



October 24, 2024

CARPENTER TECHNOLOGY CORPORATION

1st Quarter Fiscal Year 2025
Earnings Call



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 fiscal year ended June 30, 2024, and the exhibits attached to that filing. They include but are not limited to: (1) the cyclical nature of the specialty materials business and certain end-use markets, including aerospace, defense, medical, energy, transportation, industrial and consumer, 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 and interest 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; (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 a qualified workforce and key personnel, including members of the executive management team, management, metallurgists and other skilled personnel; (15) fluctuations in oil and gas prices and production; (16) the impact of potential cyber attacks and information technology or data security breaches; (17) the ability of suppliers to meet obligations due to supply chain disruptions or otherwise; (18) the ability to meet increased demand, production targets or commitments; (19) the ability to manage the impacts of natural disasters, climate change, pandemics and outbreaks of contagious diseases and other adverse public health developments; (20) geopolitical, economic, and regulatory risks relating to our global business, including geopolitical and diplomatic tensions, instabilities and conflicts, such as the war in Ukraine, the war between Israel and HAMAS, the war between Israel and Hezbollah, Houthi attacks on commercial shipping vessels and other naval vessels as well as compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; and (21) the consequences of the announcement, maintenance or use of Carpenter Technology's share repurchase program. 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. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation or as of the dates otherwise indicated in such forward-looking statements. Carpenter Technology undertakes no obligation to update or revise any forward-looking statements.

Non-GAAP and other financial measures

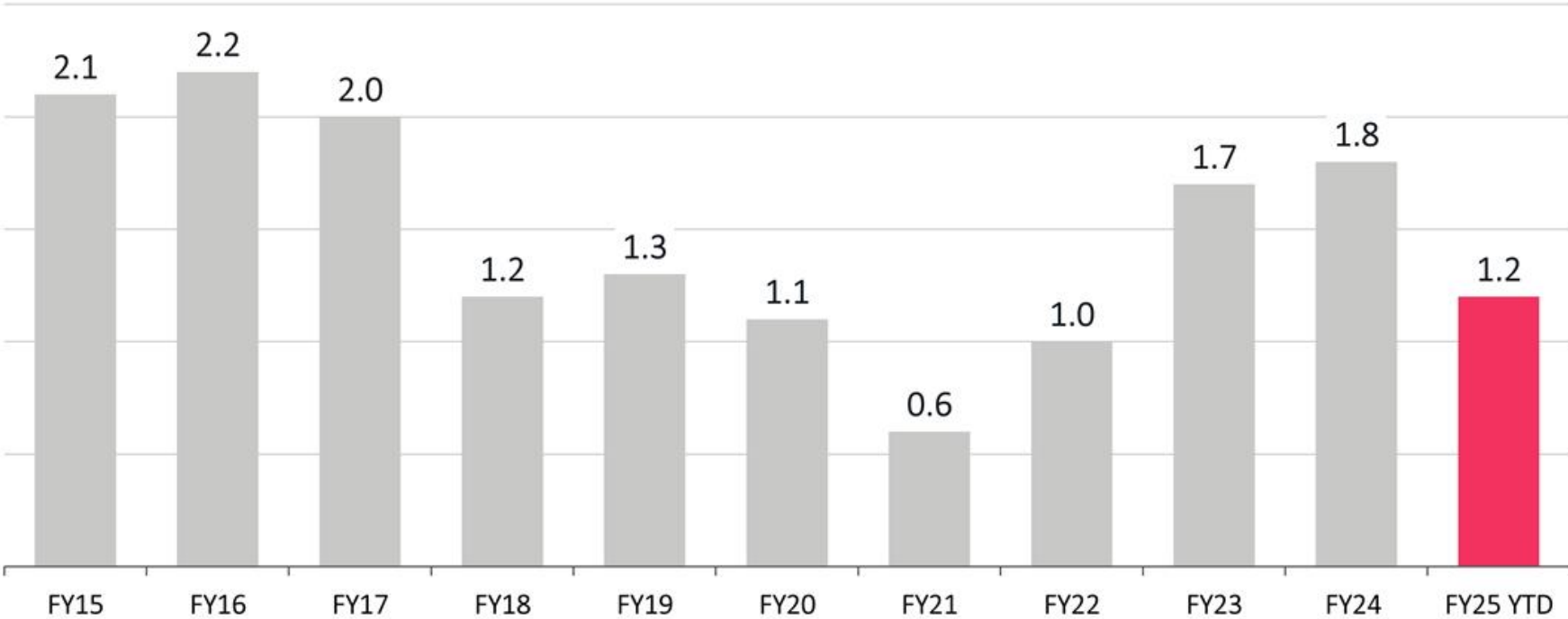
Financial information included in this presentation is unaudited. Some of the information included in this presentation is derived from Carpenter Technology's consolidated financial information but is not presented in Carpenter Technology's financial statements prepared in accordance with U.S. Generally 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.

