

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 5, 2020



CIRCOR INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

001-14962
(Commission File Number)

04-3477276
(I.R.S. Employer
Identification No.)

30 CORPORATE DRIVE, SUITE 200
Burlington, MA
(Address of principal executive offices and Zip Code)

01803-4238
(Zip Code)

(781) 270-1200
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	CIR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

□

Item 2.02. Results of Operations and Financial Condition.

By press release dated November 5, 2020, CIRCOR International, Inc. (the “Company”) announced its financial results for the three months ended September 27, 2020. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Item 2.02 of Form 8-K and the attached Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by special reference in such filing.

The Company’s management evaluates segment operating performance using operating income before certain charges/credits to cost of revenues and selling, general and administrative expenses, principally associated with acquisition-related activities; restructuring and other costs/income including costs arising from facility consolidations and gains and losses from the sale of product lines; and amortization of acquisition-related intangible assets. The Company also refers to this measure as segment operating income or adjusted operating income. The Company uses this measure because it helps management understand and evaluate the segments’ core operating results and facilitates comparison of performance for determining incentive compensation achievement.

In the press release and accompanying supplemental information, the Company uses the following non-GAAP financial measures: adjusted operating income, adjusted operating margin, free cash flow, adjusted net income, adjusted earnings per share (EPS), EBITDA, adjusted EBITDA, net debt, combined financial information, and organic revenue, described as follows:

- Adjusted operating income is defined as GAAP operating income excluding intangible amortization from acquisitions completed subsequent to December 31, 2011, depreciation and cost of goods sold charges related to step-up valuations from acquisitions completed subsequent to December 31, 2016, the impact of restructuring related inventory, impairment and special charges or gains.
- Adjusted operating margin is defined as adjusted operating income divided by net revenues.
- Free cash flow is defined as net cash flow from operating activities, less net capital expenditures. Management of this Company believes free cash flow is an important measure of its liquidity as well as its ability to service long-term debt, fund future growth and to provide a return to shareholders. We also believe this free cash flow definition does not have any material limitations.
- Adjusted net income is defined as net income, excluding intangible amortization from acquisitions completed subsequent to December 31, 2011, depreciation and cost of goods sold charges related to step-up valuations from acquisitions completed subsequent to December 31, 2016., the impact of restructuring related inventory, impairment and special charges or gains, net of tax.
- Adjusted EPS is defined as earnings per common share diluted, excluding the per share impact of intangible amortization from acquisitions completed subsequent to December 31, 2011, depreciation and cost of goods sold charges related to step-up valuations from acquisitions completed subsequent to December 31, 2016., the impact of restructuring related inventory, impairment and special charges or gains, net of tax.
- EBITDA is defined as net income plus net interest expense, provision for income taxes, depreciation and amortization.
- Adjusted EBITDA is defined as EBITDA plus the impact of special charges/gains including the impact of restructuring related inventory charges, cost of goods sold charges related to step-up valuations from acquisitions completed subsequent to December 31, 2016., and impairments, net of tax.
- Net Debt is defined at total debt minus cash and cash equivalents.
- Organic growth - the change in revenue and orders excluding the impact of acquisitions, divestitures and changes in foreign exchange rates.

Our management uses these non-GAAP measures to gain an understanding of our comparative operating performance (when comparing such results with previous periods or forecasts). These non-GAAP financial measures are used by management in our financial and operating decision making because we believe they reflect our ongoing business and facilitate period-to-period comparisons. We believe these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the Company's current operating performance and future prospects in the same manner as management does, if they so choose. These non-GAAP financial measures also allow investors and others to compare the Company's current financial results with the Company's past financial results in a consistent manner. For example:

- We exclude costs and tax effects associated with restructuring activities, such as reducing overhead and consolidating facilities. We believe that the costs related to these restructuring activities are not indicative of our normal operating costs.
- We exclude certain acquisition-related costs, including significant transaction costs and the related tax effects. We exclude these costs because we do not believe they are indicative of our normal operating costs.
- We exclude the expense and tax effects associated with the non-cash amortization of acquisition-related intangible assets because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have lives of 5 to 20 years. Exclusion of the non-cash amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses and with both acquisitive and non-acquisitive peer companies.
- We also exclude certain gains/losses and related tax effects, which are either isolated or cannot be expected to occur again with any predictability, and that we believe are not indicative of our normal operating gains and losses. For example, we exclude gains/losses from items such as the sale of a business, significant litigation-related matters and lump-sum pension plan settlements.

