

# CRANE

**Crane Co.** Q3 2020

Earnings Release Call

# FORWARD-LOOKING STATEMENTS–DISCLAIMER

**CRANE**

This press release may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements are based on the management’s current beliefs, expectations, plans, assumptions and objectives regarding Crane Co.’s future financial performance and are subject to significant risks and uncertainties. Any discussions contained in this press release, except to the extent that they contain historical facts, are forward-looking and accordingly involve estimates, assumptions, judgments and uncertainties. There are a number of factors, including risks and uncertainties related to the ongoing COVID-19 pandemic, that could cause actual results or outcomes to differ materially from those expressed or implied in these forward-looking statements. Such factors also include, among others: uncertainties regarding the extent and duration of the impact of the COVID-19 pandemic on many aspects of our business, operations and financial performance; changes in economic, financial and end-market conditions in the markets in which we operate; fluctuations in raw material prices; the financial condition of our customers and suppliers; economic, social and political instability, currency fluctuation and other risks of doing business outside of the United States; competitive pressures, including the need for technology improvement, successful new product development and introduction and any inability to pass increased costs of raw materials to customers; our ability to value and successfully integrate acquisitions, to realize synergies and opportunities for growth and innovation, and to attract and retain highly qualified personnel and key management; a reduction in congressional appropriations that affect defense spending and our ability to predict the timing and award of substantial contracts in our banknote business; adverse effects on our business and results of operations, as a whole, as a result of increases in asbestos claims or the cost of defending and settling such claims; adverse effects as a result of environmental remediation activities, costs, liabilities and related claims; investment performance of our pension plan assets and fluctuations in interest rates, which may affect the amount and timing of future pension plan contributions; and other risks noted in reports that we file with the Securities and Exchange Commission, including the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and subsequent reports filed with the Securities and Exchange Commission. Crane Co. does not undertake any obligation to update or revise any forward-looking statements.

# Q3 2020 EARNINGS SUMMARY

**CRANE**

\$ Millions except per-share amounts

	Q3 2020	Q3 2019	Change
Sales*	\$737	\$772	(5%)
Operating Profit**	\$92	\$114	(20%)
Operating Margin**	12.4%	14.8%	(240 bps)
Earnings per Share**	\$1.05	\$1.40	(25%)
Free Cash Flow***	\$124	\$104	+20%

## Additional Details

	Q3 2020
Core Growth	(13.4%)
Acquisitions*	+7.7%
FX Translation	+1.2%
<b>Total Sales Change</b>	<b>(4.5%)</b>

	Q3 2020
<b>Diluted EPS: GAAP</b>	<b>\$0.97</b>
Special Items	\$0.08
<b>Diluted EPS: non-GAAP**</b>	<b>\$1.05</b>

\* Includes acquisition-related revenue that would otherwise be recognized but for the purchase accounting treatment of acquisitions. Please see non-GAAP Financial Measures tables for details.

\*\* 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.

# 2020 REVISED GUIDANCE SUMMARY

**CRANE**

## Narrowed and raised EPS, Net Sales and FCF ranges

\$ Millions except per share amounts	2019A	2020G (April 28, 2020)	2020G (July 28, 2020)	New 2020G (October 27, 2020)	Change**** (New 2020G vs. 2019A)
Net Sales*	\$3,283	\$2,750-\$2,950	\$2,800-\$2,925	<b>\$2,900-\$2,950</b>	(11%)
Earnings per Share**	\$6.02	\$3.00-\$4.25	\$3.30-\$4.10	<b>\$3.75-\$4.00</b>	(36%)
Free Cash Flow***	\$325	\$200-\$250	\$200-\$250	<b>\$230-\$260</b>	(25%)

	New 2020G	Other 2020 Guidance Details
Core Growth	(17%) to (19%)	<ul style="list-style-type: none"> <li>■ Adjusted tax rate of ~21.5%</li> <li>■ Diluted share count of ~59 million</li> </ul>
Acquisitions	~7%	<ul style="list-style-type: none"> <li>■ Corporate expense of ~\$61 million</li> <li>■ Capital expenditures of ~\$40 million</li> </ul>
FX Translation	-	<ul style="list-style-type: none"> <li>■ Non-operating expense, net* of ~\$39 million</li> </ul>
Total Sales Change	(10%) to (12%)	

\* Includes acquisition-related deferred revenue in 2020G. Please see non-GAAP Financial Measures tables for details.

