



**CRANE**

CRANE CO. FINANCIAL OVERVIEW

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**2015 Results**

**2016 Outlook**

# 2015 Operating Results

CRANE

<i>(\$ Millions, except per share amounts)</i>	2014	2015	Change
Net Sales	\$2,925	\$2,741	(6%)
Operating Profit*	\$426	\$391	(8%)
Operating Margin*	14.6%	14.3%	(30 bps)
Net Income*	\$265	\$243	(9%)
Diluted Shares	59.6	58.8	(1%)
EPS*	\$4.45	\$4.13	(7%)

**7% EPS Decline Due to Weak Fluid Handling End Markets\***

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

# 2015 Revenue Story

	% of Crane	Core Growth	Comments
<b>Fluid Handling</b>	40%	(6%)	<ul style="list-style-type: none"><li>Weak Process Valve end markets</li><li>Oil &amp; Gas price collapse</li></ul>
<b>Payment &amp; Merchandising Technologies</b>	26%	+6%	<ul style="list-style-type: none"><li>Solid growth across both CPI and Merchandising</li></ul>
<b>Aerospace &amp; Electronics</b>	25%	0%	<ul style="list-style-type: none"><li>Commercial slowed ahead of narrow body transition</li><li>Strong military aftermarket</li></ul>
<b>Engineered Materials</b>	9%	+1%	<ul style="list-style-type: none"><li>RV Demand solid at elevated levels</li><li>Non-residential construction still sluggish</li></ul>

**A Challenging Year for Growth...**

# 2015 Margin Story

	2014*	2015*	Change	Key Factors
<b>Fluid Handling</b>	15.6%	12.4%	(320 bps)	<ul style="list-style-type: none"> <li>❑ - Lower volume</li> <li>❑ - Pricing</li> <li>❑ + Productivity</li> <li>❑ + Repositioning</li> </ul>
<b>Payment &amp; Merchandising Technologies</b>	13.0%	15.4%	+240 bps	<ul style="list-style-type: none"> <li>❑ + MEI synergies</li> <li>❑ + Ongoing productivity</li> <li>❑ + Strong volume growth</li> </ul>
<b>Aerospace &amp; Electronics</b>	20.9%	21.0%	+10 bps	<ul style="list-style-type: none"> <li>❑ + Productivity</li> <li>❑ + Repositioning</li> <li>❑ - Investment</li> </ul>
<b>Engineered Materials</b>	14.5%	19.0%	+450 bps	<ul style="list-style-type: none"> <li>❑ + Productivity</li> <li>❑ + Raw materials (Resin)</li> </ul>

**Fluid Handling End Market Challenges / Strong Everywhere Else**

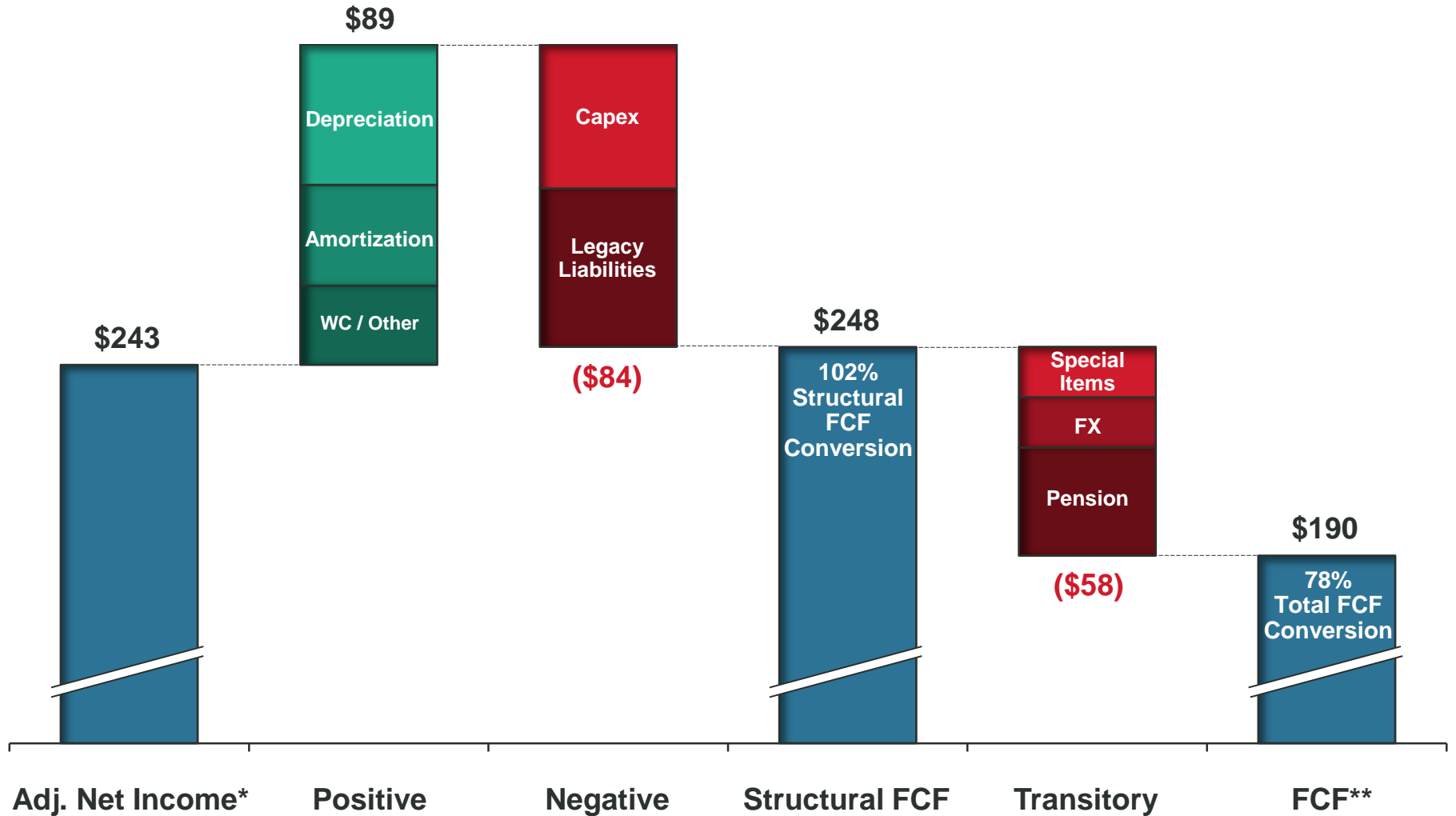
\* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

