



Carpenter Technology Corporation

3rd Quarter Fiscal Year 2019

Earnings Call

April 25, 2019



WHEN PERFORMANCE IS EVERYTHING

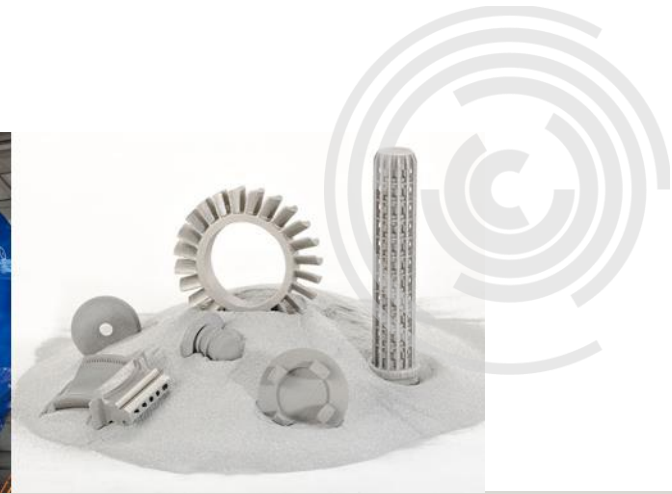
Cautionary Statement

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected, anticipated or implied. The most significant of these uncertainties are described in Carpenter Technology's filings with the Securities and Exchange Commission, including its report on Form 10-K for the year ended June 30, 2018, Form 10-Q for the quarters ended September 30, 2018 and December 31 2018, and the exhibits attached to those filings. They include but are not limited to: (1) the cyclical nature of the specialty materials business and certain end-use markets, including aerospace, defense, industrial, transportation, consumer, medical, and energy, or other influences on Carpenter Technology's business such as new competitors, the consolidation of competitors, customers, and suppliers or the transfer of manufacturing capacity from the United States to foreign countries; (2) the ability of Carpenter Technology to achieve cash generation, growth, earnings, profitability, operating income, cost savings and reductions, qualifications, productivity improvements or process changes; (3) the ability to recoup increases in the cost of energy, raw materials, freight or other factors; (4) domestic and foreign excess manufacturing capacity for certain metals; (5) fluctuations in currency exchange rates; (6) the effect of government trade actions; (7) the valuation of the assets and liabilities in Carpenter Technology's pension trusts and the accounting for pension plans; (8) possible labor disputes or work stoppages; (9) the potential that our customers may substitute alternate materials or adopt different manufacturing practices that replace or limit the suitability of our products; (10) the ability to successfully acquire and integrate acquisitions, including LPW Technology Ltd.; (11) the availability of credit facilities to Carpenter Technology, its customers or other members of the supply chain; (12) the ability to obtain energy or raw materials, especially from suppliers located in countries that may be subject to unstable political or economic conditions; (13) Carpenter Technology's manufacturing processes are dependent upon highly specialized equipment located primarily in facilities in Reading and Latrobe, Pennsylvania and Athens, Alabama for which there may be limited alternatives if there are significant equipment failures or a catastrophic event; (14) the ability to hire and retain key personnel, including members of the executive management team, management, metallurgists and other skilled personnel; and (15) fluctuations in oil and gas prices and production. Any of these factors could have an adverse and/or fluctuating effect on Carpenter Technology's results of operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Carpenter Technology undertakes no obligation to update or revise any forward-looking statements.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Carpenter Technology's consolidated financial information but is not presented in Carpenter Technology's financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation.