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

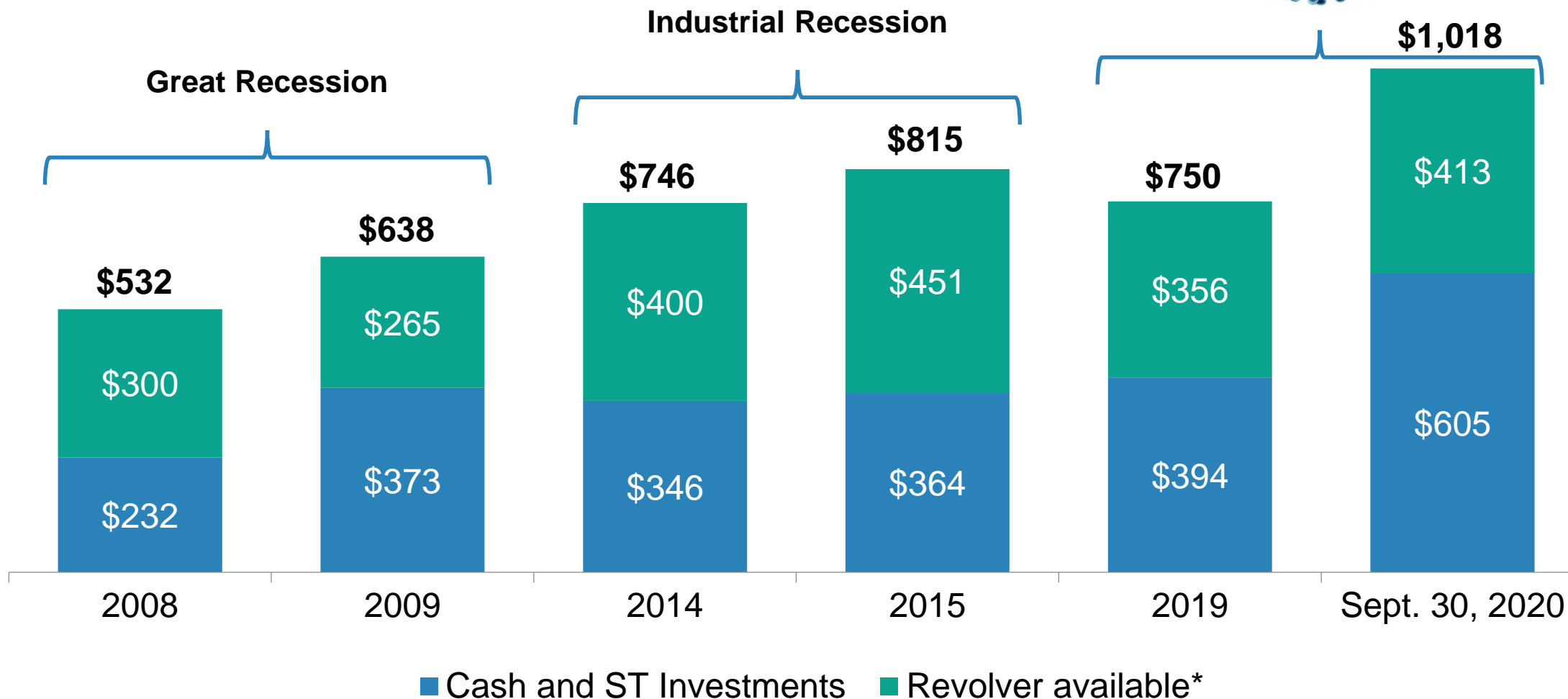
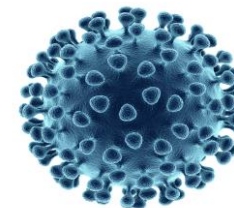
\*\*\* Free Cash Flow is defined as Cash Provided by Operating Activities, less Capital Spending. Please see non-GAAP Financial Measures tables for details.

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

# STRONG LIQUIDITY MAINTAINED THROUGH PRIOR CYCLES

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\$ Millions



\* Revolver available reduced by CP outstanding

# FLUID HANDLING

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\$ Millions

	Q3 2020	Q3 2019	Change
Sales	\$252	\$276	(9%)
Operating Profit*	\$29	\$38	(24%)
Operating Margin*	11.4%	13.8%	(240 bps)
Backlog**	\$305	\$272	+12%

## Q3 2020 Highlights

- Compared to Q2 2020, sequential FX neutral backlog flat and orders +2%
- Compared to Q3 2019, year-over-year core (FX neutral and ex-M&A) backlog +5% and orders down (16%)

	Q3 2020
Core Growth	(15.3%)
Acquisitions	+5.4%
FX Translation	+1.3%
<b>Total Sales Change</b>	<b>(8.6%)</b>

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

\*\*Backlog includes \$11 million as of September 30, 2020 pertaining to the I&S business acquired in January 2020

# PAYMENT & MERCHANDISING TECHNOLOGIES

**CRANE**

\$ Millions

	Q3 2020	Q3 2019	Change
<b>Sales*</b>	\$280	\$249	+12%
<b>Operating Profit**</b>	\$44	\$36	+23%
<b>Operating Margin**</b>	15.8%	14.5%	+130 bps

	Q3 2020
Core Growth	(7.8%)
Acquisitions*	+17.8%
FX Translation	+2.4%
<b>Total Sales Change</b>	<b>+12.4%</b>

\* Includes \$2.6 million of acquisition-related deferred revenue. Please see non-GAAP Financial Measures tables for details.

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

# AEROSPACE & ELECTRONICS

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\$ Millions

	Q3 2020	Q3 2019	Change
Sales	\$157	\$197	(20%)
Operating Profit*	\$25	\$48	(49%)
Operating Margin*	15.6%	24.4%	(880 bps)
Backlog	\$498	\$564	(12%)

## Q3 2020 Highlights

	Q3 2020
OE Sales	(16%)
Aftermarket Sales	(31%)
<b>OE/Aftermarket Mix</b>	<b>75% / 25%</b>

	Q3 2020
Core Growth	(20.4%)
FX Translation	+0.1%
<b>Total Sales Change</b>	<b>(20.3%)</b>

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



# ENGINEERED MATERIALS

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\$ Millions

	Q3 2020	Q3 2019	Change
Sales	\$48	\$50	(4%)
Operating Profit	\$9	\$6	+53%
Operating Margin	18.6%	11.8%	+680 bps

## Q3 2020 Highlights

	Q3 2020
Recreational Vehicle Sales	+11%
Building Products Sales	(11%)
Transportation Sales	(18%)

	Q3 2020
Core Growth	(3.6%)
FX Translation	—
<b>Total Sales Change</b>	<b>(3.6%)</b>

# CASH FLOW, BALANCE SHEET AND TAX

**CRANE**

\$ Millions

	Q3 2020	Q3 2019	Better/(Worse)
Cash Provided <b>(used)</b> from Operating Activities	\$132	\$119	\$13
Capital Expenditures	(\$7)	(\$15)	\$8
Free Cash Flow*	\$124	\$104	\$21
Effective (GAAP) Tax Rate	25.0%	22.5%	(250 bps)
Non-GAAP (adjusted) Tax Rate**	24.9%	20.0%	(490 bps)
Total Debt	\$1,324	\$942	(\$382)
Cash and Short-Term Investments	\$605	\$389	\$216

	Q3 YTD 2020	Q3 YTD 2019	Better/(Worse)
Cash Provided from Operating Activities	\$208	\$171	\$37
Capital Expenditures	(\$21)	(\$51)	\$30
Free Cash Flow*	\$188	\$120	\$67

\* 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.