<i>(\$ Millions)</i>	2014	2015
Cash Provided from Operating Activities Before Asbestos Related Payments	325	279
Asbestos Related Payments, Net of Insurance (Pre-Tax)	(61)	(50)
Cash Provided from Operating Activities	264	229
Less: Capital Expenditures	(44)	(40)
<b>Free Cash Flow</b>	<b>\$220</b>	<b>\$190</b>

**End Market Challenges at Fluid Handling in 2015**

# 2015 Free Cash Conversion

(in \$ millions)



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

\*\* Please see non-GAAP Financial Measures tables for details.

**2015 Results**

**2016 Outlook**



(\$ Millions, except per share amounts)	2015	2016G***	Change***
Net Sales	\$2,741	\$2,690	(2%)
Operating Profit*	\$391	\$384	(2%)
EPS*	\$4.13	\$4.00	(3%)
Free Cash Flow**	\$190	\$205	8%

	2016G	Other Guidance Details
Core Growth	(1.5%) to +1.5%	<ul style="list-style-type: none"> <li>❑ 31.6% adjusted tax rate</li> </ul>
FX Translation	(2%)	<ul style="list-style-type: none"> <li>❑ As previously disclosed, expect soft Q1</li> </ul>
Total Sales Change	~(2%)	<ul style="list-style-type: none"> <li>❑ \$9 million incremental MEI synergies</li> <li>❑ \$18 million repositioning benefits</li> </ul>

