



CRANE

CRANE CO.

Q4 2016 EARNINGS RELEASE CALL



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 2015 and in our subsequent disclosures filed with the Securities and Exchange Commission.

Q4 2016 Earnings Summary

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(\$ Millions except per-share amounts)

	Q4 2016	Q4 2015	Change
Sales	\$681	\$681	-
Operating Profit*	\$101	\$104	(3%)
Operating Margin*	14.8%	15.3%	(50 bps)
Earnings per Share*	\$1.02	\$1.12	(9%)
Free Cash Flow**	\$137	\$102	+34%

Additional Details

	Q4 2016		Q4 2016
Core Growth	+2.5%	Loss per Share: GAAP	(\$1.09)
FX Translation	(2.4%)	Asbestos Provision	\$2.13
Total Sales Change	+0.1%	Diluted EPS: non-GAAP	\$1.02

* 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.

Full-Year 2016 Earnings

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(\$ Millions except per-share amounts)

	FY 2016	FY 2015	Change
Sales	\$2,748	\$2,740	-
Operating Profit*	\$398	\$391	+2%
Operating Margin*	14.5%	14.3%	+20 bps
Earnings per Share*	\$4.23	\$4.13	+3%
Free Cash Flow**	\$267	\$190	+41%

Additional Details

	FY 2016		FY 2016
Core Growth	+2.0%	Diluted EPS: GAAP	\$2.07
FX Translation	(1.8%)	Asbestos Provision	\$2.11
Total Sales Change	+0.3%	Legal Settlement Charge	\$0.05
		Diluted EPS: non-GAAP	\$4.23

* 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.

(\$ Millions)

	Q4 2016	Q4 2015	Change
Sales	\$240	\$259	(7%)
Operating Profit*	\$28	\$30	(7%)
Operating Margin*	11.6%	11.6%	-
Backlog	\$228	\$267	(15%)

Q4 2016 Highlights

- Order rates stabilizing, but revenue still declining given lower backlog
- Some signs of renewed activity, but timing of recovery still uncertain
- Compared to Q3, FX neutral backlog down (3%) and FX neutral orders down (1%)
- Full year 2016 margins held at 12.0%, with core sales down (5.6%)

	Q4 2016
Core Growth	(3.8%)
FX Translation	(3.5%)
Total Sales Change	(7.3%)

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

(\$ Millions)

	Q4 2016	Q4 2015	Change
Sales	\$195	\$174	+12%
Operating Profit*	\$38	\$30	+29%
Operating Margin*	19.7%	17.1%	+260 bps

Q4 2016 Highlights

- Full year 2016 margins of 18.2%
- Full year 2016 core sales growth of +8.5%, following 6.0% in 2015
- Very strong demand for productivity solutions in developed markets
- Merchandising continues to gain traction with connectivity

	Q4 2016
Core Growth	+16.1%
FX Translation	(4.2%)
Total Sales Change	+11.9%

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

(\$ Millions)

	Q4 2016	Q4 2015	Change
Sales	\$187	\$191	(2%)
Operating Profit*	\$39	\$45	(13%)
Operating Margin*	21.0%	23.5%	(250 bps)
Backlog	\$353	\$436	(19%)

Q4 2016 Highlights

	Q4 2016		Q4 2016
OE Sales	(2%)	Core Growth	(2.3%)
Aftermarket Sales	(2%)	FX Translation	-
OE / Aftermarket Mix	71% / 29%	Total Sales Change	(2.3%)

- Space Fence program completed
- OE weakness driven by business jet and defense power markets
- Aftermarket lower on tough comparisons for military modernization & upgrade (M&U) programs
- Full year 2016 margins at 20.1%

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

(\$ Millions)

	Q4 2016	Q4 2015	Change
Sales	\$60	\$56	+6%
Operating Profit	\$10	\$10	+9%
Operating Margin	17.4%	16.8%	+60bps

Q4 2016 Highlights

	Q4 2016		Q4 2016
Recreational Vehicle	+9%	Core Growth	+6.3%
Building Products	+10%	FX Translation	-
Transportation	(11%)	Total Sales Change	+6.3%
<ul style="list-style-type: none"> ■ Solid demand in RV and Building Products continues 		<ul style="list-style-type: none"> ■ Margins appear sustainable for 2017 	

Cash Flow, Balance Sheet, and Tax

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		(\$ Millions)	
	Q4 2016	Q4 2015	Better / (Worse)
Cash Provided from Operating Activities	\$150	\$114	+\$36
Capital Expenditures	(\$13)	(\$11)	(\$2)
Free Cash Flow*	\$137	\$102	\$35
Effective (GAAP) Tax Rate	37.2%	30.5%	(670 bps)
Non-GAAP (adjusted) Tax Rate**	32.5%	30.6%	(190 bps)
Total Debt	\$745	\$794	\$49
Cash	\$510	\$364	\$146

