

**CRANE**

**Crane Co.  
Q1 2014 Earnings Release Call**

## **Forward-Looking Statements – Disclaimer**

**The information in this presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical information or statements about our current condition. You can identify forward-looking statements by the use of terms such as “believes,” “contemplates,” “expects,” “may,” “could,” “should,” “would,” or “anticipates,” other similar phrases, or the negatives of these terms. We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including those detailed on Page 1 of our Annual Report on Form 10-K for 2013 and in our subsequent disclosures filed with the Securities and Exchange Commission.**

(\$ Millions except per-share amounts)

	Q1 2014	Q1 2013	Change
Sales	\$716.8	\$627.6	+14.2%
Operating Profit*	\$100.9	\$89.8	+12.4%
Operating Margin*	14.1%	14.3%	-20 bps
Earnings per Share*	\$1.05	\$1.04	+1%
Free Cash Flow**	-\$28.3	-\$25.9	-9%

**Q1 2014 Details**

	Q1 2014		Q1 2014
Core Growth	+1.0%	Diluted EPS: GAAP	\$0.82
MEI Acquisition, net***	+13.4%	M&A related items*	\$0.16
FX Translation	-0.2%	Repositioning*	\$0.07
Total Sales Change	+14.2%	Diluted EPS: non-GAAP*	\$1.05

\* OP, margin, and Earnings per Share exclude Special Items. Please see non-GAAP table for details.

\*\* Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP table for details.

\*\*\* MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace and divestiture of the B2B bill recycler product line.

## Solid Start to 2014

- Core growth +1%
  - Favorable secular and cyclical trends
  - On-track to meet 2014 guidance: growth of 1% to 3%
- MEI integration progressing smoothly
  - Roughly \$1 million in pre-tax synergies in the first quarter; 2014 guidance for \$7 million
- Repositioning activities on track at Electronics and Fluid Handling
  - \$5 million savings in 2015, and annual rate of \$10 million by 2016

## Maintaining 2014 Guidance

- Core sales growth of 1% to 3%, with \$3B total sales
- EPS\* of \$4.55-\$4.75 (up 9% to 14%)
- Free Cash Flow\*\* of \$225M to \$250M

\* EPS guidance excludes Special Items. Please see non-GAAP table for details.

\*\* Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP table for details.

(\$ Millions)

	Q1 2014	Q1 2013	Change
Sales	\$310.8	\$313.0	-0.7%
Operating Profit*	\$47.7	\$45.9	+4.0%
Operating Margin*	15.4%	14.7%	+70 bps
Backlog	\$351	\$365	-4%

### Q1 2014 Highlights

- Margin growth from productivity and pension
- Canada markets remain weak
- Expect process valve demand improvement in 2H14 and 2015
- YoY backlog decline from unfavorable comps in nuclear services

	Q1 2014
Core Growth	-0.6%
FX Translation	-0.1%
Total Sales Change	-0.7%

\* OP and margin in 2014 exclude Special Items. Please see non-GAAP table for details.

# Payment and Merchandising Technologies

(\$ Millions)

	Q1 2014	Q1 2013	Change
Sales	\$169.1	\$89.5	+89.0%
Operating Profit*	\$19.8	\$10.2	+94.9%
Operating Margin*	11.7%	11.4%	+30 bps

## Q1 2014 Highlights

- As expected, Q1 demand seasonally soft, with headwind from timing of customer capital spending
- Positive product mix and strong productivity gains
- Q1 pre-tax synergies of \$1 million
- 2014 synergy guidance unchanged at \$7 million, with \$0.20 accretion\*

	Q1 2014
Core Growth	-3.7%
MEI Acquisition, net**	+93.9%
FX Translation	-1.2%
<b>Total Sales Change</b>	<b>+89.0%</b>

\* OP and margin in 2014, and EPS/accretion exclude Special Items. Please see non-GAAP table for details.

\*\* MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace and divestiture of the B2B bill recycler product line.

# Aerospace and Electronics

(\$ Millions)

	Q1 2014	Q1 2013	Change
Sales	\$169.0	\$164.9	+2.5%
Operating Profit*	\$35.4	\$40.1	-11.8%
Operating Margin*	20.9%	24.3%	-340 bps
Backlog	\$398	\$398	0%

## Q1 2014 Highlights

Aerospace Group	Q1 2014	Total Segment	Q1 2014
Commercial OE	+7%	Core Growth	+2.4%
Aftermarket	+4%	FX Translation	+0.1%
OE / Aftermarket mix	63%/37%	Total Sales Change	+2.5%

- Commercial trends remain strong, and improving
- Q1 margins impacted from planned engineering expense and program investments
- Aerospace sales +5.1% to \$109.5 million
- Electronics sales -2.0% to \$59.5 million

\* OP and margin in 2014 exclude Special Items. Please see non-GAAP table for details.