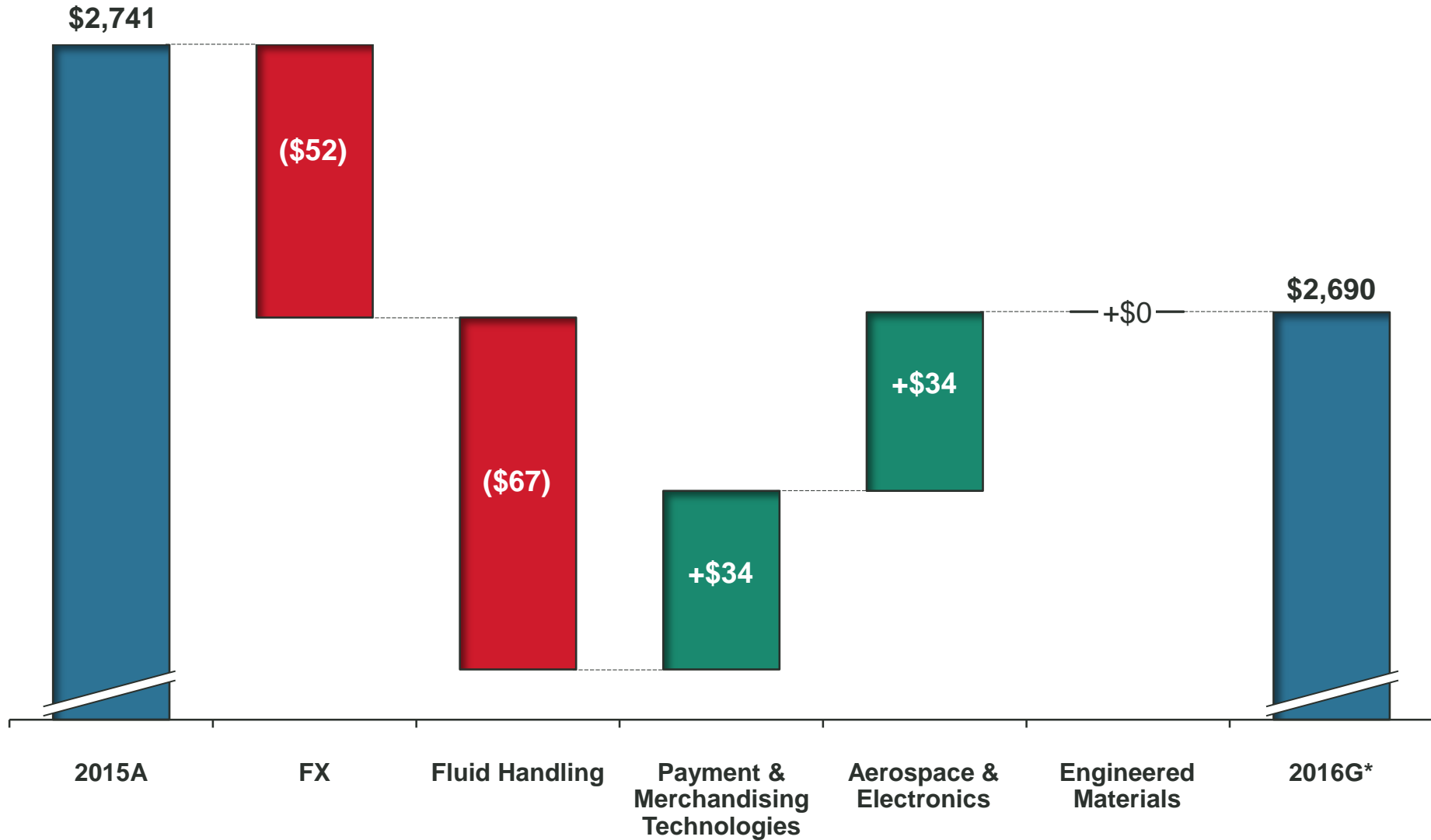
\* Excludes Special Items. Please see non-GAAP Financial Measures tables for details.

\*\* Free Cash Flow is defined as Cash Provided by Operating Activities, less Capital Spending. Please see non-GAAP Financial Measures Tables for details.

\*\*\* Reflects midpoint of guidance range.

# 2016 Sales Guidance

(in \$ millions)



\* Reflects midpoint of guidance range.

	% of Crane (2016G*)	Core Growth*	Comments
<b>Fluid Handling</b>	37%	(6%)	<ul style="list-style-type: none"> <li>- <b>Process end markets bottom in later 2016</b></li> <li>+ Other markets flat to up slightly</li> </ul>
<b>Payment &amp; Merchandising Technologies</b>	27%	+5%	<ul style="list-style-type: none"> <li>+ Continued solid growth across Payment and Merchandising platforms</li> </ul>
<b>Aerospace &amp; Electronics</b>	27%	+5%	<ul style="list-style-type: none"> <li>+ Military OE growth</li> <li>+ Modest commercial OE growth</li> <li>- <b>Lower retrofit / aftermarket activity</b></li> </ul>
<b>Engineered Materials</b>	9%	0%	<ul style="list-style-type: none"> <li>+ RV sustaining / modest increase in BP</li> <li>- <b>Softer Transportation</b></li> </ul>

**Fluid Handling End Markets Remain Challenging / Uncertain**

\* Reflects midpoint of guidance range.

# 2016 Segment Operating Profit Guidance

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(\$ Millions)	2015*	2016G**	Δ \$	Δ %
Fluid Handling	135	121	(14)	(10%)
Payment and Merchandising Technologies	108	120	12	11%
Aerospace and Electronics	145	148	3	2%
Engineered Materials	48	45	(3)	(6%)
Corporate Office	(45)	(50)	(5)	(12%)
<b>Crane Co.</b>	<b>\$391</b>	<b>\$384</b>	<b>(8)</b>	<b>(2%)</b>

**Modest Profit Headwinds from Fluid Handling and Corporate**

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

\*\* Reflects midpoint of guidance range.

# 2016 Segment Operating Margin Guidance

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	2015*	2016G**	Change
Fluid Handling	12.4%	12.2%	(20bps)
Payment and Merchandising Technologies	15.4%	16.6%	+120 bps
Aerospace and Electronics	21.0%	20.4%	(60 bps)
Engineered Materials	19.0%	17.8%	(120 bps)
<b>Crane Co.</b>	<b>14.3%</b>	<b>14.3%</b>	<b>+0 bps</b>

