



Altra Industrial Motion

Power Transmission and Motion Control Products

Second-Quarter 2013 Results

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Safe Harbor Statement



Cautionary Statement Regarding Forward Looking Statements

All statements, other than statements of historical fact included in this release are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. Forward-looking statements can generally be identified by phrases such as %believes, +%expects, +%potential, +%continues, +%may, +%should, +%seeks, +%predicts, +%anticipates, +%intends, +%projects, +%estimates, +%plans, +%could, +%designed+, %should be, +and other similar expressions that denote expectations of future or conditional events rather than statements of fact. Forward-looking statements also may relate to strategies, plans and objectives for, and potential results of, future operations, financial results, financial condition, business prospects, growth strategy and liquidity, and are based upon financial data, market assumptions and management's current business plans and beliefs or current estimates of future results or trends available only as of the time the statements are made, which may become out of date or incomplete. Forward-looking statements are inherently uncertain, and investors must recognize that events could differ significantly from our expectations. These statements include, but may not be limited to, those relating to the Company's strategic growth and profitability initiatives, end market expectations, plans to enhance bottom line performance, plans to gain market share, improvement in orders, the Company's acquisition strategy and its guidance for full year 2013.

In addition to the risks and uncertainties noted in this release, there are certain factors that could cause actual results to differ materially from those anticipated by some of the statements made. These include: (1) competitive pressures, (2) changes in economic conditions in the United States and abroad and the cyclical nature of our markets, (3) loss of distributors, (4) the ability to develop new products and respond to customer needs, (5) risks associated with international operations, including currency risks, (6) accuracy of estimated forecasts of OEM customers and the impact of the current global economic environment on our customers, (7) risks associated with a disruption to our supply chain, (8) fluctuations in the costs of raw materials used in our products, (9) product liability claims, (10) work stoppages and other labor issues, (11) changes in employment, environmental, tax and other laws and changes in the enforcement of laws, (12) loss of key management and other personnel, (13) changes in pension and retirement liabilities, (14) risks associated with compliance with environmental laws, (15) the ability to successfully execute, manage and integrate key acquisitions and mergers, (16) failure to obtain or protect intellectual property rights, (17) risks associated with impairment of goodwill or intangibles assets, (18) failure of operating equipment or information technology infrastructure, (19) risks associated with our debt leverage and operating covenants under our debt instruments, (20) risks associated with restrictions contained in our Convertible Notes and Credit Facility, (21) risks associated with compliance with tax laws, (22) risks associated with the global recession and volatility and disruption in the global financial markets, (23) risks associated with implementation of our new ERP system, (24) risks associated with the Bauer and Lamiflex acquisitions and integration and other acquisitions, (25) risks associated with the Company's investment in a new manufacturing facility in China, and (26) other risks, uncertainties and other factors described in the Company's quarterly reports on Form 10-Q and annual reports on Form 10-K and in the Company's other filings with the U.S. Securities and Exchange Commission (SEC) or in materials incorporated therein by reference. Except as required by applicable law, Altra Holdings, Inc. does not intend to, update or alter its forward looking statements, whether as a result of new information, future events or otherwise.

Second-Quarter 2013 Highlights



- “ Sales of \$181.1 million were lower than Q2 2012 by 3.6% due to weakness in certain end markets
- “ Improving order trends as the quarter progressed
- “ Q2 2013 Gross profit improved 20 basis points to 30.0%
- “ Effects of European restructuring plan are in line with expectations
- “ Cash flows from operating activities increased 36% to \$33 million during the first half of the year

End Market Review



- “ Sales at Distribution were up from Q1 2013
- “ Turf and Garden sales were off slightly due to the unusually soggy spring
- “ New product development led to strong top-line growth in Ag
- “ Strong demand in the transportation market driven by automotive OEMs
- “ Materials handling market is mixed, with strength in elevators and forklift trucks, offset by weakness in cranes and hoists
- “ Energy market remains a good long-term market, but has slowed in the recent quarter
- “ Mining and metals continue to be weak
- “ Aerospace and defense were strong, driven by commercial aircraft

Second-Quarter 2013 Financial Highlights



	QTD <u>Q2 2013</u> (\$ millions)	QTD <u>Q2 2012</u>	<u>\$ Change</u>	<u>% Change</u>
Net Sales	\$181.1	\$187.9	(\$6.8)	-3.6%
Gross Profit	\$54.4	\$56.0	(\$1.6)	-2.9%
<i>% of Revenues</i>	<i>30.0%</i>	<i>29.8%</i>		
SG&A	\$32.6	\$31.9	\$0.7	2.2%
<i>% of Revenues</i>	<i>18.0%</i>	<i>17.0%</i>		
Income from operations	\$18.3	\$21.2	(\$2.9)	-13.7%
<i>% of Revenues</i>	<i>10.1%</i>	<i>11.3%</i>		
Net Income	\$10.7	\$10.6	\$0.1	0.9%
<i>% of Revenues</i>	<i>5.9%</i>	<i>5.6%</i>		
Earnings Per Share:				
Diluted	\$0.40	\$0.40	\$0.00	0.0%
Weighted Average Common Shares Outstanding:				
Diluted	26,751	26,664	87	0.3%