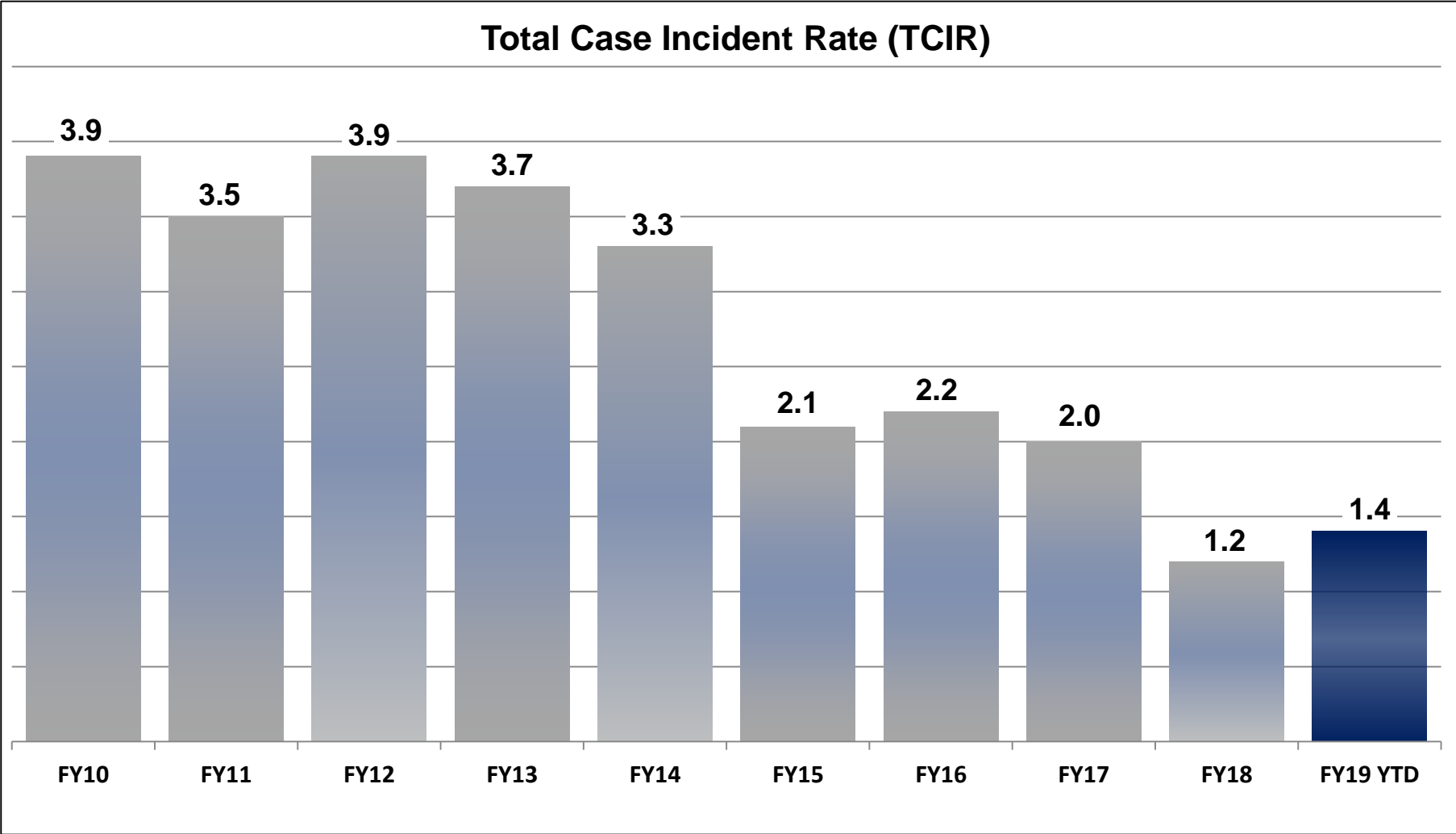
3rd Quarter Fiscal Year 2019

Tony Thene
President and Chief Executive Officer



WHEN PERFORMANCE IS EVERYTHING

Safety is Our Highest Value


















3rd Quarter Summary

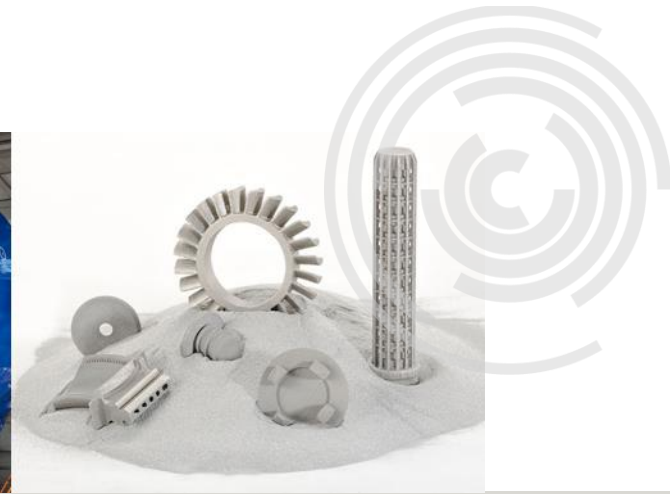
Expanded Customer Relationships, Stronger Mix and Enhanced Manufacturing Operations Driving Improved Performance; Continuing to Strengthen Foundation for Long-Term Sustainable Value Creation

- Continued strong execution and operating performance; reported EPS of \$1.05 – includes \$0.18 insurance recovery benefit
- Sequential and year-over-year revenue growth across most end-use markets driven by solutions-focused approach, stronger mix and increased customer demand
- Backlog up 9% sequentially and 44% year-over-year; 11th consecutive quarter of sequential backlog growth
- Strong Aerospace and Defense end-use market performance driven by broad industry participation; backlog up 12% sequentially
- Strong sequential and year-over-year growth in Medical end-use market due to market share gains and deeper customer relationships
- Received four additional Vendor Approved Process (VAP) qualifications for Athens facility
- Enhancing market position in targeted growth areas including additive manufacturing and soft magnetics
- Investing for long-term growth while also providing direct returns to shareholders

Q3 FY19 End-Use Market Highlights

		Q3-19 Net Sales ex. Surcharge (\$M)*		vs. Q3-18	vs. Q2-19	Comments
