CARPENTER® TECHNOLOGY

Carpenter Technology Corporation

4th Quarter Fiscal Year 2020
Earnings Call
July 30, 2020

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, 2019, Form 10-Q for the quarters ended September 30, 2019, December 31, 2019 and March 31, 2020 and the exhibits attached to those filings. 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 outbreak; 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 Financial Measures

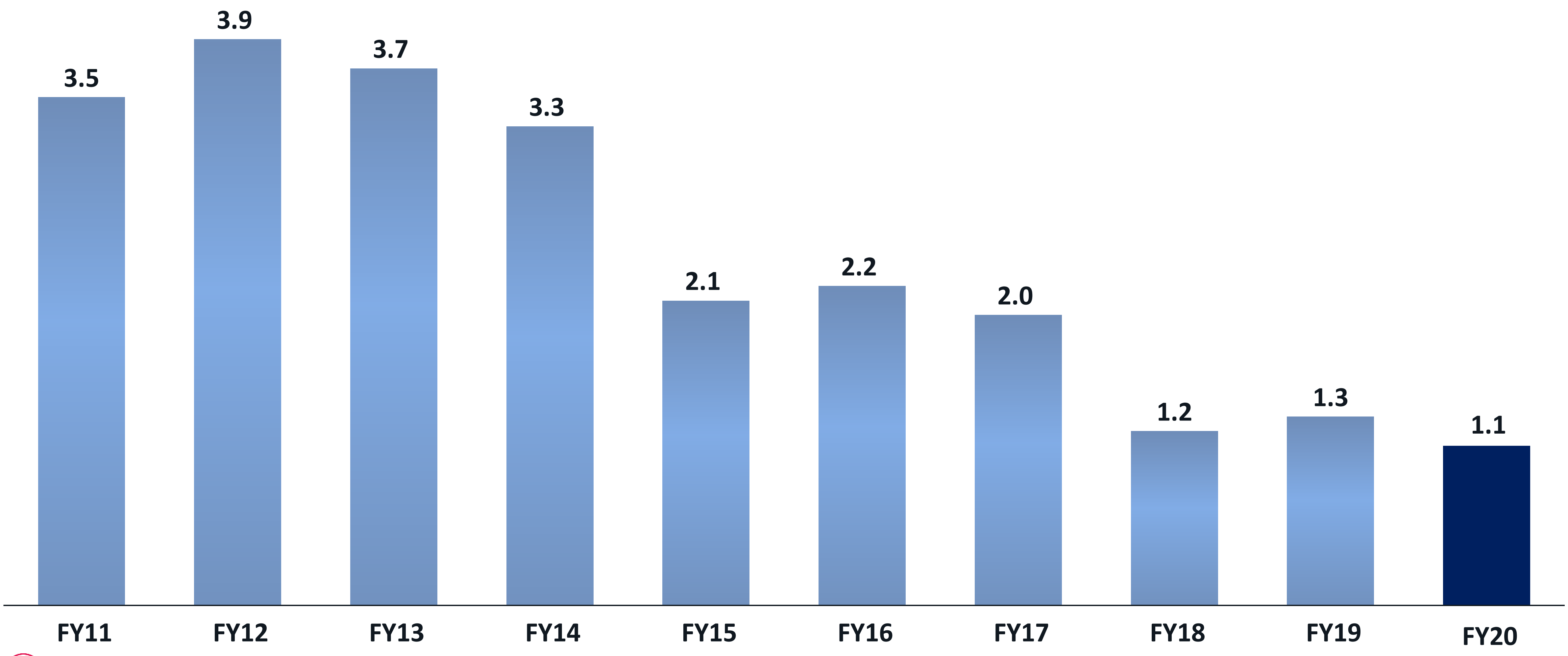
Some of the information included in this presentation is derived from Carpenter Technology's consolidated financial information but is not presented in Carpenter Technology's financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Certain of these data are 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.