(\$ Millions)

	Q1 2014	Q1 2013	Change
Sales	\$67.9	\$60.2	+12.8%
Operating Profit	\$10.8	\$8.6	+25.9%
Operating Margin	15.9%	14.2%	+170 bps

### Q1 2014 Highlights

	Q1 2014		Q1 2014
Recreational Vehicle	+26%	Core Growth	+12.8%
Building Products	-7%	FX Translation	0.0%
Transportation	+25%	Total Sales Change	+12.8%

- Building Products expected to recover in 2H14
- RV and Transportation sales growth rates likely to moderate over the course of 2014
- Continued strong productivity
- Margins impacted by negative product mix in Q1



## Cash Flow and Balance Sheet

	(\$ Millions)		
	Q1 2014	Q1 2013	Change
Cash Provided from Operating Activities	(\$18.9)	(\$20.4)	\$1.5
Capital Expenditures	(\$9.4)	(\$5.5)	(\$3.9)
Free Cash Flow*	(\$28.3)	(\$25.9)	(\$2.4)
	Q1 2014	Q4 2013	Change
Total Debt	\$893	\$875	\$18
Cash	\$250	\$271	(\$21)

- Guidance includes a \$15 million full-year increase in capital expenditures

\*Free cash flow is defined as cash provided by operating activities less capital spending. Please see non-GAAP table for details.

	Guidance	YOY Growth
Sales	\$3.0B	+15% to 17%
EPS*	\$4.55-\$4.75	+9% to 14%
Free Cash Flow**	\$225M-\$250M	+7% to 19%

### ■ Maintaining guidance

- Q1 performance consistent with expectations
- Accelerating growth in 2H14
- MEI integration on track to meet financial objectives

\* EPS guidance excludes Special Items. Please see non-GAAP table for details.

\*\* Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP table for details.

**Solid Start to 2014**

- Expect momentum to improve over course of 2014
- Both cyclical and secular tailwinds
- MEI integration progressing smoothly
- Repositioning actions on-track
- Continued focus on growth investments
- Committed to 10%+ EPS growth per year



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Non-GAAP Information

Certain non-GAAP measures have been provided to facilitate comparison with the prior year.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain non-recurring items present additional useful comparisons between current results and results in prior operating periods, providing investors with a clearer view of the underlying trends of the business. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance.

In addition, Free Cash Flow provides supplemental information to assist management and investors in analyzing the Company's ability to generate liquidity from its operating activities. The measure of Free Cash Flow does not take into consideration certain other non-discretionary cash requirements such as, for example, mandatory principal payments on the Company's long-term debt. Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

## Non-GAAP Financial Measures

CRANE CO.  
Non-GAAP Financial Measures  
(in thousands)

INCOME ITEMS

	Three Months Ended March 31,		Percent Change March 31, 2014 Three Months
	2014	2013	
Net Sales	\$ 716,830	\$ 627,571	14.2%
Operating Profit	81,386	86,900	-6.3%
<i>Percentage of Sales</i>	<i>11.4%</i>	<i>13.8%</i>	
<u>Special Items impacting Operating Profit:</u>			
Acquisition transaction costs (a)	-	2,888	
Acquisition related inventory and backlog amortization (b)	4,790	-	
Acquisition related integration costs (c)	4,391	-	
Acquisition related restructuring costs (d)	4,323	-	
Repositioning charges (e)	6,050	-	
Operating Profit before Special Items	\$ 100,940	\$ 89,788	12.4%
<i>Percentage of Sales</i>	<i>14.1%</i>	<i>14.3%</i>	
Net Income Attributable to Common Shareholders	\$ 48,684	\$ 57,791	
<i>Per Share</i>	<i>\$ 0.82</i>	<i>\$ 0.99</i>	-17.4%
<u>Special Items impacting Net Income Attributable to Common Shareholders:</u>			
Acquisition Transaction Costs - Net of Tax (a)	-	2,888	
<i>Per Share</i>		<i>\$ 0.05</i>	
Acquisition related inventory and backlog amortization - Net of Tax (b)	3,018	-	
<i>Per Share</i>	<i>\$ 0.05</i>		
Acquisition related integration charges - Net of Tax (c)	3,209	-	
<i>Per Share</i>	<i>\$ 0.05</i>		
Acquisition related restructuring charges - Net of Tax (d)	2,980	-	
<i>Per Share</i>	<i>\$ 0.05</i>		
Repositioning Charges - Net of Tax (e)	4,330	-	
<i>Per Share</i>	<i>\$ 0.07</i>		
Net Income Attributable To Common Shareholders Before Special Items	\$ 62,221	\$ 60,679	2.5%
<i>Per Share</i>	<i>\$ 1.05</i>	<i>\$ 1.04</i>	0.6%

