



Altra Industrial Motion

Power Transmission and Motion Control Products

Third-Quarter 2014 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current estimates of future results or trends available only as of the time the statements are made, which may become out of date or incomplete.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 progress on corporate initiatives, strategic pricing, the ramp-up of its China facility, and improvement of underperforming businesses, the Company's views and assessment of end market conditions and industrial demand, the impact of certain future costs and the impact of the Company's restructuring activities on earnings, the Company's expectations about the tax impact of its restructuring activities, the Company's unaudited 2014 financial information, and the Company's guidance for full year 2014.
- 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, Lamiflex, Svendborg and Guardian acquisitions and integration and other acquisitions, (25) risks associated with the Company's investment in a new manufacturing facility in China, (26) risks associated with certain minimum purchase agreements we have with suppliers, (27) risks associated with our exposure to variable interest rates and foreign currency exchange rates, (28) risks associated with interest rate swap contracts, (29) risks associated with the potential dilution of our common stock as a result of our convertible notes, (30) risks associated with our exposure to renewable energy markets, (31) risks related to regulations regarding conflict minerals, and (32) 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 Industrial Motion Corp. does not intend to, update or alter its forward looking statements, whether as a result of new information, future events or otherwise

Third-Quarter 2014 Highlights



- Revenues increased 16% from the third quarter of 2013
- Non-GAAP earnings increased 13% to \$12.2 million, or \$0.45 per diluted share, during the quarter *
- Higher than expected healthcare costs negatively impacted the quarter
- Svendborg acquisition contributes as expected to the bottom line
- Announced acquisition of Guardian Industries on July 1

End Market Review



- Sales at Distribution were relatively strong
- Turf and Garden sales were strong, but down from prior year due to a difficult 2013 comparable
- Ag market continued to slow
- Materials handling market showed broad-based growth from a year ago
- Oil and gas, as well as alternative energy remained strong
- Metals market showed second quarter of growth

Third-Quarter 2014 Financial Highlights



	<u>QTD</u> <u>Q3 2014</u> (\$ millions)	<u>QTD</u> <u>Q3 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Net Sales	\$202.5	\$175.4	\$27.1	15.5%
Gross Profit	\$62.3	\$53.7	\$8.6	16.0%
<i>% of Revenues</i>	<i>30.8%</i>	<i>30.6%</i>		
SG&A	\$39.1	\$31.7	\$7.4	23.3%
<i>% of Revenues</i>	<i>19.3%</i>	<i>18.1%</i>		
Income from operations	\$17.8	\$18.9	(\$1.1)	-5.8%
<i>% of Revenues</i>	<i>8.8%</i>	<i>10.8%</i>		
Net Income	\$6.9	\$10.5	(\$3.6)	-34.3%
<i>% of Revenues</i>	<i>3.4%</i>	<i>6.0%</i>		
Earnings Per Share:				
Diluted	\$0.25	\$0.39	(\$0.14)	-35.9%
Weighted Average Common Shares Outstanding:				
Diluted	27,334	26,836	498	1.9%

Non-GAAP Measures



Non-GAAP Net Income (amounts in millions)

	<u>Q3 2014</u>	<u>Q3 2013</u>
Reported Net Income	\$6.9	\$10.5
Restructuring costs	1.6	0.1
Amortization of inventory fair value adjustment	0.1	-
European workers compensation claim	0.4	-
Acquisition related expenses	0.0	0.3
Tax impact of above adjustments	(0.6) (1)	(0.1) (2)
Tax impact of foreign reorganization	3.8	-
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Non-GAAP net income	\$12.2	\$10.8
Non-GAAP diluted earnings per share	\$0.45	\$0.40

(1) tax impact is calculated by multiplying the estimated effective tax rate, 27.8% by the above items

(2) tax impact is calculated by multiplying the estimated effective tax rate, 33.1% by the above items

YTD Free Cash Flow (amounts in millions)

	<u>2014</u>	<u>2013</u>
Net Cash flows from operating activities	\$62.0	\$62.2
Purchase of property, plant and equipment	(16.5)	(14.4)
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Free cash flow	\$45.6	\$47.8

Non-GAAP Operating Income (amount in millions)

	<u>Q3 2014</u>	<u>Q3 2013</u>
Reported Income from Operations	\$17.8	\$18.9
Restructuring costs	1.6	0.1
Amortization of inventory fair value adjustment	0.1	-
European workers compensation claim	0.4	-
Acquisition related expenses	0.0	0.3
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Non-GAAP income from operations	\$19.9	\$19.3

Balance Sheet Highlights



	<u>Q3 2014</u>		<u>Q3 2013</u>	
Cash	<u>\$43.0</u>		<u>\$70.3</u>	
Debt:				
Convertible Senior Notes	85.0		85.0	
Revolving Credit Facility	37.0		25.0	
Term Loan Facility	137.5		96.3	
Equipment Loan	5.3		3.6	
Capitalized Leases and other	0.0		0.4	
Mortgages	<u>0.3</u>		<u>0.7</u>	
Total Debt	<u>\$265.2</u>		<u>\$210.9</u>	
Total Debt less Cash	<u><u>\$222.2</u></u>	45.3%	<u><u>\$140.6</u></u>	35.2%
Shareholders' Equity	\$268.3	54.7%	\$258.9	64.8%
Shareholders' Equity plus Debt, less Cash	\$490.5	100.0%	\$399.5	100.0%

Third-Quarter 2014 Operating Working Capital



Balance Sheet
(amounts in millions)

Reconciliation of Operating Working Capital:

	<u>Q3 2014</u> ⁺	<u>Q2 2014</u> ⁺	<u>Q1 2014</u> ⁺	<u>Q4 2013</u> ⁺	<u>Q3 2013</u>
Accounts Receivable	\$ 117.9	\$ 125.4	\$ 120.7	\$ 109.1	\$ 99.8
Inventories	135.4	136.3	139.7	143.7	120.6
Accounts Payable	<u>(43.9)</u>	<u>(53.3)</u>	<u>(52.5)</u>	<u>(51.2)</u>	<u>(47.5)</u>
Operating Working Capital	\$ 209.4	\$ 208.4	\$ 207.9	\$ 201.6	\$ 172.9

⁺ Operating Working Capital includes Svendborg

2014 Outlook



- \$815 - \$825 Million in sales
- \$1.75 - \$1.80 Non-GAAP diluted earnings per share *
- \$23 - \$25 Million in capital expenditures
- \$32 - \$33 Million in depreciation and amortization
- Tax rate approximately 30% - 32% before discrete items

Summary



- Columbia City consolidation is complete and serves as a showcase of lean improvements
- Initial SAP implementation is complete
- Profit improvement plans are making steady progress
- Svendborg acquisition integration is proceeding well and it continues to be accretive to earnings as expected
- Returned over \$21 million to shareholders during the first 9 months of 2014

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 flows from operating activities. Non-GAAP operating working capital is calculated by deducting accounts payable from net trade receivables plus inventories.

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