	Aerospace and Defense	\$273.8	54%	+5% 	+17% 	<ul style="list-style-type: none"> Year-over-year (YoY) and sequential performance driven by broad solutions portfolio with solid demand across all major sub-markets Fastener sub-market volumes improved YoY and sequentially with demand signals that remain mixed Distribution sub-market up YoY and sequentially; continues to signal strong demand Defense sub-market up YoY and sequentially driven by program-specific demand
	Medical	\$47.1	9%	+25% 	+23% 	<ul style="list-style-type: none"> Solid demand patterns across sub-markets drove strong YoY and sequential growth Continued success building direct customer relationships for leading solutions portfolio
	Energy	\$40.8	8%	+23% 	+12% 	<ul style="list-style-type: none"> Oil & gas sub-market increased YoY on improved activity and increased demand internationally Lower than anticipated adoption rates for certain new drilling tools Power generation sub-market continues to recover off a low base
	Transportation	\$33.5	7%	-1% 	+14% 	<ul style="list-style-type: none"> YoY decline due to impact of trade actions and economic uncertainty in Europe Sequential growth driven by impact of seasonality in North America and solid growth in heavy-duty truck and other applications
	Industrial and Consumer	\$71.9	14%	0% 	-7% 	<ul style="list-style-type: none"> Industrial down YoY and sequentially due to reduced demand for select applications and impacts of portfolio rationalization Consumer YoY and sequential sales growth due to broad application demand