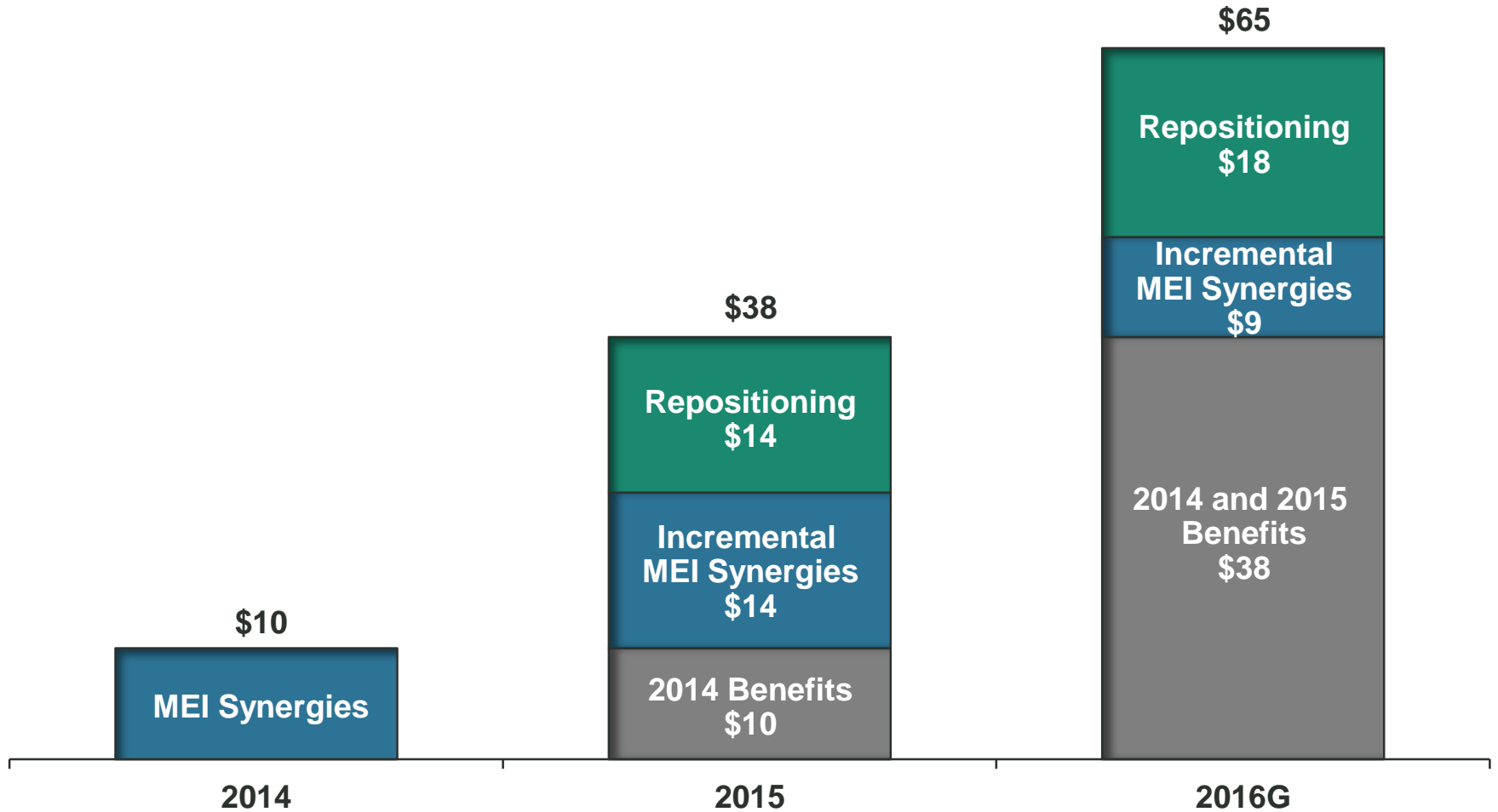
**Holding Flat Margins in Challenging Market**

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

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# Cumulative “Self Help” Savings