**»» NON-GAAP  
INFORMATION**

# NON-GAAP EXPLANATION

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## Non-GAAP Financial Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). Certain non-GAAP measures are provided in this presentation.

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. Specifically, management believes that, when considered together with reported amounts, these non-GAAP measures are useful to investors and management in understanding ongoing operations and by providing a clearer view of the underlying trends of the business. In addition, Free Cash Flow provides supplemental information to assist investors and management 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. Management uses non-GAAP financial measures in evaluating the Company's core operating results and financial performance. Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed as a supplement to, and not as a substitute for or superior to, the Company's reported results prepared in accordance with GAAP. Reconciliations of the Company's non-GAAP financial measures to the most directly comparable GAAP results are included at the end of this presentation, as well as in the accompanying press release, both of which are available on the Company's website at [www.craneco.com](http://www.craneco.com).

# NON-GAAP FINANCIAL MEASURES: INCOME ITEMS

# CRANE

(in millions, except per share data)

INCOME ITEMS	Three Months Ended September 30,		Nine Months Ended September 30,		Percent Change	
	2020	2019	2020	2019	Three Months	Nine Months
Net sales - GAAP	\$ 734.8	\$ 772.3	\$ 2,210.5	\$ 2,445.6	(4.9%)	(9.6%)
Acquisition-related deferred revenue <sup>1</sup>	2.6	-	7.7	-		
Net sales before special items	\$ 737.4	\$ 772.3	\$ 2,218.2	\$ 2,445.6	(4.5%)	(9.3%)
Operating profit - GAAP	84.9	109.3	204.0	345.8	(22.3%)	(41.0%)
Percentage of sales	11.6%	14.2%	9.2%	14.1%		
<u>Special items impacting operating profit:</u>						
Acquisition-related deferred revenue <sup>1</sup>	2.6	-	7.7	-		
Acquisition-related and integration charges	2.7	0.2	10.3	3.7		
Repositioning related charges, net of gain on property sale <sup>2</sup>	1.4	4.5	26.5	16.2		
Operating profit before special items	\$ 91.6	\$ 114.0	\$ 248.5	\$ 365.7	(19.6%)	(32.0%)
Percentage of sales	12.4%	14.8%	11.2%	15.0%		
Net income attributable to common shareholders - GAAP	\$ 56.6	\$ 72.5	\$ 134.2	\$ 245.9	(21.9%)	(45.4%)
Per diluted share	\$ 0.97	\$ 1.19	\$ 2.28	\$ 4.05	(18.5%)	(43.7%)
<u>Special items impacting net income attributable to common shareholders:</u>						
Acquisition-related deferred revenue - net of tax <sup>1</sup>	1.9	-	5.7	-		
Per diluted share	\$ 0.03		\$ 0.10			
Acquisition-related and integration charges - net of tax	2.1	0.1	7.9	2.6		
Per diluted share	\$ 0.04	\$ 0.00	\$ 0.13	\$ 0.04		
Repositioning related charges, net of gain on property sale - net of tax <sup>2</sup>	1.0	6.2	19.9	16.6		
Per diluted share	\$ 0.02	\$ 0.10	\$ 0.34	\$ 0.27		
Unrealized gain on marketable securities - net of tax	-	2.5	-	-		
Per diluted share		\$ 0.04				
Realized gain on marketable securities - net of tax	-	(0.8)	-	(0.8)		
Per diluted share		\$ (0.01)		\$ (0.0)		
Impact of non-cash pension cost adjustment - net of tax	-	4.5	-	4.5		
Per diluted share		\$ 0.07		\$ 0.07		
Deconsolidation of joint venture - net of tax	-	-	-	0.80		
Per diluted share				\$ 0.01		
Net income attributable to common shareholders before special items	\$ 61.6	\$ 85.0	\$ 167.7	\$ 269.6	(27.5%)	(37.8%)
Per diluted share	\$ 1.05	\$ 1.40	\$ 2.85	\$ 4.44	(24.7%)	(35.9%)
<u>Special items impacting provision for income taxes:</u>						
Provision for income taxes - GAAP	\$ 18.8	\$ 21.1	\$ 40.4	\$ 70.5		
Tax effect of acquisition-related deferred revenue <sup>1</sup>	0.7	-	2.0	-		
Tax effect of acquisition-related and integration charges	0.6	0.1	2.4	1.1		
Tax effect of repositioning related charges <sup>2</sup>	0.4	(1.7)	6.6	1.4		
Tax effect of unrealized loss on marketable securities	-	0.7	-	(0.7)		
Tax effect of realized gain on marketable securities	-	(0.3)	-	-		
Tax effect of deconsolidation of joint venture	-	-	-	0.4		
Tax effect of impact of non-cash pension cost adjustment	-	1.3	-	-		
Provision for income taxes before special items	\$ 20.5	\$ 21.2	\$ 51.4	\$ 72.7		