Sales ex-surcharge up 6% year-over-year and 12% sequentially



3rd Quarter Financial Overview and Business Update

Tim Lain

Vice President and Chief Financial Officer



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Income Statement Summary

\$ Millions, except pounds and per-share amounts	Q3-18	Q2-19	Q3-19	Sequential Change
Pounds ('000)	68,898	63,918	67,918	4,000
Net Sales	572.2	556.5	609.9	53.4
Sales ex. Surcharge*	472.5	449.4	503.0	53.6
Gross Profit	96.0	107.0	123.2	16.2
Selling, General and Administrative Expenses	50.3	51.6	50.0	(1.6)
Operating Income	45.7	55.4	73.2	17.8
Special Items*	-	1.2	-	(1.2)
Operating Income ex. Special Items*	45.7	56.6	73.2	16.6
<i> % of Sales ex. Surcharge</i>	9.7%	12.6%	14.6%	+2.0pts
Special Tax Items*	1.6	-	-	-
Effective Tax Rate	19.9%	21.5%	24.9%	+3.4pts
Net Income	30.2	35.5	51.1	15.6
Diluted Earnings per Share	\$0.63	\$0.73	\$1.05	\$0.32
Adjusted Diluted Earnings per Share*	\$0.60	\$0.76	\$1.05	\$0.29

Strong year-over-year and sequential operating income growth

*Detailed schedule included in Non-GAAP Schedules in Appendix

Free Cash Flow Summary

\$ Millions	YTD FY18	Q1-19	Q2-19	Q3-19	YTD FY19
Net Income + Non-cash Items	189	68	78	81	227
Inventory	(41)	(51)	(100)	(17)	(168)
Working Capital / Other	(51)	(6)	61	(53)	2
Total Net Working Capital / Other	(92)	(57)	(39)	(70)	(166)
Pension Plan Contributions	(6)	(2)	(1)	(1)	(4)
Net Cash Provided From Operating Activities	91	9	38	10	57
Purchases of Property, Plant, Equipment and Software	(81)	(41)	(40)	(49)	(131)
Acquisition of Businesses, Net of Cash Acquired	(13)	-	(79)	-	(79)
Proceeds from Insurance Recovery	-	-	-	11	11
Dividends Paid	(26)	(10)	(10)	(10)	(29)
Other	9	-	-	1	1
Free Cash Flow *	(21)	(42)	(91)	(37)	(170)

Cash	47	17	29	19
Available Borrowing Under Credit Facility	394	394	293	267
Total Liquidity	441	411	322	286

The clerical accuracy of certain amounts may be impacted due to rounding.

Inventory build to support growing backlog

*Detailed schedule included in Non-GAAP Schedules in Appendix

SAO Segment Summary

Q3 Operating Results					
	Q3-18	Q2-19	Q3-19	vs Q3-18	vs Q2-19
Pounds ('000)	66,866	61,668	65,296	(1,570)	3,628
Net Sales (\$M)	482.4	461.6	498.3	15.9	36.7
Sales ex. Surcharge (\$M)	381.3	356.2	393.3	12.0	37.1
Operating Income (\$M)	58.0	69.0	73.6	15.6	4.6
<i>% of Net Sales</i>	12.0%	14.9%	14.8%	+2.8 pts	-0.1 pts
<i>% of Sales ex. Surcharge</i>	15.2%	19.4%	18.7%	+3.5 pts	-0.7 pts

Q3 Business Results

- Year-over-year results driven by strategic shift to more complex materials with a favorable mix
- Excluding insurance recovery benefit of \$4.7 million in Q2-19, sequential improvement in operating income of \$9.3 million driven by increased volume combined with favorable product mix
- Continued growth in backlog both year-over-year and sequentially

Q4-19 Outlook

- Continued positive demand signals across most end-use markets
- Operating income expected to increase 5-10% sequentially