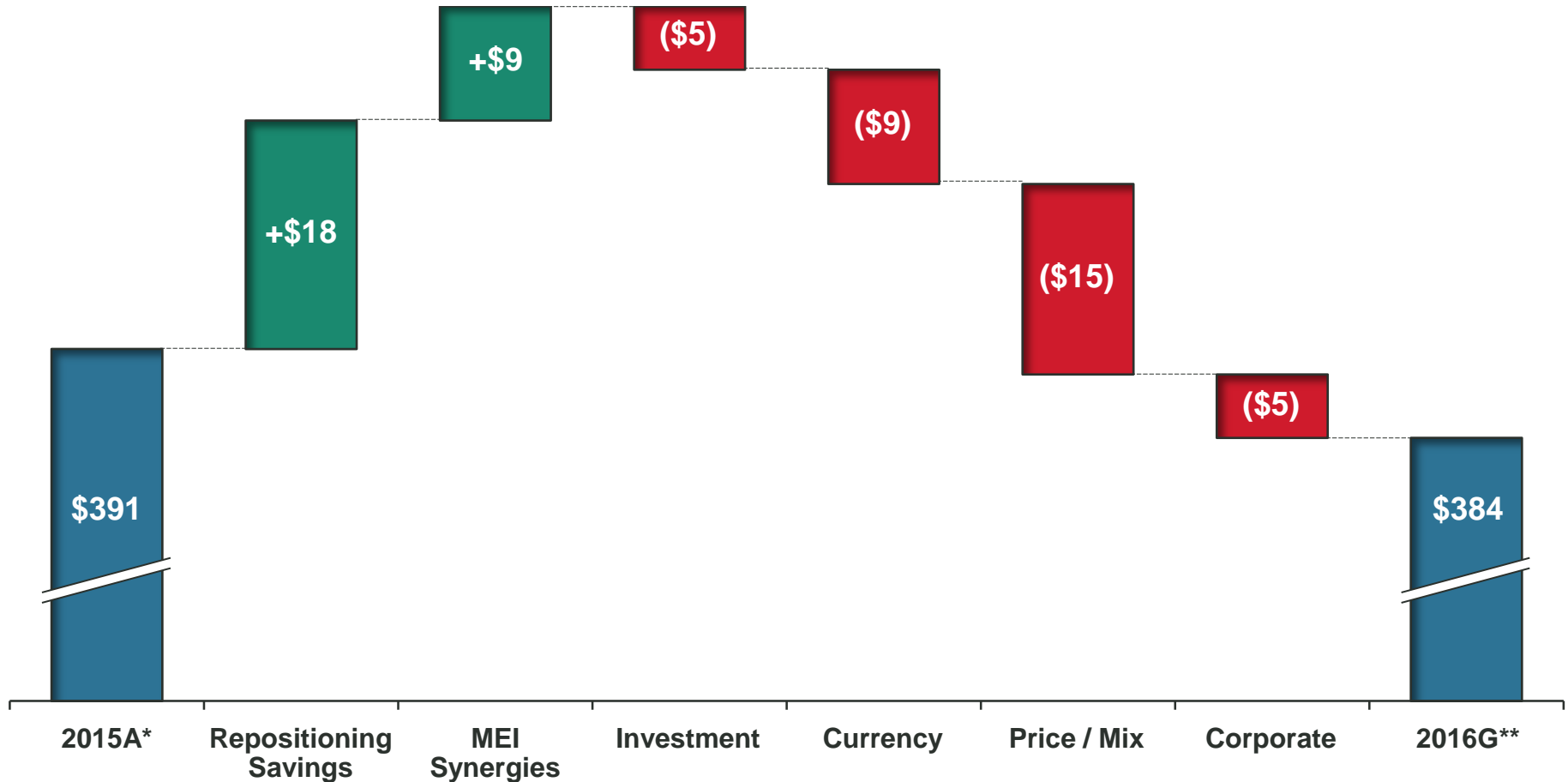
(in \$ millions)



**Proactive Repositioning and MEI Synergies**

# 2016 Operating Profit Guidance

(in \$ millions)