1st QUARTER FISCAL YEAR 2025

Tony Thene | President and Chief Executive Officer

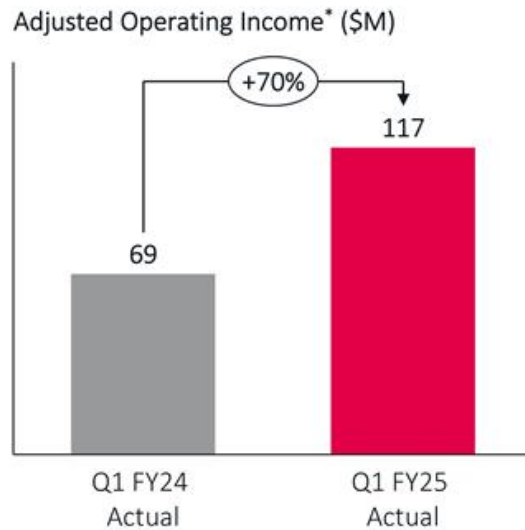
Safety is Our Highest Value

Total case incident rate

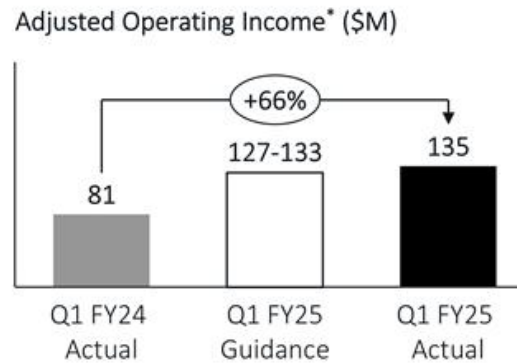


Performance: Strong start to fiscal year with record first quarter

Record first quarter profits up 70% year-over-year



SAO beat guidance with expanding operating margins



- SAO adjusted operating margin* of 26.3%, up from 19.4% in Q1FY24
- Expansion from higher productivity, improving mix and pricing actions

Positive adjusted free cash flow; share repurchase program initiated






Generated \$13.3 million in adjusted free cash flow*

- \$40.2 million cash from operations

Executed \$32.1 million in share repurchases in first quarter

- Primarily offsets dilution
- Part of \$400 million repurchase program announced in Q4FY24 earnings call

First Quarter Fiscal Year 2025 Net Sales

MARKET	Q1-25 NET SALES EX. SURCHARGE (\$M)*	% NET SALES EX. SURCHARGE	VS. Q4-24	VS. Q1-24
 AEROSPACE & DEFENSE	\$349.9	61%	↓ -7%	↑ +34%
 MEDICAL	\$73.4	13%	↓ -20%	↑ +10%
 ENERGY	\$39.4	7%	↑ +8%	↑ +35%
 TRANSPORTATION	\$21.1	4%	↓ -21%	↓ -28%
 INDUSTRIAL & CONSUMER	\$72.4	13%	↓ -13%	↓ -9%