4^{th} Quarter Fiscal Year 2020

Tony Thene
President and Chief Executive Officer

Safety is Our Highest Value

Total Case Incident Rate (TCIR)



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4th Quarter Summary

- Executed targeted portfolio restructurings and cost reduction initiatives expected to deliver $60-$70 million of annual cost savings

- Sales ex-surcharge down 30% year-over-year and 24% sequentially

- Operating results impacted by volume deterioration, COVID-19 protocol costs and strategic decision to accelerate inventory reduction

- Generated $100 million of free cash flow; total liquidity position at fiscal year end of $417 million including $193 million of cash on hand

- Facilities operating continuously driven by core safety values and commitment to employees and customers

- Long-term growth potential supported by critical supply chain position, strong customer relationships and leading position in emerging technologies

Results Negatively Impacted by COVID-19 and Accelerated Inventory Reduction; Liquidity Position Strengthened and Remain Critical Supply Chain Partner Across Attractive End-Use Markets

4th Quarter End-Use Market Highlights

		Q4-20 Net Sales ex. Surcharge ($M)*		vs. Q4-19	vs. Q3-20	Comments
	Aerospace and Defense	$213.8	57%	-30%	-27%	• Customers across supply chain adjusting inventories and production schedules to lower OEM build rates • Current consensus points to continued weak CY20 with uptick starting in CY21 • Well-positioned to realize demand rebound given nature of solutions, breadth of use, and current positioning with key customers • Continue to support select urgent opportunities especially related to Defense
	Medical	$42.0	11%	-18%	-12%	• Long-term procedural growth remains consistent; short-term market impacted by elective surgery recovery and patient sentiment • Large OEMs closely managing supply chain and inventory position and Distribution customers continue to reduce inventory levels to only critical items • Favorable position with most comprehensive high quality solutions portfolio
	Transportation	$17.3	5%	-46%	-38%	• Global light vehicle market negatively impacted by OEM plant closures driven by COVID-19 • North America Class 8 truck production depressed due to cyclicality and impact of COVID-19
	Energy	$27.7	7%	-30%	-4%	• North American drilling activity remains at depressed levels • International markets largely stagnant • Power generation sub-market activity remains at low levels
	Industrial and Consumer	$56.2	15%	-25%	-17%	• Strong demand for semicon and fluid control applications more than offset by declines in other sub-markets despite positive longer-term dynamics • Consumer declines driven by lower near-term demand in consumer electronics and sporting goods

Sales ex-surcharge down 30% year-over-year; down 24% sequentially

*Excludes sales through Carpenter's Distribution businesses

4th Quarter Financial Overview and Business Update

Tim Lain
Vice President and Chief Financial Officer

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Income Statement Summary

$ Millions, except pounds and per-share amounts	Q4-19	Q3-20	Q4-20	Year-over-Year Change	Sequential Change
Pounds ('000)	70,084	62,138	48,002	(22,082)	(14,136)
Net Sales	641.4	585.4	437.3	(204.1)	(148.1)
Net Sales ex. Surcharge Revenue*	533.3	495.0	375.9	(157.4)	(119.1)
Gross Profit	122.9	109.5	23.9	(99.0)	(85.6)
Selling, General and Administrative Expenses	55.0	50.8	42.0	(13.0)	(8.8)
Special Items	0.0	0.0	130.1	130.1	130.1
Operating Income (Loss)	67.9	58.7	(148.2)	(216.1)	(206.9)
Operating Income (Loss) ex. Special Items*	67.9	58.7	(18.1)	(86.0)	(76.8)
*% of Net Sales ex. Surcharge Revenue**	*12.7%*	*11.9%*	*-4.8%*	-17.5 pts	-16.7 pts
Effective Tax Rate	21.9%	20.0%	20.2%	-1.7 pts	0.2 pts
Net Income (Loss)	48.9	39.9	(118.4)	(167.3)	(158.3)
Diluted Earnings (Loss) per Share	$1.00	$0.82	($2.46)	($3.46)	($3.28)
Adjusted Diluted Earnings (Loss) per Share*	$1.00	$0.82	($0.31)	($1.31)	($1.13)

Q4 results impacted by significant inventory reduction to generate cash flow

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* Detailed schedule included in Non-GAAP Schedules in Appendix

SAO Segment Summary

Q4 Operating Results

	Q4-19	Q3-20	Q4-20	vs Q4-19	vs Q3-20
Pounds ('000)	66,682	59,052	46,124	(20,558)	(12,928)
Net Sales ($M)	532.0	488.1	369.4	(162.6)	(118.7)
Sales ex. Surcharge ($M)	425.6	398.8	308.6	(117.0)	(90.2)
Operating Income ($M)	86.9	76.4	5.3	(81.6)	(71.1)
% of Net Sales	*16.3%*	*15.7%*	*1.4%*	*-14.9 pts*	*-14.3 pts*
% of Sales ex. Surcharge	*20.4%*	*19.2%*	*1.7%*	*-18.7 pts*	*-17.5 pts*

Q4 Business Results

- Significant inventory reduction (over $100 million) and the related impacts of lower production activities, combined with lower raw material prices, negatively impacted operating results
- Reduced demand across all end-use markets driven by COVID-19; results included $6.5 million of COVID-19 related costs

Q1 FY21 Outlook

- Demand conditions expected to remain challenged across all end markets in H1-21, with recovery anticipated to begin in H2-21
- Expecting Q1 sales to be down 10%-15% sequentially; anticipated operating loss of ($10 - $15) million

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PEP Segment Summary

Q4 Operating Results

	Q4-19	Q3-20	Q4-20	vs Q4-19	vs Q3-20
Pounds* ('000)	4,180	3,202	2,384	(1,796)	(818)
Net Sales ($M)	126.4	108.6	77.1	(49.3)	(31.5)
Sales ex. Surcharge ($M)	123.7	107.1	76.0	(47.7)	(31.1)
Operating Income (Loss) ($M)	1.7	(0.3)	(8.4)	(10.1)	(8.1)
% of Net Sales	*1.3%*	*-0.3%*	*-10.9%*	*-12.2 pts*	*-10.6 pts*
% of Sales ex. Surcharge	*1.4%*	*-0.3%*	*-11.1%*	*-12.5 pts*	*-10.8 pts*

Q4 Business Results

- Demand conditions across all end-use markets and productivity negatively impacted by COVID-19; all facilities remained operational
- Restructuring cost actions executed; exit of Amega West oil & gas business near complete

Q1 FY21 Outlook

- Focused efforts to manage cost and maximize cash flow
- Planned completion of Amega West exit
- Expecting Q1 operating loss of ($3 -$5) million

* Pounds includes only Dynamet, Carpenter Powder Products and Additive businesses

Free Cash Flow Summary

$ Millions	YTD FY19	Q1-20	Q2-20	Q3-20	Q4-20	YTD FY20
Net Income + Non-cash Items	**324**	**83**	**81**	**80**	**27**	**272**
Inventory	(94)	(51)	(57)	23	117	31
Working Capital / Other	8	(29)	(1)	(30)	(5)	(64)
Total Net Working Capital / Other	(86)	(80)	(58)	(7)	112	(33)
Pension Plan Contributions	(6)	(2)	(1)	(1)	(2)	(7)
Net Cash Provided From Operating Activities	**232**	**1**	**22**	**72**	**137**	**232**
Purchases of Property, Plant, Equipment and Software	(180)	(48)	(47)	(50)	(27)	(171)
Acquisitions of Business, Net of Cash Acquired	(79)	-	-	-	-	-
Proceeds from Insurance Recovery	11	-	-	-	-	-
Dividends Paid	(39)	(10)	(10)	(10)	(10)	(39)
Other	1	1	-	1	-	-
Free Cash Flow *	**(54)**	**(56)**	**(35)**	**13**	**100**	**22**

Cash	27	25	30	93	193
Available Borrowing Under Credit Facility	374	316	275	224	224
Total Liquidity	**401**	**341**	**305**	**317**	**417**

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

Accelerated inventory reduction in Q4 drove significant cash flow generation

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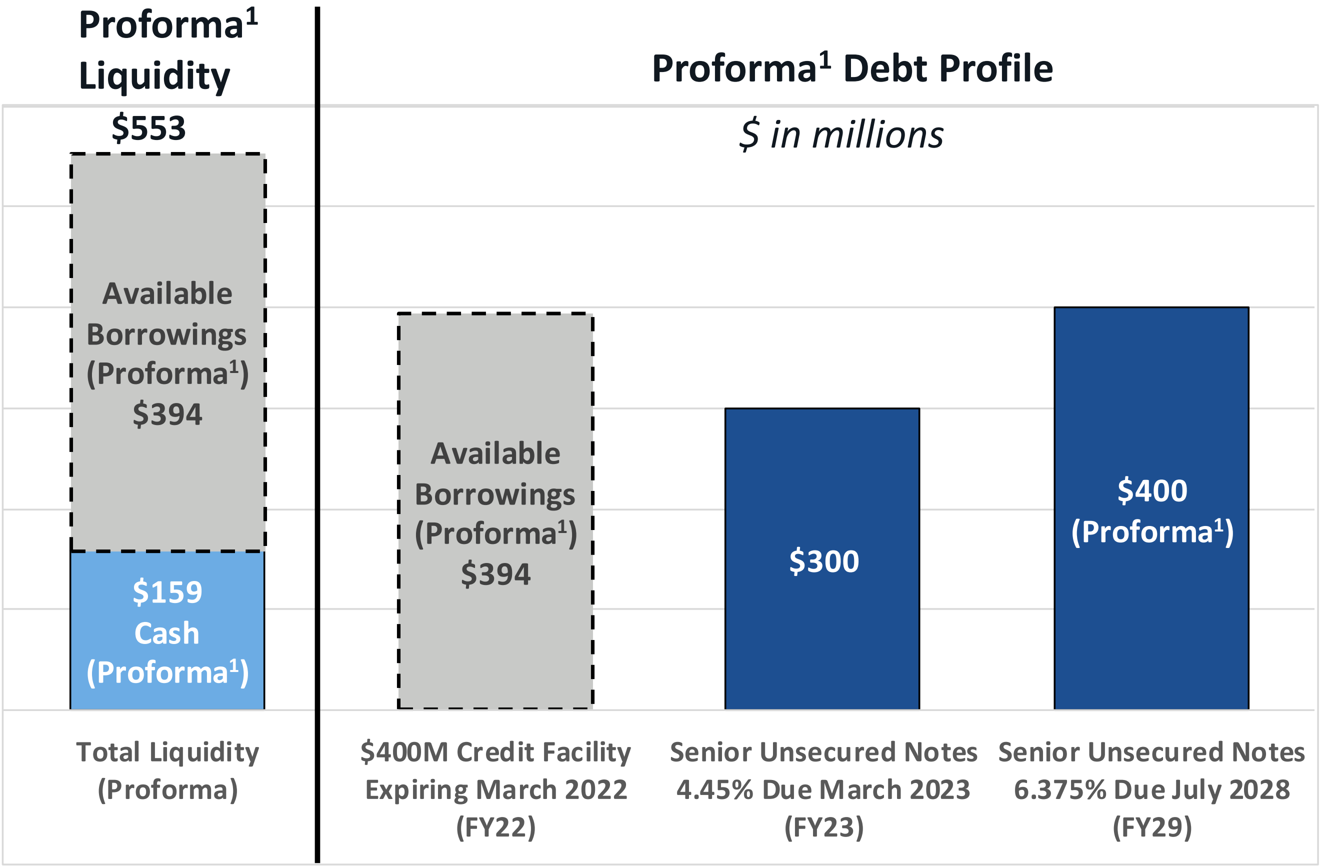
* Detailed schedule included in Non-GAAP Schedules in Appendix

Bond Offering Significantly Enhances Already Healthy Liquidity

- In July 2020, completed issuance of $400 million senior unsecured notes due in July 2028
- Proceeds to be used principally to redeem $250 million notes that are due July 2021 to extend debt maturity profile
- No near-term debt maturities or significant pension contributions until FY23



[1] Proforma amounts assume proceeds, net of estimated closing costs, from July bond issuance used to redeem $250 million notes due in July 2021, including extinguishment costs, and repay all amounts outstanding on credit facility as of June 30, 2020. Actual amounts may vary.

Refinancing represents another critical action to enhance liquidity profile in near-term

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Selected Fiscal Year 2021 Guidance

$ Millions	FY20	FY21 Estimate
Depreciation and Amortization	$124M	~$130M
Capital Expenditures	$171M	~$120M
Pension Contributions	$7M	~$20M
Pension Expense	$15M	~$16M
Interest Expense	$20M	~$35M
Effective Tax Rate excluding special items	22%	32% - 35%

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4th Quarter Fiscal Year 2020 Closing Comments

Tony Thene
President and Chief Executive Officer

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Immediate Priorities

Ensuring the Safety of our Employees and Communities

- Rapid Response Team continues to implement COVID-19 policies to protect employees
- Maintain frequent, effective communication to all key constituencies
- Monitor and track situations and employees globally and on a daily basis

Solidifying and Strengthening our Liquidity Position

- Executed restructuring with hiring, salary and furlough actions
- Reducing capital expenditures and reprioritizing investments based on most current outlooks
- Targeted portfolio actions
- Prioritize cash generation