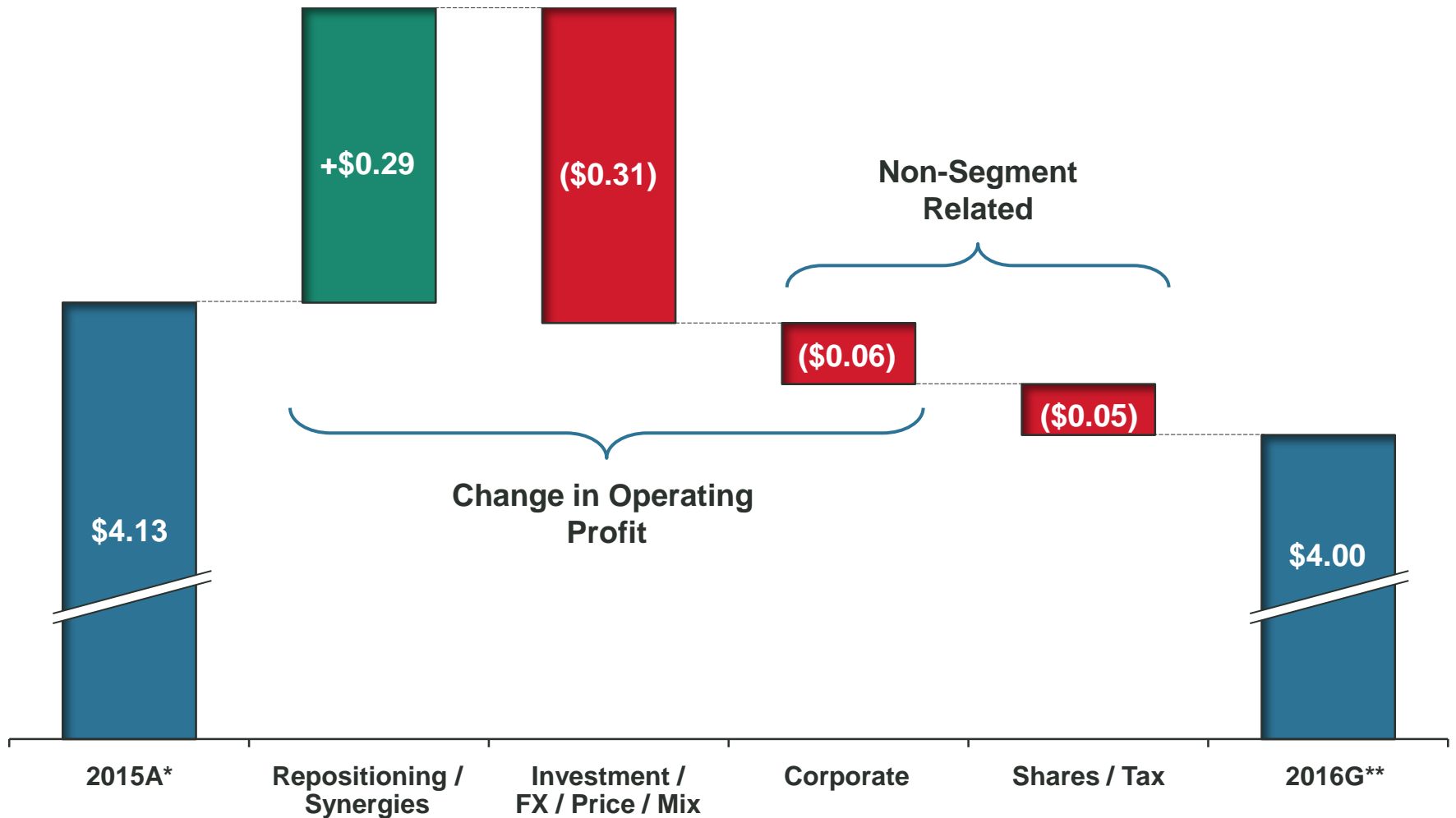


**Substantial Benefits from Repositioning and Synergies**

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

\*\* Reflects midpoint of guidance range.

# 2016 Earnings Per Share Guidance



## Repositioning and Synergy Benefits Offset by Non-Operational Items

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

\*\* Reflects midpoint of guidance range.



# 2016 Cash Flow Guidance

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<i>(\$ Millions)</i>	2015	2016G*
Cash Provided from Operating Activities Before Asbestos Related Payments	279	305
Asbestos Related Payments, Net of Insurance (Pre-Tax)	(50)	(50)
Cash Provided from Operating Activities	229	255
Less: Capital Expenditures	(40)	(50)
<b>Free Cash Flow</b>	<b>\$190</b>	<b>\$205</b>

**Stronger Free Cash Flow Conversion in 2016**

\* Reflects midpoint of guidance range.

**Maintain investment grade credit rating, while funding:**

- ❑ **Internal investments to drive organic growth**
  - » Capital expenditures
  - » Research & Development
  - » Sales & Marketing
- ❑ **Acquisitions to enhance growth**
- ❑ **Competitive returns to shareholders**
  - » Target total payout ratio of 40%-50%
    - Growing dividends in-line with earnings
    - Opportunistic share repurchases
- ❑ **Pension and legacy liability requirements**

**Focus on Both Organic and Inorganic Growth**

- **Target 2x-3x adjusted debt to EBITDA**

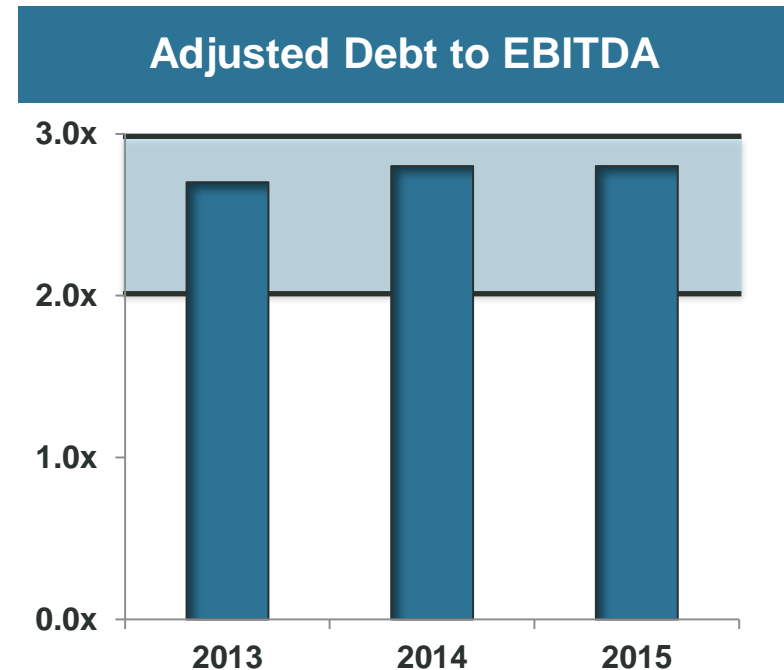
- » Adjusted debt =
  - Gross financial debt
  - + pension liability
  - + after-tax net asbestos