Long-term demand remains robust despite near-term uncertainty; high backlogs and customer engagement

- Backlog remains near record levels
- Leveraging supply chain visibility and manufacturing flexibility to optimize production schedules
- Aerospace and Defense and Medical end-use markets (together, ~74% of net sales ex. surcharge) up year-over-year
- Energy sales increased year-over-year and sequentially with strong demand in power generation
- Sales decreased sequentially primarily due to planned preventative maintenance and outages

1st QUARTER FISCAL YEAR 2025 FINANCIAL OVERVIEW

Tim Lain | Senior Vice President and Chief Financial Officer

Income Statement Summary

\$ millions, except per share amounts

	Q1-25	Q4-24	Q1-24	SEQUENTIAL CHANGE	YEAR-OVER-YEAR CHANGE
Pounds ('000)	51,568	56,782	50,228	(5,214)	1,340
Net Sales	717.6	798.7	651.9	(81.1)	65.7
Net Sales ex. Surcharge Revenue*	577.4	635.8	492.8	(58.4)	84.6
Gross Profit	176.3	190.6	124.1	(14.3)	52.2
Selling, General and Administrative Expenses	59.1	65.4	55.1	(6.3)	4.0
Operating Income	113.6	108.3	69.0	5.3	44.6
Special Item included in Operating Income	3.6	16.9	—	(13.3)	3.6
Adjusted Operating Income ex. Special Item*	117.2	125.2	69.0	(8.0)	48.2
Adjusted Operating Margin ex. Surcharge Rev. and Special Item*	20.3%	19.7%	14.0%	0.6%	6.3%
Effective Tax Rate ex. Special Items	16.4%	17.0%	16.1%	(0.6%)	0.3%
Net Income	84.8	93.6	43.9	(8.8)	40.9
Diluted Earnings per Share	\$1.67	\$1.85	\$0.88	(\$0.18)	\$0.79
Adjusted Diluted Earnings per Share ex. Special Items*	\$1.73	\$1.82	\$0.88	(\$0.09)	\$0.85

SAO Segment Summary

\$ millions	Q1-25	Q4-24	Q1-24	SEQUENTIAL CHANGE	YEAR-OVER-YEAR CHANGE
Pounds ('000)	50,100	57,204	49,992	(7,104)	108
Net Sales	645.1	715.8	570.1	(70.7)	75.0
Net Sales ex. Surcharge Revenue*	510.9	559.5	417.3	(48.6)	93.6
Operating Income	134.5	140.9	80.8	(6.4)	53.7
<i>Adjusted Operating Margin ex. Surcharge Revenue*</i>	<i>26.3%</i>	<i>25.2%</i>	<i>19.4%</i>	<i>1.1%</i>	<i>6.9%</i>

Q1-25 Business Results

- Net sales excluding surcharge increased 22% year-over-year, driven by Aerospace and Defense and Energy end-use markets
- Record first quarter operating income and margin the result of focused efforts on increased productivity, improving product mix and higher price realization

Q2-25 Outlook

- Continued focus on increasing productivity, managing operating costs closely and optimizing product mix
- Managing near-term Aerospace uncertainty by working with customers to maintain flexibility and prioritize order backlogs
- Q2-25 operating income expected to be in the range of \$134 million to \$139 million

PEP Segment Summary

\$ millions	Q1-25	Q4-24	Q1-24	SEQUENTIAL CHANGE	YEAR-OVER-YEAR CHANGE
Pounds ('000)*	2,634	2,856	2,302	(222)	332
Net Sales	100.8	111.2	101.8	(10.4)	(1.0)
Net Sales ex. Surcharge Revenue**	92.4	102.3	93.1	(9.9)	(0.7)
Operating Income	7.3	10.6	9.1	(3.3)	(1.8)
Adjusted Operating Margin ex. Surcharge Revenue**	7.9%	10.4%	9.8%	(2.5%)	(1.9%)