Continuing to Support our Customers most Critical Needs

- Working collaboratively to address demand shocks and other unconventional demand adjustments
- Re-prioritizing order sequence to accommodate changing and most urgent orders
- Reinforcing strong customer relationships and enhancing supply agreements across key markets

Closing Comments

- Expecting market conditions to remain challenging through first half of fiscal year 2021
  - First quarter FY21 net sales expected to decline by 10%-15% sequentially
  - Anticipated loss per share of (\$0.55) – (\$0.65) for Q1 fiscal 2021
- Ample liquidity to navigate current operating conditions
  - \$417 million of total liquidity as of fourth quarter of fiscal year 2020
  - Recent debt refinancing significantly enhances financial flexibility
  - Additional cost reduction actions available
- Critical supply chain partner across multiple attractive end-use markets
  - Aerospace and Defense: broad market and platform exposure supported by strong customer relationships and solution expertise
  - Medical: expect to benefit from additional capacity and increasing market adjacencies
  - Transportation: leading solutions portfolio supported by soft magnetics solutions that address electrification trend
  - Industrial and Consumer: gaining share in high-value applications
- Expect to generate positive free cash flow and positive adjusted EBITDA in fiscal year 2021

Near-Term Priorities Focused on Employee Safety and Sustaining Operations; Liquidity Position, Solutions Portfolio and Critical Supply Chain Position Supports Sustainable Long-Term Growth Profile

Appendix of Non-GAAP Schedules

Non-GAAP Schedules (Unaudited)

Adjusted Diluted Earnings (Loss) Per Share

$ Millions except per share amounts	Q4-19	Q3-20	Q4-20	FY19	FY20
Diluted Earnings (Loss) per Share	**$ 1.00**	**$ 0.82**	**$ (2.46)**	**$ 3.43**	**$ 0.02**
Net Income (Loss)	48.9	39.9	(118.4)	167.0	1.5
Special Items:					
Acquisition-related costs	-	-	-	1.2	-
Goodwill impairment	-	-	27.5	-	27.5
Restructuring and asset impairment charges	-	-	76.0	-	77.8
Special Items	**-**	**-**	**103.5**	**1.2**	**105.3**
Net Income (Loss) Excluding Special Items	48.9	39.9	(14.9)	168.2	106.8
Adjusted Diluted Earnings (Loss) per Share	**$ 1.00**	**$ 0.82**	**$ (0.31)**	**$ 3.46**	**$ 2.21**

Management believes that earnings (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 (Unaudited)

Adjusted Operating Margin Excluding Surcharge Revenue and Special Items

$ Millions	Q4-19	Q3-20	Q4-20	FY19	FY20
Net sales	641.4	585.4	437.3	2,380.2	2,181.1
Less: surcharge revenue	108.1	90.4	61.4	438.1	352.4
Net Sales Excluding Surcharge Revenue	**533.3**	**495.0**	**375.9**	**1,942.1**	**1,828.7**
Operating Income (Loss)	**67.9**	**58.7**	**(148.2)**	**241.4**	**25.3**
Special Items:					
Acquisition-related costs	-	-	-	1.2	-
Goodwill impairment	-	-	34.6	-	34.6
Restructuring and asset impairment charges	-	-	95.5	-	97.8
Special Items	-	-	130.1	1.2	132.4
Operating Income (Loss) Excluding Special Items	**67.9**	**58.7**	**(18.1)**	**242.6**	**157.7**
Operating Margin	**10.6%**	**10.0%**	**-33.9%**	**10.1%**	**1.2%**
Adjusted Operating Margin Excluding Surcharge Revenue and Special Items	**12.7%**	**11.9%**	**-4.8%**	**12.5%**	**8.6%**

Management believes that removing the impacts 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.

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Non-GAAP Schedules (Unaudited)

Free Cash Flow

$ Millions	Q4-19	Q3-20	Q4-20	FY19	FY20
Net cash provided from operating activities	175.1	72.3	136.9	232.4	231.8
Purchases of property, plant, equipment and software	(49.7)	(49.7)	(27.4)	(180.3)	(171.4)
Acquisition of business, net of cash acquired	-	-	-	(79.0)	-
Proceeds from disposals of property and equipment and assets held for sale	0.1	0.1	-	0.4	0.2
Proceeds from insurance recovery	-	-	-	11.4	-
Dividends paid	(9.7)	(9.7)	(9.7)	(38.6)	(38.8)
Free Cash Flow	**115.8**	**13.0**	**99.8**	**(53.7)**	**21.8**

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