- **EBITDA excludes Special Items**

- **Deploy cash balances and debt capacity**

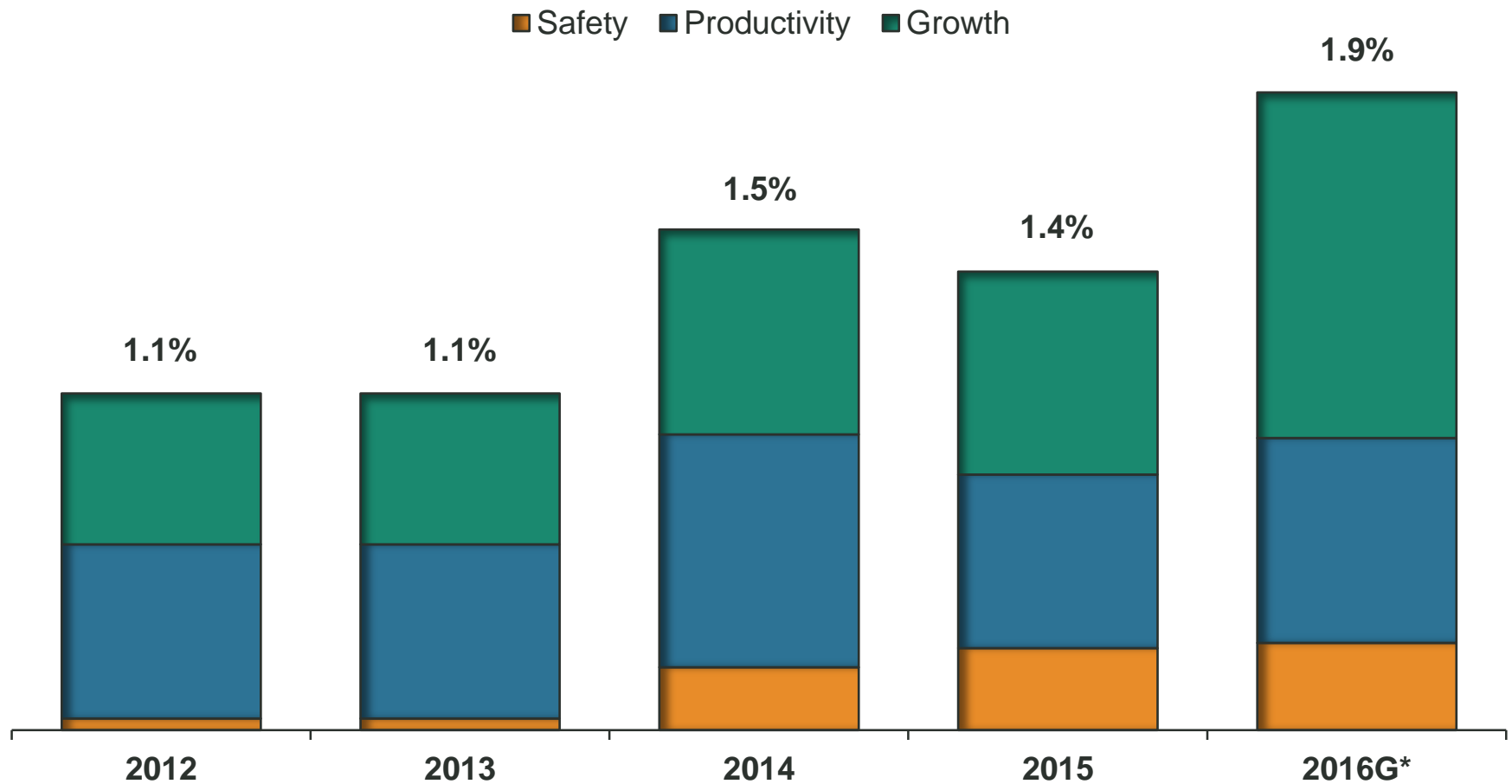
- » Internal investments
- » Acquisitions