Q1-25 Business Results

- Net sales excluding surcharge flat year-over-year; increasing sales of titanium in Aerospace and Defense and Medical end-use markets offset by customer order deferrals in Additive business
- Operating income results for current quarter reflect improving year-over-year performance in titanium business more than offset by key strategic customers order deferrals in Additive business

Q2-25 Outlook

- Continuing to drive actions to enhance productivity and throughput rates across manufacturing facilities to support strong demand for titanium solutions, while managing costs in other businesses
- Q2-25 operating income expected to be approximately \$6.0 million to \$7.5 million



Cash Flow & Liquidity Summary

\$ millions	Q1-25	Q4-24	Q1-24
Net Income + Noncash Items	128.7	154.7	90.0
Inventory	(16.8)	59.0	(67.8)
Working Capital / Other	(62.1)	(37.8)	(10.2)
Total Net Working Capital / Other	(78.9)	21.2	(78.0)
Pension Plan Contributions	(9.6)	(6.4)	(4.6)
Net Cash Provided from Operating Activities	40.2	169.5	7.4
Purchases of Property, Plant, Equipment and Software	(26.9)	(27.7)	(22.0)
Proceeds from Disposals of Property, Plant and Equipment	—	0.6	—
Adjusted Free Cash Flow*	13.3	142.4	(14.6)

\$ millions	Q1-25	Q4-24	Q1-24
Cash	150.2	199.1	18.1
Available Borrowing Under Credit Facility	348.9	348.8	348.3
Total Liquidity	499.1	547.9	366.4

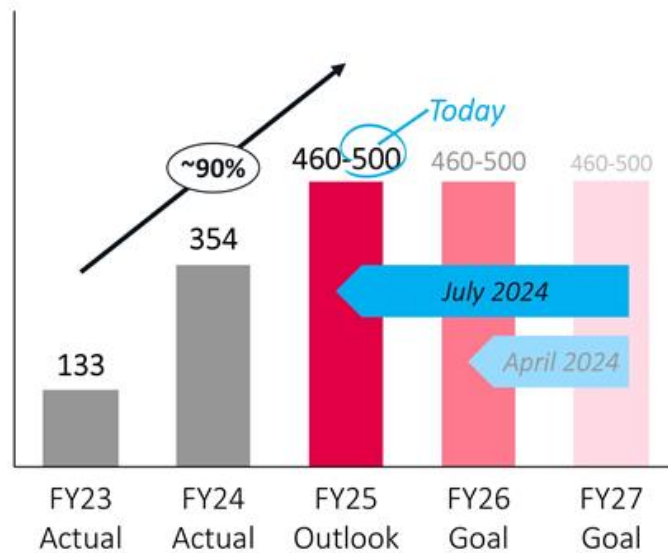
- Generated \$13.3 million in adjusted free cash flow
- Repurchased 230,000 shares (\$32.1 million) against \$400 million recent repurchase authorization
- Funded consistent quarterly cash dividend of \$10.1 million (\$0.20 per share)

1st QUARTER FISCAL YEAR 2025 CLOSING COMMENTS

Tony Thene | President and Chief Executive Officer

Outlook: Continue to increase earnings guidance based on solid execution, strong market position and unique capacity and capabilities

Adjusted Operating Income* (\$M)



- **Future:** expect continued earnings growth beyond FY25
- **Today:** guiding to the high end of the \$460 million to \$500 million range with activities that could push operating income even higher in FY25
Increasing our guidance during this near-term aerospace supply chain uncertainty is a testament to our solid execution, strong market position and unique capacity and capabilities
- **July 2024 Earnings Call:** pulled goal forward an additional year to FY25, increasing operating income CAGR to ~90% over two-year period
- **April 2024 Earnings Call:** moved goal forward one year, increasing operating income CAGR to ~55% over three-year period
- **May 2023 Investor Day:** announced goal of \$460 million to \$500 million in adjusted operating income for FY27, representing operating income CAGR of 40% from FY23