<sup>1</sup> Acquisition-related revenue that would otherwise be recognized but for the purchase accounting treatment of acquisitions.

<sup>2</sup> Repositioning related charges primarily consist of COVID-19 related severance and, to a lesser extent, acquisition-related repositioning and facility consolidation.

Totals may not sum due to rounding

# NON-GAAP FINANCIAL MEASURES: SEGMENT DATA

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(in millions)

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
<b>For the three months ended September 30, 2020</b>						
Net sales - GAAP	\$ 252.3	\$ 277.2	\$ 157.0	\$ 48.3	\$ -	\$ 734.8
Acquisition-related deferred revenue <sup>1</sup>	-	2.6	-	-	-	2.6
Net sales before special items	\$ 252.3	\$ 279.8	\$ 157.0	\$ 48.3	\$ -	\$ 737.4
Operating profit (loss) - GAAP	25.9	40.5	24.5	9.0	(15.0)	84.9
Acquisition-related deferred revenue <sup>1</sup>	-	2.6	-	-	-	2.6
Acquisition-related and integration charges	1.7	1.0	-	-	-	2.7
Repositioning related charges <sup>2</sup>	1.2	0.2	-	-	-	1.4
Operating profit (loss) before special items	\$ 28.8	\$ 44.3	\$ 24.5	\$ 9.0	\$ (15.0)	\$ 91.6
Percentage of sales	11.4%	15.8%	15.6%	18.6%		12.4%

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
<b>For the three months ended September 30, 2019</b>						
Net Sales	\$ 276.1	\$ 248.9	\$ 197.2	\$ 50.1	\$ -	\$ 772.3
Operating profit (loss) - GAAP	35.4	35.1	47.2	5.9	(14.3)	109.3
Acquisition-related and integration charges	-	0.1	-	-	0.1	0.2
Repositioning related charges	2.6	0.9	1.0	-	-	4.5
Operating Profit before Special Items	\$ 38.0	\$ 36.1	\$ 48.2	\$ 5.9	\$ (14.2)	\$ 114.0
Percentage of Sales	13.8%	14.5%	24.4%	11.8%		14.8%

