



# Fiscal 2012 Q1 Earnings

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# Forward-Looking Statements

Information included within this presentation describing projected growth and future results and events constitutes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results in future periods may differ materially from the forward-looking statements because of a number of risks and uncertainties, including but not limited to fluctuations in the aerospace, power generation, and general industrial cycles; the relative success of the Company's entry into new markets; competitive pricing; the financial viability of the Company's significant customers; the impact on the Company of customer labor disputes; demand, timing, and market acceptance of new commercial and military programs, including the Boeing 787; the availability and cost of energy, materials, supplies, and insurance; the cost of pension benefits and post-retirement medical benefits; equipment failures; relations with the Company's employees; the Company's ability to manage its operating costs and to integrate acquired businesses in an effective manner; governmental regulations and environmental matters; risks associated with international operations and world economies; the relative stability of certain foreign currencies; the impact of adverse weather or natural disasters; the availability and cost of financing; and implementation of new technologies and process improvement. Any forward-looking statements should be considered in light of these factors. The Company undertakes no obligation to publicly release any forward-looking information to reflect anticipated or unanticipated events or circumstances after the date of this document.

# Solid Sales and Earnings Momentum

	Q1 FY12	Q1 FY11	% Change
Net Sales	\$ 1,675.3 M	\$ 1,446.8 M	15.8 %
Consolidated Segment Operating Income	\$ 419.5 M	\$ 351.9 M	19.2 %
<i>Margin %</i>	25.0 %	24.3 %	
Earnings Per Share from Continuing Operations ( <i>diluted</i> )	\$ 1.97	\$ 1.65	19.4 %

## Y-O-Y Q1 Sales:

- Contractual pass-through pricing and higher metal selling prices at three primary mills of ~ \$80M
- Solid aerospace casting and forging growth → ~ 22% ↑
  - Initial orders to support higher base build rates
  - Signs of increased 787 activity
  - Strong orders for external alloy
- Modest improvement in aerospace fastener sales → ~ 3% ↑
  - Distributor/787 orders still “on hold”
- Traction in industrial gas turbine (IGT) sales → ~ 22% ↑
- Significant recovery in seamless pipe sales → ~ 28% ↑
- Slight uptick in general industrial sales → ~ 4% ↑

## Y-O-Y Q1 EBIT:

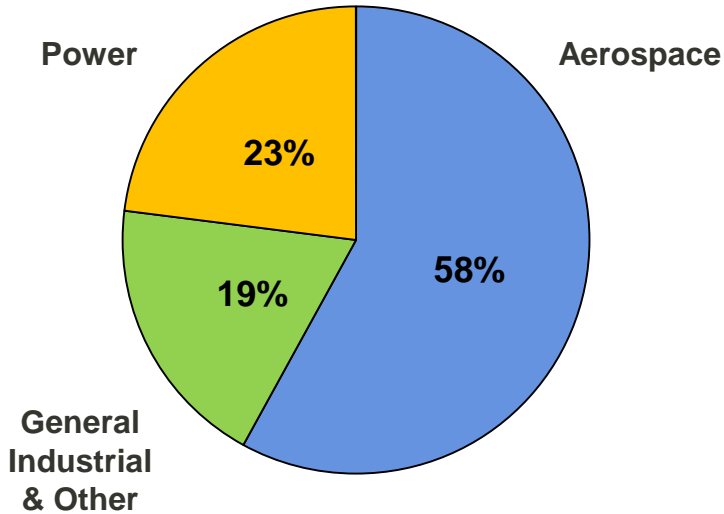
- Strong volume leverage
- Higher productivity levels
- Increased internal alloy input
- Better yields
- Effective revert utilization