PEP Segment Summary

Q3 Operating Results					
	Q3-18	Q2-19	Q3-19	vs Q3-18	vs Q2-19
Pounds* ('000)	2,946	3,300	3,540	594	240
Net Sales (\$M)	107.9	112.9	128.7	20.8	15.8
Sales ex. Surcharge (\$M)	107.5	109.4	125.9	18.4	16.5
Operating Income (\$M)	5.4	4.4	16.6	11.2	12.2
<i>% of Net Sales</i>	<i>5.0%</i>	<i>3.9%</i>	<i>12.9%</i>	<i>+7.9 pts</i>	<i>+9.0 pts</i>
<i>% of Sales ex. Surcharge</i>	<i>5.0%</i>	<i>4.0%</i>	<i>13.2%</i>	<i>+8.2 pts</i>	<i>+9.2 pts</i>

Q3 Business Results

- Operating income includes insurance recovery benefit of \$11.4 million
- Strengthening demand for titanium products in both Aerospace and Medical end-use markets
- Adoption rates for new tools used in oil & gas sub-market below expectations

Q4-19 Outlook

- Continued strong demand for titanium products
- Continued investments in additive manufacturing
- Operating income expected to be similar sequentially, after adjusting for insurance benefit

* Pounds includes only Dynamet, Carpenter Powder Products and LPW businesses

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3rd Quarter Fiscal Year 2019 Closing Comments

Tony Thene

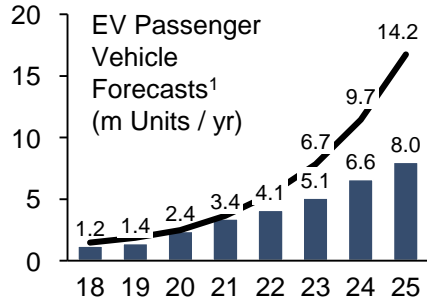
President and Chief Executive Officer



WHEN PERFORMANCE IS EVERYTHING

Investing in Future Growth

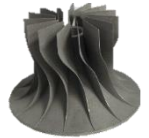
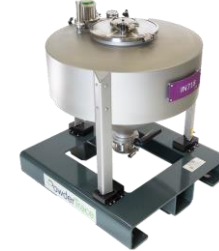
Soft Magnetics



1. Sources: UBS Securities (line), RBC Capital Markets (bar)

- \$100 million investment in precision strip hot rolling mill on track to support growth
- Expanding leadership position in Aerospace Auxiliary Power Units (APU's) and other electrification applications
- Utilizing proprietary alloy manufacturing to develop solutions for quickly developing Electric Vehicle (EV) market
- Enabling performance benefits such as lower total system costs, smaller power units, extended range and more payload

Additive Manufacturing



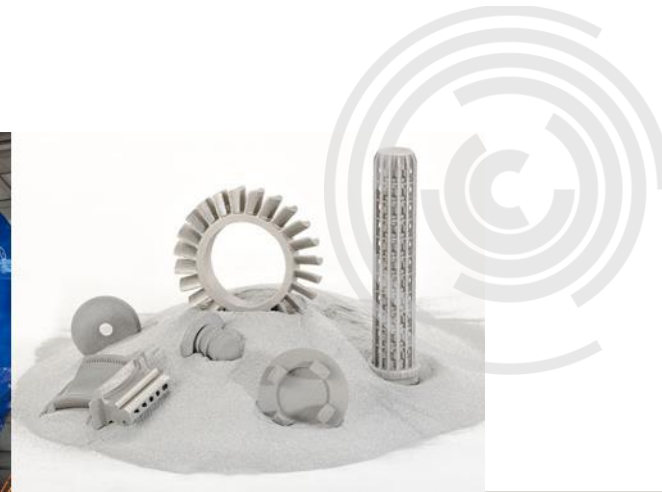
- Feedstock production and metallurgical expertise enhanced with addition of part design and production
- LPW acquisition further strengthened team and integrates full life-cycle capabilities
- Significant industry expertise being deployed at AM Tech Center in Reading, PA and Emerging Tech Center under construction in Athens, AL
- Process parameter development, characterization analysis and numerous parts being printed for key customers

