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## UPDATE: Crane Holdings Co.

### Crane Holdings Co. Completes Spin-Off Crane Co.; Rate CXT at BUY with \$58 FVE

- On April 3, 2023, after the market close, Crane Holding Co. (NYSE: CR) completed the spin-off of Crane Co.
- The spin company now trades on the NYSE under the ticker “CR”. CR shareholders of record as of March 23, 2023, received one share of New CR for every one shares of Crane Holdings Co. owned.
- Following the separation, the parent company has adopted the corporate moniker Crane NXT Co. and trades on the NYSE under the symbol “CXT”.
- CR recently held investor days for both New CR and CXT, in which the companies reaffirmed previously stated guidance for both post spin entities. In 2023, New CR is expected to generate \$1.98 billion in revenue, \$280 million in operating profit, \$321 million in adjusted EBITDA, and EPS of \$3.40-\$3.70.
- For its part, CXT is guided to generate 2023 revenue, operating profit, adjusted EBITDA, and EPS of \$1.36 billion, \$319 million, \$364 million, and \$3.65-\$3.95 per share, respectively.
- In terms of rationale, management clearly believes that by separating the PMT business from the AE, PFT, and EM segments, the market will more easily be able to compare both companies to their respective peer sets.
- The crux of management’s argument for separating the PMT business is rooted in its belief that CXT will attract a more focused investor base that will re-rate the stock to more accurately reflect the growth, margin, and technology attributes of the business. Management believes that Crane NXT is most comparable to SMID-cap industrial technology companies, which have historically traded in the low- to mid-double digit range on forward EV/EBITDA. Historically, sell-side coverage has looked more toward traditional payment companies that trade in the mid-single digit range as a proxy for valuing PMT within the current conglomerate structure.

#### Crane NXT Co. (Post-Spin) - BUY

Current Share Price: (4/3/23): \$40.30

Ticker: CXT

Fair Value Estimate: \$58 per share

Shares Outstanding: 56.1 million

Market Capitalization: \$3.2 billion

#### Crane Co. - NEUTRAL

Current Share Price: (4/3/23): \$74.68

Ticker: CR

Fair Value Estimate: \$74 per share

Shares Outstanding: 56.1 million

Market Capitalization: \$4.1 billion

Post-spin market capitalization at fair value estimate.

Current coverage and research archive is available online at [spinoff.report](https://spinoff.report)



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- The ultimate success of the spin-off in terms of creating shareholder value will be dependent on the re-rating of Crane NXT. While it is our opinion that the business attributes of the PMT business warrant a premium multiple to traditional payment peers, it remains unclear what the actual market multiple will be. It is probable that the shares will trade lower in initial trading, as a lack of analyst coverage and shareholder rotation out of the parent company are likely to depress the shares. Following initial trading, Crane NXT will become a “show me” story, where management probably will have to more clearly articulate its business and growth strategies, along with meeting its financial targets, before a fully SMID-cap industrial technology multiple could be awarded. That said, we see value in Crane NXT and expect that over time, the market will expand the multiple awarded to the shares.
- In the when-issued market, shares of Crane Co. closed at \$74.68, implying that shares of New CR are trading at ~12x our 2024 EBITDA estimate. Following the separation, Crane Co. will be compared directly to flow control and aerospace part supplier peers, which respectively trade at approximately 13.0x and 10.5x the consensus 2024 EBITDA estimate.
- Shares of CXT closed at \$40.30 and are trading at slightly above 7x our 2024 EBITDA estimate, which would be slightly ahead of the aforementioned “traditional payment” peers, yet below the SMID-Cap industrial technology group.
- On a post-spin basis, we assign a fair value estimate to Crane Co. of \$74 per share, and \$58 per share to Crane NXT. Given the implied upside to our fair value estimate, combined with our favorable outlook on an eventual re-rating of Crane NXT, we recommend shares of Crane NXT and rate Crane Co. at NEUTRAL.
- For more details, please refer to The Spin Off Report dated February 10, 2023, and UPDATE published on March 10, 2023.

### Exhibit Crane Holdings Co: Post-Spin Fair Value Estimates

(\$ in millions, except per share data; shares in millions)

#### Crane Co.

2022 Revenue	\$ 1,929.0	EBITDA	\$ 354.7	Net Income	\$ 230.0
<u>Growth</u>	<u>3.0%</u>	<u>D&amp;A</u>	<u>40.0</u>	<u>FCF Conversion</u>	<u>90.0%</u>
2023E Revenue	1,986.9	EBIT	314.7	FCF	207.0
<u>Growth</u>	<u>5.0%</u>	<u>Interest Expense</u>	<u>16.0</u>	<u>Shares Outstanding</u>	<u>56.1</u>
2024E Revenue	2,086.2	Pre-Tax Income	298.7	FCF / Share	\$ 3.69
<u>EBITDA Margin</u>	<u>17.0%</u>	<u>Tax Expense</u>	<u>68.7</u>	<u>FCF Yield</u>	<u>5.0%</u>
EBITDA	354.7	Net Income	230.0	<b>FVE \$ / Share</b>	<b>\$ 73.73</b>
<u>Multiple</u>	<u>12.0x</u>	<u>Shares Outstanding</u>	<u>56.1</u>		
Enterprise Value	4,255.9	EPS	\$ 4.10	Market Capitalization	\$ 4,139.4
<u>Net Debt</u>	<u>125.0</u>	<u>Multiple</u>	<u>18.0x</u>	Enterprise Value	\$ 4,264.4
Market Capitalization	4,130.9	<b>FVE \$ / Share</b>	<b>\$ 73.73</b>		
<u>Shares Outstanding</u>	<u>56.1</u>				
<b>FVE \$ / Share</b>	<b>\$ 73.58</b>				

#### Crane NXT

2022 Revenue	\$ 1,340.0	EBITDA	\$ 378.2	Net Income	\$ 220.4
<u>Growth</u>	<u>1.5%</u>	<u>D&amp;A</u>	<u>45.0</u>	<u>FCF Conversion</u>	<u>90.0%</u>
2023E Revenue	1,360.1	EBIT	333.2	FCF	198.4
<u>Growth</u>	<u>3.0%</u>	<u>Interest Expense</u>	<u>47.0</u>	<u>Shares Outstanding</u>	<u>56.1</u>
2024E Revenue	1,400.9	Pre-Tax Income	286.2	FCF / Share	\$ 3.53
<u>EBITDA Margin</u>	<u>27.0%</u>	<u>Tax Expense</u>	<u>65.8</u>	<u>FCF Yield</u>	<u>6.0%</u>
EBITDA	378.2	Net Income	220.4	<b>FVE \$ / Share</b>	<b>\$ 58.89</b>
<u>Multiple</u>	<u>10.0x</u>	<u>Shares Outstanding</u>	<u>56.1</u>		
Enterprise Value	3,782.4	EPS	\$ 3.93	Market Capitalization	\$ 3,306.1
<u>Net Debt</u>	<u>650.0</u>	<u>Multiple</u>	<u>15.0x</u>	Enterprise Value	\$ 3,956.1
Market Capitalization	3,132.4	<b>FVE \$ / Share</b>	<b>\$ 58.89</b>		
<u>Shares Outstanding</u>	<u>56.1</u>				
<b>FVE \$ / Share</b>	<b>\$ 55.79</b>				

Source: Company reports, Bloomberg, and The Spin-Off Report estimates.

## Disclosures

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