



October 28, 2021

CARPENTER TECHNOLOGY CORPORATION

1st Quarter Fiscal Year 2022

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 year ended June 30, 2021, 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, transportation, energy, 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 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 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) uncertainty regarding the return to service of the Boeing 737 MAX aircraft and the related supply chain disruption; (17) potential impacts of the COVID-19 pandemic on our operations, financial results and financial position; (18) our efforts and efforts by governmental authorities to mitigate the COVID-19 pandemic, such as travel bans, shelter in place orders and business closures, and the related impact on resource allocations and manufacturing and supply chains; (19) our status as a "critical", "essential" or "life-sustaining" business in light of COVID-19 business closure laws, orders and guidance being challenged by a governmental body or other applicable authority; (20) our ability to execute our business continuity, operational, budget and fiscal plans in light of the COVID-19 pandemic; and (21) our ability to successfully carry out restructuring and business exit activities on the expected terms and timelines. 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 and other financial measures

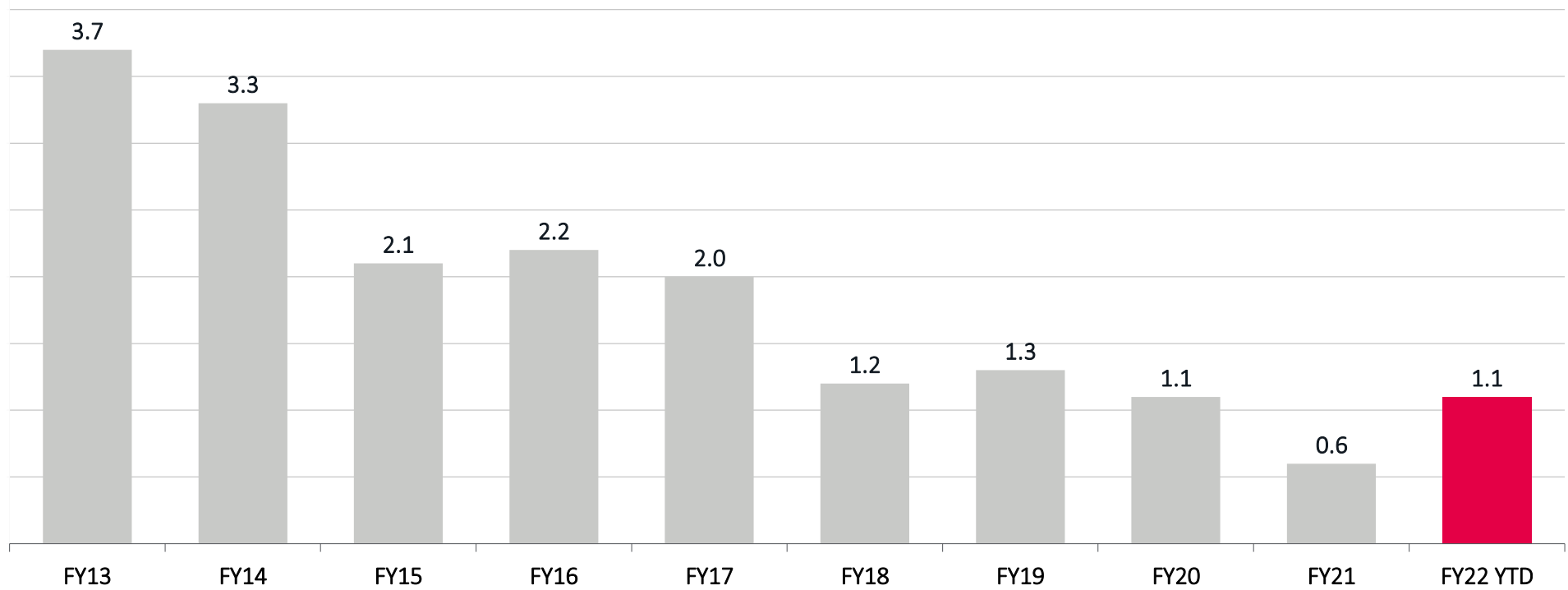
Financial information included in this presentation is unaudited. Some of the information included in this presentation is derived from Carpenter Technology's consolidated financial information but is not presented in Carpenter Technology's financial statements prepared in accordance with U.S. Generally 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 2022

Tony Thene | President and Chief Executive Officer

Safety is Our Highest Value

Total Case Incident Rate (TCIR)








1st Quarter Summary

- Demand across end-use markets continues to increase, albeit at different paces, with backlog up 25% sequentially and 49% year-over-year
- PEP segment finished ahead of our expectations, largely driven by strong demand in aerospace fasteners sub-market
- Performance in the SAO segment was negatively impacted by operational challenges, including workforce shortages due to COVID-19 isolations and hiring in the current labor environment
- Liquidity remains healthy at \$508 million
- Strong engagement from customers on the recently commissioned hot strip mill at Reading, PA campus

**Continue to Actively
Manage our Business;
Remain Well Positioned in
Attractive End-Use Markets
as Recovery Continues**

1st Quarter End-Use Market Highlights

Sales ex-surcharge up 2% year-over-year; down 10% sequentially

MARKET	Q1-22 NET SALES EX. SURCHARGE (\$M)*	%	VS. Q1-21	VS. Q4-21	COMMENTS
 AEROSPACE & DEFENSE	\$134.9	43%	↓ - 9%	↓ -18%	<ul style="list-style-type: none"> Entire supply chain looking ahead to prepare for full recovery Fastener & distribution sub-markets beginning to ramp; engine sub-market inventories vary but CY22 replenishment planning continues Defense: new and legacy platform activity remains strong
 MEDICAL	\$37.1	12%	↑ +24%	↓ - 3%	<ul style="list-style-type: none"> OEMs maintain positive outlook into Q2 FY22 with some regional impact from delta variant Distribution channel continues to replenish stock levels Patient sentiment remains positive, dependent on vaccination rates & hospital preparedness
 TRANSPORTATION	\$31.4	10%	↑ +28%	↓ -14%	<ul style="list-style-type: none"> Global light-duty vehicle outlook remains strong, with slight softening expected in near-term from extended summer shutdowns related to chip shortages Heavy-duty vehicle outlook for FY22 remains strong on record high demand for Class 8 trucks in North America combined with continued share gains
 ENERGY	\$16.2	5%	↓ -24%	↑ +21%	<ul style="list-style-type: none"> Oil & gas customers looking to ramp up CY22 production with strong energy demands International oil & gas sub-market outlook continues to improve Maintenance cycle in power generation sub-market continues
 INDUSTRIAL & CONSUMER	\$66.3	21%	↑ + 5%	↓ - 2%	<ul style="list-style-type: none"> Historically high demand in the semiconductor sub-market, with demand in other sub-markets exceeding pre-COVID levels Consumer sales up YoY driven by growth of electronics and new business for power electronics

