important to the Company's investors because it provides an estimated indication of the Company's potential ability to service debt and incur additional leverage, if any.