Expanding leadership position in key strategic growth platforms

Closing Comments

***Flexibly
Supporting Short-
Term Industry
Needs Driving
Strong
Performance;
Partnering with
Solution-Oriented
Customers for
Longer-Term
Sustainable Value
Creation***

- Strong commercial execution delivering market share gains, stronger customer relationships and growing backlogs
- Diverse Aerospace and Defense solutions portfolio driving strong growth and backlog expansion across key sub-markets
- Capturing incremental capacity and operational efficiencies via the Carpenter Operating Model
- Four additional Athens VAP qualifications received; customer engagement remains high
- Leading additive manufacturing platform and enhanced soft magnetics portfolio strengthen long-term growth profile
- Investing in target growth areas while continuing to provide direct returns to shareholders



Appendix of Non-GAAP Schedules



WHEN PERFORMANCE IS EVERYTHING

Non-GAAP Schedules (Unaudited)

Adjusted Earnings Per Share

\$ Millions except per share amounts	Q3-18	Q2-19	Q3-19
Net Income	30.2	35.5	51.1
Diluted Earnings per Share	\$ 0.63	\$ 0.73	\$ 1.05
Acquisition-related costs	-	1.2	-
Impact of US tax reform and other legislative changes	(1.6)	-	-
Special Items	(1.6)	1.2	-
Net Income excluding Special Items	28.6	36.7	51.1
Adjusted Diluted Earnings per Share	\$ 0.60	\$ 0.76	\$ 1.05

Management believes that earnings per share adjusted to exclude the impact of special items is helpful in analyzing the operating performance of the Company, as these items are not indicative of ongoing operating performance. Management uses its results excluding these amounts to evaluate its operating performance and to discuss its business with investment institutions, the Company's board of directors and others.

Non-GAAP Schedules (Unaudited)

Operating Margin Excluding Surcharge Revenue and Special Items

\$ Millions	Q3-18	Q2-19	Q3-19
Net sales	572.2	556.5	609.9
Less: surcharge revenue	99.7	107.1	106.9
Consolidated Net Sales Excluding Surcharge	472.5	449.4	503.0
Operating Income	45.7	55.4	73.2
Special Items:			
Acquisition-related costs	-	1.2	-
Operating Income Excluding Special Items	45.7	56.6	73.2
Operating Margin	8.0%	10.0%	12.0%
Operating Margin Excluding Surcharge and Special Items	9.7%	12.6%	14.6%

Management believes that removing the impact of raw material surcharge from operating margin provides a more consistent basis for comparing results of operations from period to period, thereby permitting management to evaluate performance and investors to make decisions based on the ongoing operations of the Company. In addition, management believes that excluding the impact of special items is helpful in analyzing the operating performance of the Company, as these items are not indicative of ongoing operating performance. Management uses its results excluding these amounts to evaluate its operating performance and to discuss its business with investment institutions, the Company's board of directors and others.

Non-GAAP Schedules (Unaudited)

Free Cash Flow

\$ Millions	Q3-18	Q2-19	Q3-19	YTD FY18	YTD FY19
Net cash provided from operating activities	73.4	37.8	10.0	90.7	57.2
Purchases of property, plant, equipment and software	(25.2)	(40.1)	(49.0)	(80.9)	(130.7)
Proceeds from disposals of property, plant and equipment and assets held for sale	1.9	0.1	0.2	2.0	0.3
Proceeds from note receivable from sale of equity method investment	6.3	-	-	6.3	-
Proceeds from insurance recovery	-	-	11.4	-	11.4
Acquisition of businesses, net of cash acquired	(13.3)	(79.0)	-	(13.3)	(79.0)
Dividends paid	(8.6)	(9.7)	(9.6)	(25.8)	(28.9)
Free Cash Flow	34.5	(90.9)	(37.0)	(21.0)	(169.7)

Management believes that the free cash flow measure provides useful information to investors regarding our financial condition because it is a measure of cash generated which management evaluates for alternative uses.