**CRANE CO.**  
**Non-GAAP Financial Measures**

- (a) During the three months ended March 31, 2013, the Company recorded transaction costs associated with the acquisition of MEI/Conlux.
- (b) During the three months ended March 31, 2014, the Company recorded inventory step-up and backlog amortization relating to the acquisition of MEI/Conlux.
- (c) During the three months ended March 31, 2014, the Company recorded integration costs associated with the acquisition of MEI/Conlux.
- (d) During the three months ended March 31, 2014, the Company recorded restructuring costs associated with the acquisition of MEI/Conlux.
- (e) During the three months ended March 31, 2014, the Company recorded repositioning charges associated with certain facility consolidation activities in our Fluid Handling and Aerospace & Electronics segments. These charges primarily included severance and move costs related to the transfer of certain manufacturing operations.



## Non-GAAP Financial Measures

**CRANE CO.**  
**Non-GAAP Financial Measures**  
(in thousands)

**2014 Full Year Guidance**

**2014 Earnings Per Share Guidance**

	<u>Low</u>	<u>High</u>
Earnings Per Share - GAAP basis	\$ 4.28	\$ 4.48
Acquisition integration costs, inventory step-up and backlog amortization - Net of Tax(f)	0.22	0.22
Anticipated facility repositioning actions, net of real estate divestiture gains - Net of Tax (g)	0.05	0.05
Earnings Per Share - Non-GAAP basis	<u>\$ 4.55</u>	<u>\$ 4.75</u>

(f) In connection with the MEI/Conlux acquisition, the Company expects to incur transaction and integration related costs, and inventory step up and backlog amortization charges in a range of \$18 million to \$21 million. The \$0.22 represents the estimated Earnings Per Share impact for the mid-point of the \$18 million to \$21 million range.

(g) In 2014, the Company expects to incur costs associated with facility repositioning actions related to the consolidation of certain smaller manufacturing sites and expects to record gains from the sale of certain Company owned real estate.

**CASH FLOW ITEMS**

(in thousands)

**Three Months Ended**

**March 31,**

**2014 Full Year Guidance**

	<u>2014</u>	<u>2013</u>	<u>Low</u>	<u>High</u>
Cash Provided from Operating Activities				
before Asbestos - Related Payments	\$ (5,985)	\$ (9,910)	\$ 345,000	\$ 354,000
Asbestos Related Payments, Net of Insurance Recoveries	(12,925)	(10,493)	(70,000)	(64,000)
Cash Provided from Operating Activities	(18,910)	(20,403)	275,000	290,000
Less: Capital Expenditures	(9,393)	(5,473)	(50,000)	(40,000)
Free Cash Flow	<u>\$ (28,303)</u>	<u>\$ (25,876)</u>	<u>\$ 225,000</u>	<u>\$ 250,000</u>

## Non-GAAP Financial Measures

### CRANE CO. Non-GAAP Financial Measures

(\$ Millions)

For the three months ended March 31, 2014

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	310.8	169.1	169.0	67.9	0.0	716.8
Operating Profit - GAAP	44.5	7.4	32.6	10.8	-13.9	81.4
Acquisition Transaction Costs	-	-	-	-	-	-
Inventory & Backlog Step-up	-	4.8	-	-	-	4.8
Acquisition Related Integration	-	3.2	-	-	1.1	4.4
Acquisition Related Restructuring	-	4.3	-	-	-	4.3
Repositioning	3.2	-	2.8	-	-	6.0
Operating Profit before Special Items	47.7	19.8	35.4	10.8	-12.8	100.9
<i>Percentage of Sales</i>	<i>15.4%</i>	<i>11.7%</i>	<i>20.9%</i>	<i>15.9%</i>		<i>14.1%</i>

(\$ Millions)

For the three months ended March 31, 2013

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	313.0	89.5	164.9	60.2	0.0	627.6
Operating Profit - GAAP	45.9	10.2	40.1	8.6	-17.8	86.9
Acquisition Transaction Costs	-	-	-	-	2.9	2.9
Inventory & Backlog Step-up	-	-	-	-	-	-
Acquisition Related Integration	-	-	-	-	-	-
Acquisition Related Restructuring	-	-	-	-	-	-
Repositioning	-	-	-	-	-	-
Operating Profit before Special Items	45.9	10.2	40.1	8.6	-15.0	89.8
<i>Percentage of Sales</i>	<i>14.7%</i>	<i>11.4%</i>	<i>24.3%</i>	<i>14.2%</i>		<i>14.3%</i>