1st QUARTER FISCAL YEAR 2022 FINANCIAL OVERVIEW AND BUSINESS UPDATE

Tim Lain | Senior Vice President and Chief Financial Officer

Income Statement Summary

Performance impacted by short-term operational challenges

	Q1-22	Q1-21	Q4-21	YEAR-OVER-YEAR CHANGE	SEQUENTIAL CHANGE
<small>\$ in millions, except pounds and per-share amounts</small>					
Pounds ('000)	43,528	44,348	47,968	(820)	(4,440)
Net Sales	387.6	353.3	421.6	34.3	(34.0)
Net Sales ex. Surcharge Revenue*	312.9	307.2	348.1	5.7	(35.2)
Gross Profit (Loss)	25.2	3.5	(21.3)	21.7	46.5
Selling, General and Administrative Expenses	44.3	42.3	47.9	2.0	(3.6)
Special Items in Operating Loss	1.6	17.9	58.2	(16.3)	(56.6)
Operating Loss	(19.1)	(48.8)	(70.7)	29.7	51.6
Operating Loss ex. Special Items*	(17.5)	(30.9)	(12.5)	13.4	(5.0)
<i>% of Net Sales ex. Surcharge Revenue*</i>	-5.6%	-10.1%	-3.6%	4.5%	-2.0%
Effective Tax Rate	41.3%	28.6%	27.7%	12.7%	13.6%
Net Loss	(14.8)	(47.1)	(57.1)	32.3	42.3
Diluted Loss per Share	(\$0.31)	(\$0.98)	(\$1.18)	\$0.67	\$0.87
Adjusted Diluted Loss per Share*	(\$0.28)	(\$0.58)	(\$0.28)	\$0.30	\$0.00

SAO Segment Summary

Q1 OPERATING RESULTS					
	Q1-22	Q1-21	Q4-21	vs Q1-21	vs Q4-21
Pounds ('000)	43,008	43,368	47,712	(360)	(4,704)
Net Sales (\$M)	331.9	300.7	361.5	31.2	(29.6)
Sales ex. Surcharge (\$M)	258.2	254.8	289.9	3.4	(31.7)
Operating Loss (\$M)	(5.9)	(18.6)	(47.3)*	12.7	41.4
% of Net Sales	-1.8%	-6.2%	-13.1%	4.4%	11.3%
% of Sales ex. Surcharge	-2.3%	-7.3%	-16.3%	5.0%	14.0%

Q1 business results

- Sales increased 1% year-over-year as increased shipments in Medical and Transportation end-use markets were largely offset by decline in Aerospace and Defense
- Short-term operational challenges caused by certain COVID-19 isolations at key work centers and labor shortage
- \$1.3 million of COVID-19 related costs incurred in Q1-22 (\$7.3 million in Q1-21, \$2.1 million in Q4-21)

Q2-22 outlook

- Demand continues to improve with backlogs and activity levels increasing in advance of broader Aerospace recovery in 2H-22
- Continue to drive operating cost improvements and capacity improvements in key flow paths as activity levels increase driven by improving demand conditions
- Q2-22 operating results expected to be in range of operating loss of \$2 million to operating income of \$2 million

PEP Segment Summary

Q1 OPERATING RESULTS

	Q1-22	Q1-21	Q4-21	vs Q1-21	vs Q4-21
Pounds* ('000)	2,372	1,466	2,912	906	(540)
Net Sales (\$M)	74.6	61.8	77.5	12.8	(2.9)
Sales ex. Surcharge (\$M)	73.6	61.2	75.6	12.4	(2.0)
Operating Income (Loss) (\$M)	0.6	(3.6)	(2.3) **	4.2	2.9
<i>% of Net Sales</i>	0.8%	-5.8%	-3.0%	6.6%	3.8%
<i>% of Sales ex. Surcharge</i>	0.8%	-5.9%	-3.0%	6.7%	3.8%

Q1 business results

- Sales increased 20% year-over-year due to increased demand driven by Titanium materials used in Aerospace applications and broad recovery across Distribution business
- Improving demand conditions and cost benefits of Additive reorganization drove year-over-year improvement in operating results; sequential operating income performance impacted largely by sales volume

Q2-22 outlook

- Demand patterns expected to continue to increase; sales expected to remain flat sequentially
- Ongoing focus on operating cost discipline and managing lead times to take advantage of improving demand conditions
- Similar sequential operating income expected in Q2-22

* Pounds includes only Dynamet and Additive businesses
 ** Includes \$4.3 million of non-cash LIFO decrement charge

Free Cash Flow Summary

Inventory growth related to short-term operational challenges; total liquidity remains healthy