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
<b>For the nine months ended September 30, 2020</b>						
Net sales	\$ 748.2	\$ 822.1	\$ 507.3	\$ 132.9	\$ -	\$ 2,210.5
Acquisition-related deferred revenue <sup>1</sup>	-	7.7	-	-	-	7.7
Net sales before special items	\$ 748.2	\$ 829.8	\$ 507.3	\$ 132.9	\$ -	\$ 2,218.2
Operating profit (loss) - GAAP	74.1	68.9	87.8	17.7	(44.5)	204.0
Acquisition-related deferred revenue <sup>1</sup>	-	7.7	-	-	-	7.7
Acquisition and integration related charges	5.0	5.1	-	-	0.2	10.3
Repositioning related charges, net of gain on property sale <sup>2</sup>	7.7	13.5	4.7	0.6	-	26.5
Operating profit (loss) before special items	\$ 86.8	\$ 95.2	\$ 92.5	\$ 18.3	\$ (44.3)	\$ 248.5
Percentage of sales	11.6%	11.5%	18.2%	13.8%		11.2%

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
<b>For the nine months ended September 30, 2019</b>						
Net Sales	\$ 840.4	\$ 843.7	\$ 596.3	\$ 165.2	\$ -	\$ 2,445.6
Operating profit (loss) - GAAP	106.8	124.8	141.4	22.8	(50.0)	345.8
Acquisition-related and integration charges	-	1.6	-	-	2.1	3.7
Repositioning related charges	7.3	5.6	3.3	-	-	16.2
Operating profit (loss) before special items	\$ 114.1	\$ 132.0	\$ 144.7	\$ 22.8	\$ (47.9)	\$ 365.7
Percentage of sales	13.6%	15.7%	24.3%	13.8%		15.0%

<sup>1</sup> Acquisition-related revenue that would otherwise be recognized but for the purchase accounting treatment of acquisitions.

<sup>2</sup> Repositioning related charges primarily consist of COVID-19 related severance and, to a lesser extent, acquisition-related repositioning and facility consolidation.

Totals may not sum due to rounding

# NON-GAAP FINANCIAL MEASURES: GUIDANCE & CASH FLOW

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(in millions, except per share data)

	2020 Full Year Guidance	
	Low	High
<b>Sales Guidance</b>		
Sales - GAAP basis	\$ 2,890	\$ 2,940
Acquisition-related deferred revenue <sup>1</sup>	10	10
Sales - non-GAAP basis	<u>\$ 2,900</u>	<u>\$ 2,950</u>
<b>2020 Earnings Per Share Guidance</b>		
Earnings per share - GAAP basis	\$ 3.10	\$ 3.35
Repositioning and other <sup>2</sup>	0.40	0.40
M&A related <sup>3</sup>	0.25	0.25
Earnings per share - non-GAAP basis	<u>\$ 3.75</u>	<u>\$ 4.00</u>

<sup>1</sup> Acquisition-related revenue that would otherwise be recognized but for the purchase accounting treatment of acquisitions.

<sup>2</sup> Repositioning related charges primarily consist of COVID-19 related severance and, to a lesser extent, acquisition-related repositioning and facility consolidation.

<sup>3</sup> Includes acquisition-related deferred revenue and acquisition-related and integration charges.

	Three Months Ended September 30,		Nine Months Ended September 30,		2020 Full Year Guidance	
	2020	2019	2020	2019	Low	High
Cash provided by operating activities before asbestos-related payments	\$ 136.0	\$ 129.6	\$ 231.8	\$ 200.0	\$ 320.0	\$ 350.0
Asbestos-related payments, net of insurance recoveries	(4.5)	(11.1)	(23.7)	(29.0)	(50.0)	(50.0)
Cash provided by operating activities	131.5	118.5	208.1	171.0	270.0	300.0
Less: Capital expenditures	(7.1)	(14.8)	(20.6)	(50.9)	(40.0)	(40.0)
Free cash flow	<u>\$ 124.4</u>	<u>\$ 103.7</u>	<u>\$ 187.5</u>	<u>\$ 120.1</u>	<u>\$ 230.0</u>	<u>\$ 260.0</u>

Totals may not sum due to rounding

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Jason D. Feldman

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