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

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

Asbestos Charge History

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Balance Sheet Items (\$ millions)	Sept. 30, 2007	Dec. 31, 2011	Dec. 31, 2016
Asbestos Liability	\$1,055	\$894	\$696
Insurance Receivable	(\$351)	(\$225)	(\$143)
Net Asbestos Liability	\$704	\$668	\$553
Tax Benefit	(\$250)	(\$234)	(\$194)
After-Tax Net Asbestos Liability	\$454	\$434	\$359
Years Covered by Liability	10.25*	10**	43***

Income Statement Impact (\$ millions)	Q3 2007	Q4 2011	Q4 2016
After-Tax Net P&L Charge	\$250	\$157	\$125

* Covered “currently pending claims and future claims projected to be filed ...through 2017”

** Covered “currently pending claims and future claims projected to be filed ...through 2021”

*** Covered “currently pending claims and future claims projected to be filed ...through 2059”

For additional information, please see the Company’s asbestos liability exposure in its Form 8-Ks filed with the SEC on October 22, 2007, January 24, 2012, and January 30, 2017

Asbestos Provision Update

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Balance Sheet Items (\$ millions)	Pre-Q4 2016 Update	Q4 2016 Provision*	December 31, 2016*
Asbestos Liability	\$469	\$227	\$696
Insurance Receivable	(\$108)	(\$35)	(\$143)
Net Asbestos Liability	\$361	\$192	\$553
Tax Benefit	(\$127)	(\$67)	(\$194)
After-Tax Net Asbestos Liability	\$234	\$125	\$359

■ Current period impact of provision:

- Pre-tax P&L charge of \$192 million extends liability through 2059
 - \$125 million after-tax, or \$2.13 per share
- No cash flow impact

■ Future period impact:

- Liability is reduced when cash payments are made

* For additional information, please see the Company's asbestos liability exposure in its Form 8-K filed with the SEC on January 30, 2017

(\$ Millions, except per share amounts)	2016	2017G	Change***
Net Sales	\$2,748	\$2,690	(2%)
EPS*	\$4.23	\$4.30-\$4.55	+5%
Free Cash Flow**	\$267	\$220-\$250	(12%)

	2017G	Other 2017 Guidance Details
Core Growth	0% to +2%	<ul style="list-style-type: none"> Adjusted tax rate of 31.3%
Divestiture	(0.5%)	<ul style="list-style-type: none"> Corporate expense of \$58 million
FX Translation	(3%)	<ul style="list-style-type: none"> Net interest expense of \$36 million
Total Sales Change	~(2%)	<ul style="list-style-type: none"> Diluted share count of ~60 million Capital expenditures of \$50 million

* 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.

2017 Segment Guidance

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	Core Growth		Segment Margin	
	2016	2017G	2016*	2017G
Fluid Handling	(6%)	(2%)	12.0%	12.0%
Payment and Merchandising Technologies	+9%	+11%	18.2%	20.5%
Aerospace and Electronics	+8%	(5%)	20.1%	22.2%
Engineered Materials	+1%	+1%	19.1%	19.0%
Crane Co.	+2%	0% to +2%	14.5%	15.7%

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

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Non-GAAP Information

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

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

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Non-GAAP Financial Measures
(in millions, except per share data)