Second-Quarter 2013 Non-GAAP Measures



Non-GAAP Net Income (amounts in millions)	<u>Q2 2013</u>	<u>Q2 2012</u>
Reported Net Income (Loss)	\$10.7	\$10.6
Restructuring costs	0.2	0.2
Acquisition related expenses	-	-
Premium accrued on the debt to be redeemed	-	0.6
Tax impact of above adjustments	<u>- (1)</u>	<u>(0.3) (2)</u>
Non-GAAP net income	\$10.9	\$11.2
Non-GAAP diluted earnings per share	\$0.41	\$0.42

(1) tax impact is calculated by multiplying the estimated effective tax rate, 31.3% by the above items
(2) tax impact is calculated by multiplying the estimated effective tax rate, 32.0% by the above items

QTD Free Cash Flow (amounts in millions)

	<u>Q2 2013</u>	<u>Q2 2012</u>
Net Cash flows from operating activities	\$23.7	\$26.6
Purchase of property, plant and equipment	<u>(5.5)</u>	<u>(8.7)</u>
Free cash flow	18.2	17.9

Non-GAAP Operating Income (amount in millions)	<u>Q2 2013</u>	<u>Q2 2012</u>
Reported Income from Operations	\$18.3	\$21.2
Restructuring costs	0.2	-
Acquisition related expenses	<u>-</u>	<u>0.2</u>
Non-GAAP income from operations	\$18.6	\$21.4

Balance Sheet Highlights



Balance Sheet Highlights (amounts in millions)

	<u>Q2 2013</u>		<u>Q2 2012</u>	
Cash	<u>\$61.5</u>		<u>\$95.2</u>	
Debt:				
Convertible Senior Notes	85.0		85.0	
Revolving Credit Facility	40.0		-	
Term Notes	96.3		-	
8.125% Senior Notes	-		198.0	
Capitalized Leases and other	3.0		0.2	
Mortgages	<u>0.8</u>		<u>1.0</u>	
Total Debt	<u>\$225.0</u>		<u>\$284.3</u>	
Total Debt less Cash	<u>\$163.5</u>	40.0%	<u>\$189.1</u>	45.5%
Shareholders' Equity	\$245.3	60.0%	\$226.2	54.5%
Shareholders' Equity plus Debt less Cash	\$408.8	100.0%	\$415.3	100.0%

Second-Quarter 2013 Working Capital



Balance Sheet
(amounts in millions)

Operating Working Capital:

	<u>Q2 2013</u>	<u>Q1 2013</u>	<u>Q4 2012</u>	<u>Q3 2012</u>	<u>Q2 2012</u>
Accounts Receivable	\$ 99.2	\$ 103.1	\$ 92.9	\$ 94.5	\$ 101.8
Inventories	119.9	123.0	123.8	124.3	121.0
Accounts Payable	<u>(45.2)</u>	<u>(46.7)</u>	<u>(43.0)</u>	<u>(41.5)</u>	<u>(43.2)</u>
Operating Working Capital	\$ 173.9	\$ 179.4	\$ 173.7	\$ 177.3	\$ 179.6

2013 Outlook



- “ \$715 - \$730 Million in sales
- “ \$1.52 - \$1.64 Non-GAAP diluted earnings per share *
- “ \$20 - \$23 Million in capital expenditures
- “ \$28 - \$30 Million in depreciation and amortization
- “ Tax rate approximately 31% - 33% before discrete items
- “ Free cash flow of approximately \$50 million *

Summary



- “ Performance at underperforming businesses has steadily improved this year
- “ Acceleration of lean is extending throughout the organization
- “ First price increases from strategic pricing initiative will begin in Q3 2013
- “ New business and new product initiatives have been successful
- “ Strong balance sheet puts us in a good position to execute on our acquisition strategy
- “ Outlook for Europe appears to be improving while outlook for North America and Asia are slightly worse than expected

Discussion of Non-GAAP Measures



* As used in this release and the accompanying slides posted on the Company's website, non-GAAP diluted earnings per share, non-GAAP income from operations and non-GAAP net income are each calculated using either net income or income from operations that excludes acquisition related costs, restructuring costs, and other income or charges that management does not consider to be directly related to the Company's core operating performance. Non-GAAP diluted earnings per share is calculated by dividing non-GAAP net income by GAAP weighted average shares outstanding (diluted). Non-GAAP free cash flow is calculated by deducting purchases of property, plant and equipment from net cash provided by operating activities.

Altra believes that the presentation of non-GAAP net income, non-GAAP income from operations, non-GAAP diluted earnings per share and non-GAAP free cash flow provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations.