

Altra Industrial Motion



Power Transmission and Motion Control Products

First Quarter 2016 Results

Replay

Through May 13, 2016

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201-612-7415 International

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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current estimates of future results or trends available only as of the time the statements are made, which may become out of date or incomplete.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 relating to the Company's progress on corporate initiatives, including its supply chain management initiative, the Company's views and assessment of economic conditions, foreign currency trends, end market conditions and industrial demand, the Company's expectations with respect to sales, the Company's progress on executing its acquisition and organic growth strategies and new product development, the Company's progress on implementing profit improvement initiatives, the Company's progress and future plans on implementing and pursuing consolidation and cost reduction activities, the impact and timing of the Company's cost management and restructuring activities on earnings, and other potential cost management and restructuring activities on earnings, margins and shareholder value, the Company's unaudited 2016 financial information, and the Company's guidance for full year 2016

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 Convertible Notes and 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 and Guardian acquisitions and integration and other acquisitions, (24) risks associated with the closure of the Company's manufacturing facility in Changzhou, 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 the potential dilution of our common stock as a result of our convertible notes, (29) risks associated with our exposure to renewable energy markets, (30) risks related to regulations regarding conflict minerals, (31) risks related to restructuring and plant consolidations, and (32) 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.

First Quarter 2016 Highlights



- Gross margin percentage increased 10 bps to 30.3%
- Revenues decreased 6.7% from the first quarter of 2015
- Income from operations was 8.3%, Non-GAAP income from operations was 9.2% *
- Repurchased \$2.2 million of Altra shares

- Sales at Distribution were down year over year but up sequentially
- Turf and Garden sales are off to another great start
- Ag market down sharply from a year ago
- Oil and gas down as expected year to date
- Alternative energy was up modestly both year over year and sequentially
- Metals weakened further during the quarter and was off double digits from a year ago and sequentially
- Mining sales declined significantly both sequentially and year over year

Q1 2016 Financial Highlights



| | <u>Q1 2016</u> | <u>Q1 2015</u> | <u>\$ Change</u> | <u>% Change</u> |
|--|----------------|----------------|------------------|-----------------|
| | (\$ millions) | | | |
| Net Sales | \$180.5 | \$193.4 | (\$12.9) | -6.7% |
| Gross Profit | \$54.6 | \$58.5 | (\$3.9) | -6.7% |
| <i>% of Revenues</i> | 30.3% | 30.2% | | |
| SG&A | \$33.5 | \$36.3 | (\$2.8) | -7.7% |
| <i>% of Revenues</i> | 18.6% | 18.8% | | |
| Income from operations | \$15.0 | \$15.7 | (\$0.7) | -4.5% |
| <i>% of Revenues</i> | 8.3% | 8.1% | | |
| Net Income | \$8.8 | \$9.4 | (\$0.6) | -6.4% |
| <i>% of Revenues</i> | 4.9% | 4.9% | | |
| Earnings Per Share: | | | | |
| Diluted | \$0.34 | \$0.36 | (\$0.02) | -5.6% |
| Non-GAAP Diluted * | \$0.38 | \$0.42 | (\$0.04) | -9.5% |
| Weighted Average Common Shares Outstanding: | | | | |
| Diluted | 25,759 | 26,357 | (598) | -2.3% |

Selected Segment Data



Couplings, Clutches & Brakes (CCB)

Electric Clutches & Brakes (ECB)

Gearing

\$ Millions

| Frist Quarter | <u>Q1 2016</u> | <u>Q1 2015</u> | <u>Diff</u> | <u>Q1 2016</u> | <u>Q1 2015</u> | <u>Diff</u> | <u>Q1 2016</u> | <u>Q1 2015</u> | <u>Diff</u> |
|------------------------|----------------|----------------|-------------|----------------|----------------|-------------|----------------|----------------|-------------|
| Net Sales | \$75.6 | \$89.1 | (\$13.5) | \$57.3 | \$57.6 | (\$0.3) | \$48.9 | \$49.2 | (\$0.3) |
| Income From Operations | \$6.3 | \$10.0 | (\$3.7) | \$6.5 | \$5.3 | \$1.2 | \$5.8 | \$4.8 | \$1.0 |
| <i>% of Net Sales</i> | 8.3% | 11.2% | | 11.3% | 9.2% | | 11.9% | 9.8% | |

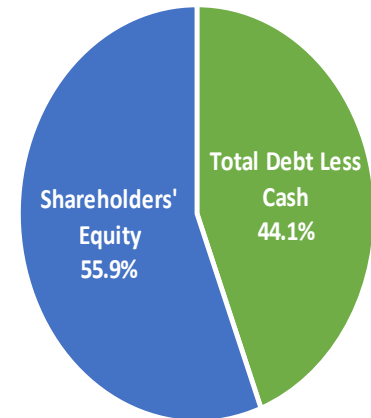
Balance Sheet Highlights

- Total Debt less Cash decreased by approximately \$24.0 year over year
- Repurchased 91,000 shares in Q1