## Sequential Sales Q4 → Q1:

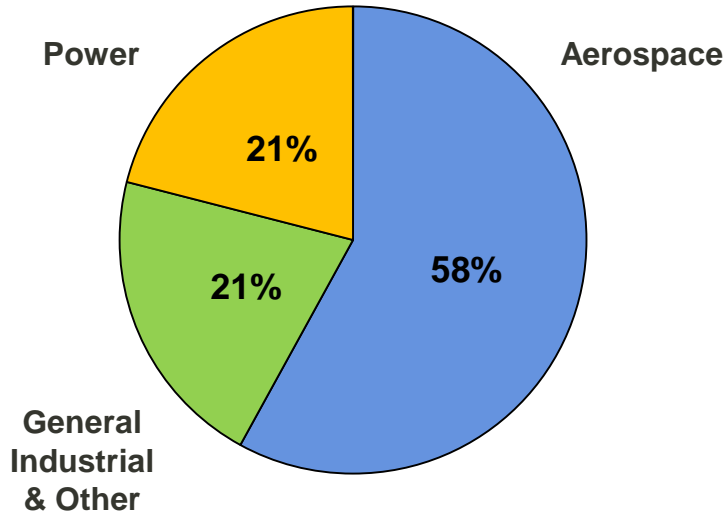
- Steady aerospace demand
- IGT relatively flat
- Anticipated pickup in seamless pipe sales → ~21% ↑
- General industrial down → ~8% ↓
  - Project driven
  - Focusing on higher-value core products

# Sales By Market – Q1 FY12 vs. Q1 FY11

**Q1 FY12**



**Q1 FY11**



# Segment Summary

## Investment Cast Products

	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>% Change</u>
Sales	\$ 568.8 M	\$ 486.7 M	16.9 %
Operating Income	\$ 187.1 M	\$ 155.1 M	20.6 %
<i>Operating Margin</i>	32.9 %	31.9 %	

### Y-O-Y Q1 Sales:

- Continued aerospace strength → ~ 19% ↑
  - Support current build rates
  - Begin increased base production
  - 787 activity
  - Accelerating aftermarket sales → ~ 19% ↑
- Upward trend in IGT sales → ~ 15% ↑
  - Returning strength in OEM and aftermarket
- Increase in material pass-through → ~ \$8M ↑

### Sequential Sales Developments Q4 → Q1:

- Further aerospace growth
- Improved IGT sales → ~ 6% ↑
  - Driven primarily by aftermarket

### Y-O-Y Q1 EBIT:

- Strong drop-through on higher volumes
  - 39% incremental margins
  - Material pass-through dilutes margins 0.5 pps
- Seizing every cost opportunity
  - No end in sight



- Investment Cast Products – clearest line of sight to aerospace sales/leverage
- Solid order book in base commercial programs
- 787 schedules loading in back half of FY12 and ramping into FY13
- Additional IGT upside possible
  - Projected OEM growth
  - Aftermarket → “long, hot summer”

# Segment Summary

## Forged Products

	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>% Change</u>
Sales	\$ 758.5 M	\$ 631.2 M	20.2 %
Operating Income	\$ 156.5 M	\$ 120.1 M	30.3 %
<i>Operating Margin</i>	<i>20.6 %</i>	<i>19.0 %</i>	

### Y-O-Y Q1 Sales:

- Contractual pass-through pricing and higher metal selling prices at three primary mills of ~ \$71M ↑
- Dynamic aerospace growth → ~ 25% ↑
- Solid recovery in seamless pipe → ~ 28% ↑
  - Improved pricing profile
- Relatively flat general industrial sales

### Sequential Sales Developments Q4 → Q1:

- Increased material pass-through of ~ \$5M
- Flat metal selling prices at mills
- Intercompany sales → ~ \$40M ↑
  - Diversion of assets to support growth in:
    - Aerospace
    - Energy
- Modest improvement in aerospace sales → ~ 2% ↑
- Continued seamless pipe strength → ~ 21% ↑
- Decline in general industrial sales → ~ 16% ↓
  - Project driven
  - Growing emphasis on higher-value added products

### Y-O-Y Q1 EBIT:

- Strong volume leverage from high fixed-cost base
- Incremental margins excluding material pass-through and higher metal selling prices → > 40%
- Steadily recovering core seamless pipe product
  - Significantly reduced shipments of non-core, low-margin pipe
- Effective metal utilization
- Material pass-through/high metal selling prices dilute margins by 2.1 pps
  - **Segment operational performance overcame margin dilution**



- Poised for further aerospace growth
  - Rate increases – 787
- Additional pipe upside
- Exciting opportunities in oil & gas markets
- General industrial relatively flat

# Segment Summary

## Fastener Products

	<u>Q1 FY12</u>	<u>Q1 FY11</u>	<u>% Change</u>
Sales	\$ 348.0 M	\$ 328.9 M	5.8 %
Operating Income	\$ 106.8 M	\$ 104.2 M	2.5 %
<i>Operating Margin</i>	30.7 %	31.7 %	