Delivering record profits while navigating near-term Aerospace market uncertainty

Strong start to fiscal year with record first quarter

- Record first quarter profits up 70% year-over-year
- SAO beat guidance with expanding operating margins
- Generated \$13.3 million in adjusted free cash flow
- Executed \$32.1 million in share repurchases

Navigating near-term Aerospace uncertainty

- Backlog remains near record levels
- Leveraging supply chain visibility and manufacturing flexibility to optimize production schedules
- Strong demand across markets, like Medical and Energy sub-market power generation, with Aerospace-like margins

Strengthening earnings growth outlook

- Guiding to the high end of the \$460 million to \$500 million range for FY25
- Line-of-sight to activities that could push operating income higher
- Expected earnings growth beyond FY25

APPENDIX OF NON-GAAP SCHEDULES

Non-GAAP Schedules

Adjusted Operating Margin ex. Surcharge Revenue and Special Item

\$ millions	Q1-25	Q4-24	Q1-24
Net Sales	717.6	798.7	651.9
Less: Surcharge Revenue	140.2	162.9	159.1
Net Sales ex. Surcharge Revenue	577.4	635.8	492.8
Operating Income	113.6	108.3	69.0
Special Item:			
Restructuring and asset impairment charges	3.6	16.9	—
Adjusted Operating Income ex. Special Item	117.2	125.2	69.0
Operating Margin	15.8%	13.6%	10.6%
<i>Adjusted Operating Margin ex. Surcharge Revenue and Special Item</i>	20.3%	19.7%	14.0%

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 from operating margin 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

Adjusted Segment Operating Margin ex. Surcharge Revenue

\$ millions	SAO	SAO	SAO	PEP	PEP	PEP
	Q1-25	Q4-24	Q1-24	Q1-25	Q4-24	Q1-24
Net Sales	645.1	715.8	570.1	100.8	111.2	101.8
Less: Surcharge Revenue	134.2	156.3	152.8	8.4	8.9	8.7
Net Sales ex. Surcharge Revenue	510.9	559.5	417.3	92.4	102.3	93.1
Operating Income	134.5	140.9	80.8	7.3	10.6	9.1
Operating Margin	20.8%	19.7%	14.2%	7.2%	9.5%	8.9%
<i>Adjusted Operating Margin ex. Surcharge Revenue</i>	<i>26.3%</i>	<i>25.2%</i>	<i>19.4%</i>	<i>7.9%</i>	<i>10.4%</i>	<i>9.8%</i>

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. 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

Adjusted Diluted Earnings Per Share

\$ millions, except per share amounts	Q1-25	Q4-24	Q1-24
Diluted Earnings per Share	\$1.67	\$1.85	\$0.88
Net Income	84.8	93.6	43.9
Special Items, net of tax:			
Restructuring and asset impairment charges	2.7	16.8	—
US tax benefit related to restructuring activities	—	(18.4)	—
Special Items, net of tax:	2.7	(1.6)	—
Net Income Excluding Special Items	87.5	92.0	43.9
Adjusted Diluted Earnings per Share Excluding Special Items	\$1.73	\$1.82	\$0.88

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

Adjusted Free Cash Flow

\$ millions	Q1-25	Q4-24	Q1-24
Net Cash Provided from Operating Activities	40.2	169.5	7.4
Purchases of Property, Plant, Equipment and Software	(26.9)	(27.7)	(22.0)
Proceeds from Disposals of Property, Plant and Equipment	—	0.6	—
Adjusted Free Cash Flow	13.3	142.4	(14.6)

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



Your trusted partner in innovation.

Carpenter Technology Corporation (NYSE: CRS) is a global leader in high-performance specialty alloy-based materials and process solutions for critical applications in the aerospace, defense, medical, energy, transportation, industrial and consumer electronics markets.

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