Balance Sheet Highlights

(amounts in millions)

| | <u>Q1 2016</u> | | <u>Q1 2015</u> | |
|---|----------------|--------|----------------|--------|
| Cash | \$44.8 | | \$47.4 | |
| Total Debt | \$242.9 | | \$269.5 | |
| Total Debt less Cash | <u>\$198.1</u> | 44.1% | <u>\$222.1</u> | 47.6% |
| Shareholders' Equity | \$250.6 | 55.9% | \$244.7 | 52.4% |
| Shareholders' Equity plus Debt, less Cash | \$448.7 | 100.0% | \$466.8 | 100.0% |
| Shares Outstanding | 25.8 | | 26.4 | (0.60) |



- \$700 - \$720 Million in sales
- \$1.40 - \$1.50 Non-GAAP diluted earnings per share *
- \$20 - \$24 Million in capital expenditures
- \$30 - \$32 Million in depreciation and amortization
- Tax rate approximately 29% - 31% before discrete items

Business Simplification On Track



| | Long Term Objective | YTD Results | Current Status |
|--------------------------|--|--|----------------|
| Operational Improvements | Reduce the number of facilities by 20% to 30% | <ul style="list-style-type: none"> Restructuring and cost reductions have improved margins Bauer improvement is on track Facility consolidations are on track | |
| Strategic Pricing | Operating profit improvement of 150 bps | <ul style="list-style-type: none"> Pricing environment is more challenging Continue to find pricing opportunities | |
| Supply Chain Management | Implement hybrid SCM structure to reduce material spend | <ul style="list-style-type: none"> Training is substantially complete Reorganization of procurement organization is on track | |
| SAP Deployment | Entire organization on the same instance of SAP | <ul style="list-style-type: none"> Next phase of implementation to begin in second half of 2016 | |
| Revenue Growth | Growth in excess of GDP | <ul style="list-style-type: none"> Key end market declines and FX rate headwinds overwhelm continued success in marketplace and operational improvements | |
| Lean | Market leader for lead time and on time delivery Market leader for innovative solution responsiveness | <ul style="list-style-type: none"> Model Value Stream results are meeting expectations | |

Upcoming Calendar Events



- Upcoming Industrial Conferences include:
 - KeyBank 2016 Industrial, Automotive and Transportation Conference, Boston, MA, May 31, 2016-June 2, 2016
 - Citi 2016 Small & Mid Cap Conference, New York, NY, June 9th and 10th 2016

Investor Relations Contact Information:

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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 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 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) | <u>Q1 2016</u> | <u>Q1 2015</u> |
|--|------------------|------------------|
| Reported Net Income | \$8.8 | \$9.4 |
| Restructuring Costs | 1.6 | 1.8 |
| Acquisition related expenses | - | 0.7 |
| Tax impact of above adjustments | <u>(0.5)</u> (1) | <u>(0.8)</u> (2) |
| Non-GAAP net income | 9.9 | 11.1 |
| Non-GAAP diluted earnings per share | \$0.38 | \$0.42 |

(1) tax impact is calculated by multiplying the estimated effective tax rate, 29.9% by the above items

(2) tax impact is calculated by multiplying the estimated effective tax rate, 30.5% by the above items

| Operating Working Capital (amounts in millions) | <u>Q1 2016</u> | <u>Q1 2015</u> |
|--|----------------|----------------|
| Accounts Receivable | \$103.9 | \$94.7 |
| Inventories | 119.4 | 121.2 |
| Accounts Payable | <u>(37.3)</u> | <u>(40.3)</u> |
| Operating Working Capital | \$186.0 | \$175.6 |

| Non-GAAP Operating Income (amounts in millions) | <u>Q1 2016</u> | <u>Q1 2015</u> |
|--|----------------|----------------|
| Reported Income from Operations | \$15.0 | \$15.7 |
| Restructuring Costs | 1.6 | 1.8 |
| Acquisition related expenses | - | 0.7 |
| Non-GAAP income from operations | <u>\$16.5</u> | <u>\$18.1</u> |

| Free Cash Flow (amounts in millions) | <u>Q1 2016</u> | <u>Q1 2015</u> |
|---|----------------|----------------|
| Operating Cash Flow | \$6.1 | \$12.8 |
| Less Capex | <u>(5.7)</u> | <u>(7.7)</u> |
| Free Cash Flow | \$0.4 | \$5.0 |