INCOME ITEMS	Three Months Ended December 31,		Twelve Months Ended December 31,		Percent Change December 31, 2016	Percent Change December 31, 2016
	2016	2015	2016	2015	Three Months	Twelve Months
Net Sales	\$ 681.4	\$ 680.6	\$ 2,748.0	\$ 2,740.5	0.1%	0.3%
Operating Profit (Loss)	(91.6)	103.5	200.3	372.9	(188.5%)	(46.3%)
Percentage of Sales	-13.4%	15.2%	7.3%	13.6%		
<u>Special Items impacting Operating Profit:</u>						
Asbestos provision	192.4	-	192.4	-		
MEI Acquisition related integration charges	-	1.6	-	7.2		
MEI Acquisition related restructuring charges	-	(0.8)	-	(0.6)		
Repositioning charges	-	(0.1)	-	11.6		
Legal settlement charge	-	-	5.0	-		
Operating Profit before Special Items	\$ 100.8	\$ 104.2	\$ 397.7	\$ 391.1	(3.2%)	1.7%
Percentage of Sales	14.8%	15.3%	14.5%	14.3%		
Net Income (Loss) Attributable to Common Shareholders	\$ (64.0)	\$ 65.2	\$ 122.8	\$ 228.9		
Per Share	\$ (1.09)	\$ 1.11	\$ 2.07	\$ 3.89	NM	(46.8%)
<u>Special Items Impacting Net Income Attributable to Common Shareholders:</u>						
Asbestos provision - Net of Tax	125.1	-	125.1	-		
Per Share	\$ 2.13		\$ 2.11			
MEI acquisition related integration charges - Net of Tax	-	1.0	-	4.8		
Per Share		\$ 0.02		\$ 0.08		
MEI acquisition related restructuring charges - Net of Tax	-	(0.6)	-	(0.3)		
Per Share		\$ (0.01)		\$ (0.01)		
Repositioning charges - Net of Tax	-	0.2	-	9.2		
Per Share		\$ 0.00		\$ 0.16		
Legal settlement charge - Net of Tax	-	-	3.3	-		
Per Share			\$ 0.05			
Net Income Attributable To Common Shareholders Before Special Items	\$ 61.1	\$ 65.8	\$ 251.1	\$ 242.5	(7.2%)	3.6%
Per Basic Share	\$ 1.04	\$ 1.13	\$ 4.30	\$ 4.18		
Per Diluted Share	\$ 1.02	\$ 1.12	\$ 4.23	\$ 4.13	(8.8%)	2.6%
In the three months ended December 31, 2016, Average Shares Outstanding excluding the effect of diluted stock options were used to compute the per share amounts since this period was in a loss position. Had Net Income Attributable To Common Shareholders been reported for this period, Average Shares Outstanding would have included the effect of diluted stock options when computing per share amounts (see chart below).						
Average Basic Shares Outstanding	58,768					
Effect of Diluted Stock Options	991					
Average Shares Outstanding including the effect of Stock Options	59,759					
When considering the effect of dilutive stock options on shares outstanding, Net Income Attributable To Common Shareholders Before Special Items is \$1.02 per share for the three months ended December 31, 2016.						
<u>Special Items Impacting Provision for Income Taxes</u>						
Provision for Income Taxes - GAAP Basis	\$ (37.6)	\$ 28.8	\$ 40.3	\$ 106.5		
Tax effect of asbestos provision	67.3	-	67.3	-		
Tax effect of MEI acquisition related integration charges	-	0.6	-	2.3		
Tax effect of MEI acquisition related restructuring charges	-	(0.2)	-	-		
Tax effect of repositioning charges	-	(0.3)	-	2.4		
Tax effect of legal settlement charge	-	-	1.8	-		
Provision for Income Taxes - non-GAAP Basis	\$ 29.7	\$ 29.0	\$ 109.4	\$ 111.2		

Non-GAAP Financial Measures

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Segment Information:

For the three months ended December 31, 2016

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Asbestos Provision	Total Company
Net Sales	\$240.4	\$194.6	\$186.5	\$59.9	-	-	\$681.3
Operating Profit (Loss)- GAAP	28.0	38.4	39.2	10.4	(15.2)	(192.4)	(91.6)
Asbestos Provision						192.4	192.4
Operating Profit before Special Items	28.0	38.4	39.2	10.4	(15.2)	-	100.8
Percentage of Sales	11.6%	19.7%	21.0%	17.4%			14.8%

For the three months ended December 31, 2015

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	\$259.4	\$174.0	\$190.9	\$56.4	-	\$680.6
Operating Profit - GAAP	29.2	28.9	46.9	9.5	(11.0)	103.5
Acquisition related integration charges	-	0.8	-	-	-	0.8
Repositioning Charges	1.0	-	(2.0)	-	1.0	(0.1)
Operating Profit before Special Items	30.2	29.7	44.9	9.5	(10.1)	104.2
Percentage of Sales	11.6%	17.1%	23.5%	16.8%		15.3%

Non-GAAP Financial Measures

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Guidance

(in millions, except per share data)

CASH FLOW ITEMS

	Three Months Ended December 31,		Twelve Months Ended December 31,		2017 Full Year Guidance	
	2016	2015	2016	2015	Low	High
Cash Provided by Operating Activities before Asbestos - Related Payments	\$ 164.2	\$ 127.3	\$ 374.1	\$ 279.2	\$ 325.0	\$ 355.0
Asbestos Related Payments, Net of Insurance Recoveries	(14.5)	(13.7)	(56.0)	(49.9)	(55.0)	(55.0)
Cash Provided by Operating Activities	149.7	113.6	318.1	229.3	270.0	300.0
Less: Capital Expenditures	(13.0)	(11.4)	(51.5)	(39.6)	(50.0)	(50.0)
Free Cash Flow	\$ 136.7	\$ 102.1	\$ 266.6	\$ 189.6	\$ 220.0	\$ 250.0

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