\$ MILLIONS	Q1-22	Q1-21	Q4-21
Net Income + Non-Cash Items	11	4	24
Inventory	(67)	85	57
Working Capital / Other	9	2	2
Total Net Working Capital / Other	(58)	87	59
Pension Plan Contributions	-	(3)	(9)
Net Cash (Used for) / Provided from Operating Activities	(47)	88	75
Purchases of Property, Plant, Equipment and Software	(14)	(33)	(22)
Proceeds from divestiture of business	-	18	-
Dividends Paid	(10)	(10)	(10)
Free Cash Flow*	(71)	63	43
Cash	213	219	287
Available Borrowing Under Credit Facility	295	394	295
Total Liquidity	508	613	582

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

*Detailed schedule included in Non-GAAP Schedules in Appendix. 11

1st QUARTER FISCAL YEAR 2022 CLOSING COMMENTS

Tony Thene | President and Chief Executive Officer

Positioned to Capitalize on Increasing Demand

- Continuing to see demand increase across our end-use markets with a strong, long-term outlook
- Partnering with key customers in navigating the recovery
- Implementing the Carpenter Operating Model and addressing short-term labor challenges to increase production to meet increasing demand
- Maintained strong liquidity position of \$508 million, including \$213 million in cash
- Soft magnetics capabilities and additive manufacturing platform continue to provide long-term growth opportunities

Deep Customer Relationships, Strong Demand Outlook and Emerging Growth Platforms Support Long-Term Sustainable Growth

APPENDIX OF NON-GAAP SCHEDULES

Non-GAAP Schedules

Adjusted diluted loss per share

\$ MILLIONS, EXCEPT PER-SHARE AMOUNTS	Q1-22	Q1-21	Q4-21
Diluted Loss per Share	(\$0.31)	(\$0.98)	(\$1.18)
Net Loss	(14.8)	(47.1)	(57.1)
Special Items, net of tax:			
LIFO decrement	-	-	37.3
COVID-19 costs	0.9	5.3	2.1
Inventory write-downs from restructuring	-	-	1.2
Restructuring and asset impairment charges	-	7.6	1.1
Debt extinguishment losses, net	-	6.2	-
Pension settlement charges	-	-	1.9
Special Items, net of tax	0.9	19.1	43.6
Net Loss Excluding Special Items	(13.9)	(28.0)	(13.5)
Adjusted Diluted Loss per Share	(\$0.28)	(\$0.58)	(\$0.28)

Management believes that loss 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 operating margin, excluding surcharge revenue and special items

\$ MILLIONS	Q1-22	Q1-21	Q4-21
Net Sales	387.6	353.3	421.6
Less: Surcharge Revenue	74.7	46.1	73.5
Net Sales Excluding Surcharge Revenue	312.9	307.2	348.1
Operating Loss	(19.1)	(48.8)	(70.7)
Special Items:			
LIFO decrement	-	-	52.2
COVID-19 costs	1.6	7.9	2.9
Inventory write-downs from restructuring	-	-	1.6
Restructuring and asset impairment charges	-	10.0	1.5
Special Items	1.6	17.9	58.2
Operating Loss Excluding Special Items	(17.5)	(30.9)	(12.5)
Operating Margin	-4.9%	-13.8%	-16.8%
Adjusted Operating Margin Excluding Surcharge Revenue and Special Items	-5.6%	-10.1%	-3.6%

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 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

Free cash flow

\$ MILLIONS	Q1-22	Q1-21	Q4-21
Net cash (used for) provided from operating activities	(47.0)	88.0	74.5
Purchases of property, plant, equipment and software	(14.4)	(33.3)	(22.1)
Proceeds from divestiture of business	-	17.6	-
Dividends paid	(9.8)	(9.7)	(9.8)
Free Cash Flow	(71.2)	62.6	42.6

Management believes that the 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.

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

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, transportation, energy, industrial and consumer electronics markets.

**For additional information, please
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