### Y-O-Y Q1 Sales:

- Slight improvement in aerospace sales → ~ 3% ↑
  - Continued expansion into non-core fasteners
  - Lack of core/distributor/787 orders
- Continued growth in general industrial → ~ 12% ↑

### Y-O-Y Q1 EBIT:

- Significantly reduced cost structure in all operations
  - Countered by
    - Lower value product mix
    - Lack of core product activity
    - General industrial growth



### Sequential Sales Developments Q4 → Q1:

- Anticipated aerospace flatness
- Modest general industrial upside → ~ 6% ↑

- Continued flat outlook for Q2
- Growing backlogs for core product in Q3 and Q4 across wide customer base
- Segment positioned for “sweet spot” as volumes return

# Cash and Debt Position for Q1 FY12

	<u>July 3, 2011</u>	<u>April 3, 2011</u>	<u>Q1 Change</u>
Cash	\$ 1,315.8 M	\$ 1,159.0 M	\$ 156.8 M
Debt	229.2 M	236.6 M	7.4 M
<i>Debt-To-Capitalization</i>	3.0 %	3.2 %	
Add back cash utilized:			
– To make voluntary pension contributions			50.0 M
– For acquisitions			12.4 M
Total change in cash and debt, excluding cash utilized to make voluntary pension contributions and for acquisitions			<u>\$ 226.6 M</u>

# Recent Acquisition Activity

- PB Fasteners – Pending
  - Expands critical aerospace fastener product offerings
  - Leader in sleeve bolt technology → lightning strike mitigation
- Tru-Form – Closed Q2
  - Adds crucial forging capability
  - Leader in flash-welded and cold-rolled rings
- KLAD – Closed Q1
  - Critical capability required to attack sub-sea oil & gas applications
  - Proprietary process to produce carbon steel pipe with nickel alloy or stainless steel inner sleeve
- Rollmet – Closed Q2
  - Capability qualified for production of 9 5/8” downhole casing
  - Unique cold-roll extrusion process
- Primus International – Pending
  - Establishes platform for aerostructures growth
  - Complex component and assemblies for aerospace industry
  - Excellent dollar content on large commercial aircraft program

# Inventory Position

	<u>July 3, 2011</u>	<u>April 3, 2011</u>	<u>Q1 Change</u>
Raw Materials & Supplies	\$ 528 M	\$ 437 M	\$ 91 M
WIP	615 M	539 M	76 M
Finished Goods	328 M	334 M	(6) M
LIFO	<u>142 M</u>	<u>149 M</u>	<u>(7) M</u>
Total	<u>\$ 1,613 M</u>	<u>\$ 1,459 M</u>	<u>\$ 154 M</u>

Strategic material purchases → \$ 64M

Purchases to support volume increases → \$ 44M

Summer shutdown/repair builds → \$ 28M

# Q1 FY12 Summary

## Investment Cast Products

- Steady improvement in commercial aerospace sales
  - Current build schedules
  - Increased orders to support announced increases
  - Initial 787 activity
  - Aftermarket growth
- Brighter IGT picture
  - OEM
  - Aftermarket

## Forged Products

- Further aerospace OEM growth
- Gaining momentum in core seamless pipe product
- Flat general industrial sales

## Fastener Products

- Continued flat aerospace sales sequentially
- Slight general industrial improvement

# Outlook

## Aerospace

- Investment Cast Products/ Forged Products
  - Schedules beginning to support announced increases in base aircraft build rates
  - 787 orders loaded into Q3 and moving steadily into Q4 and beyond
  - Aftermarket growth forecast to continue
- Fastener Products
  - Further sequential flatness in Q2
  - Customer base ramping up bookings of core products
    - Production acceleration in back half of year
  - Addition of PB Fasteners
  - Primus acquisition
    - Exciting new aerostructures platform for profitable growth

## Power

- Investment Cast Products
  - IGT
    - Good traction
    - Potential upsides
      - Increased OEM production forecasts
      - Aftermarket in wake of heat wave
- Forged Products
  - Seamless pipe
    - Solid improvement in shipping profile through FY12
    - More core interconnect product in mix
    - Steadily growing presence in oil & gas markets
      - Oil & gas = 20-30% of Forged Products energy sales in Q2/Q3
      - 9 5/8" pipe now qualified with three oil & gas customers
        - Several bids pending
        - Making progress toward fourth qualification
    - Addition of KLAD, Rollmet, and Tru-Form

## General Industrial

- Flat to relatively modest sequential growth

# Questions

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Mark Donegan  
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