- **Continued reduction in short-term debt**



**Appropriate Leverage for Current Credit Rating**

# Disciplined Capital Spending

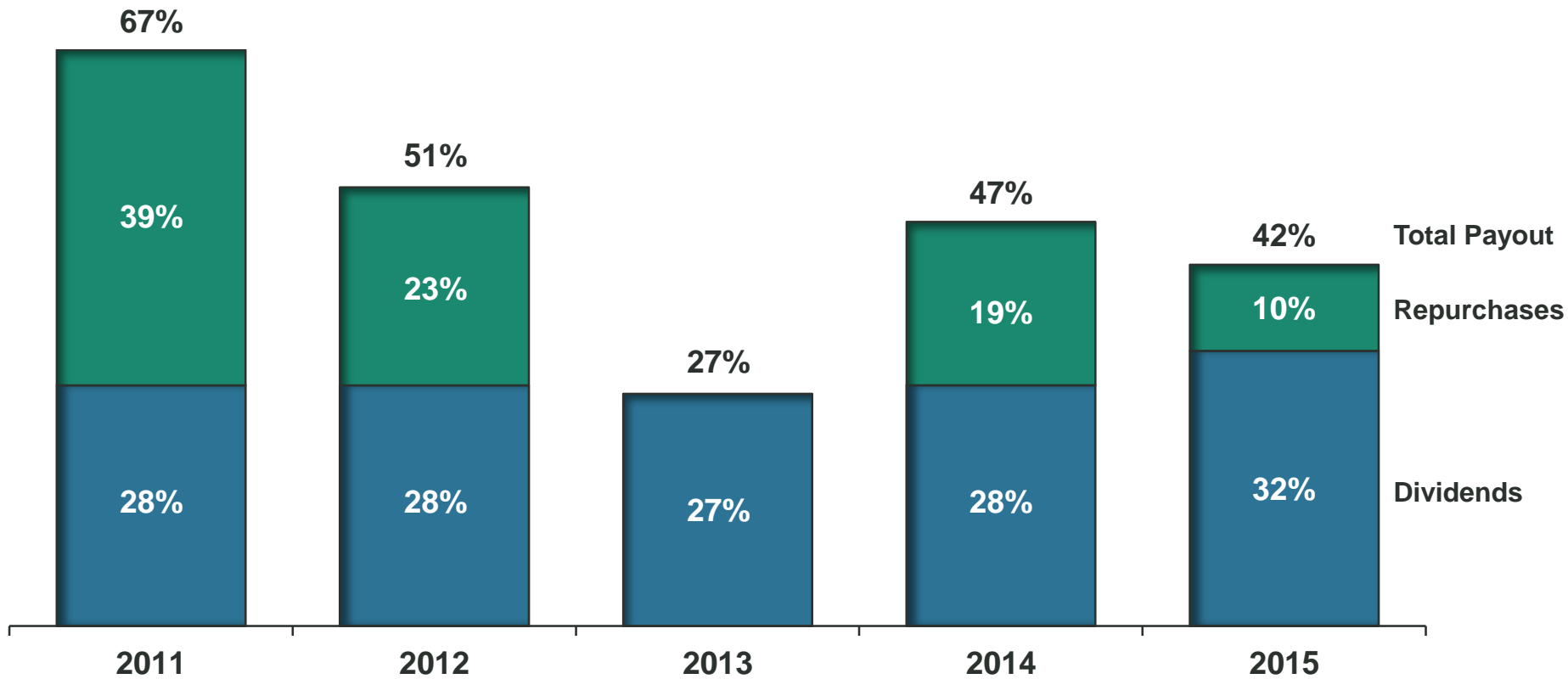


- Target capital spending ~1.5%-2.0% of sales going forward

**Investments Support Profitable Growth**

\* Reflects midpoint of guidance range.

## Total Payout % of Net Income\*



## Consistent Focus on Shareholder Returns

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

## ❑ Strategic criteria

- » Strengthens existing business, or is a near-adjacency
- » Manufacturers of highly engineered products
- » Markets where Crane's scale is a competitive advantage
- » Accretive to Crane's organic growth rate

## ❑ Financial criteria

- » Positive NPV using risk adjusted rate
- » Ideally accretive to adjusted EPS in first year
- » At or above Crane target margin and free cash profile (including potential)

**Disciplined Approach to Acquisitions**

<i>(\$ Millions)</i>	2014	2015	2016G
Plan Assets	\$875	\$817	
Projected Benefit Obligation	(\$1,093)	(\$988)	
Aggregate Funded Status	(\$219)	(\$172)	NA
Adjusted Funded Status*	(\$272)	(\$228)	NA
Pension Benefit	\$12	\$11	\$10
Total Cash Contributions	\$24	\$17	\$10

## Cash Contributions Fall in 2016 Due to US Funding Legislation

\* Calculated for individual pension plans where the PBO exceeds assets.

1

**Positioned well for economic recovery, but lower growth the “new normal”**

2

**Continuous focus on productivity and self-help will drive margin growth**

3





**Disciplined capital allocation, with strong free cash flow**

4

**Both organic and inorganic growth opportunities**

**Goal of EPS Growth Above Market**



	2015	2016 
 <b>Fluid Handling</b>	Process Markets very weak	<ul style="list-style-type: none"><li>Global infrastructure build drives long-term growth</li><li>Share gain initiatives</li><li>Markets and margins at trough</li></ul>
 <b>Crane Payment Innovations</b>	Strong growth and margin expansion	<ul style="list-style-type: none"><li>Continued margin expansion</li><li>Growth opportunities across the segment</li></ul>
 <b>Aerospace &amp; Electronics</b>	Solid margins, program investments continue	<ul style="list-style-type: none"><li>Well positioned for growth on next-generation aircraft</li><li>Lower investment spending post-2016</li></ul>

**CRANE**