CIRCOR's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the Company's operating performance and comparing such performance to that of prior periods and to the performance of our peers and competitors. We use such measures when publicly providing our business outlook, assessing future earnings potential, evaluating potential acquisitions and dispositions and in our financial and operating decision-making process including for incentive compensation purposes.

Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with accounting principles generally accepted in the United States.

A reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measure is provided in the supplemental information table titled "Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms" which is included as an attachment to the press release in Exhibit 99.1.

Item 7.01. Regulation FD Disclosure

Presentation slides discussing the Company's quarterly operating results are attached to this Current Report on Form 8-K, as Exhibit 99.2, and are incorporated herein by reference. The information in this Item 7.01 of Form 8-K and the attached Exhibit 99.2 shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability that section, nor shall it be deemed incorporated by reference into any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by special reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release regarding Earnings
99.2	Third Quarter 2020 Investor Review Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

November 5, 2020

CIRCOR INTERNATIONAL, INC.

/s/ Abhi Khandelwal

Abhi Khandelwal
Senior Vice President and Chief Financial Officer

Burlington, MA – November 5, 2020

CIRCOR International, Inc. (NYSE: CIR), one of the world's leading providers of mission critical flow control products and services for the Industrial and Aerospace & Defense markets, today announced GAAP and adjusted financial results for the third quarter ended September 27, 2020.

Third Quarter 2020 Overview

- Revenue of \$187 million, down 21% reported, down 15% organically
 - Aerospace & Defense revenue of \$62 million, down 8% reported, down 9% organically
 - Industrial revenue of \$124 million, down 27% reported, down 18% organically
- Revenue drop through to earnings of 19%
- GAAP loss per share of \$(2.93); Adjusted earnings per share of \$0.36
- GAAP operating margin of 2.4%; Adjusted operating margin of 9.3%
- Aerospace & Defense operating margin of 23.7%, up 360 bps versus last year
- Gross debt reduction of \$119 million and net debt reduction of \$122 million over last 12 months
- Remain on track to achieve \$45 million 2020 cost reduction plan
- Free cash flow flat and in line with prior guidance

“While the COVID-19 pandemic continues to have an impact around the globe, the strength, resilience, and diversification of our portfolio – together with the outstanding work and commitment of our employees – is mitigating the effect of the weaker economic environment,” said Scott Buckhout, CIRCOR’s President and CEO. “Fortunately, the mission critical nature of our products has ensured that our pricing strategy remains on track. In addition, the CIRCOR Operating System continues to play a pivotal role in driving execution, with most operating metrics improving through the downturn. We are working with urgency to ensure CIRCOR is positioned to take full advantage of an eventual market recovery by launching a record number of new products and establishing ongoing collaboration with customers and suppliers.”

“Looking ahead, we are focused on driving value for shareholders by investing in growth, expanding margins, generating strong free cash flow, and de-levering the balance sheet,” concluded Buckhout.

Selected Preliminary Consolidated Results

(\$ in millions except EPS)	Q3 2020	Q3 2019	Change	Q3 YTD 2020	Q3 YTD 2019	Change
Revenue	\$ 186.6	\$ 237.1	-21 %	\$ 564.9	\$ 721.7	-22 %
Revenue - excluding divested businesses ¹	186.6	216.4	-14 %	560.0	645.1	-13 %
GAAP operating (loss) income	4.4	(9.1)	148 %	(70.4)	20.7	-440 %
Adjusted operating income ²	17.3	25.6	-32 %	44.3	77.6	-43 %
GAAP operating margin	2.4 %	(3.8)%	620 bps	(12.5)%	2.9 %	-1540 bps
Adjusted operating margin ²	9.3 %	10.8 %	-150 bps	7.8 %	10.8 %	-300 bps
Adjusted operating margin ex divestitures ²	9.3 %	10.6 %	-130 bps	7.9 %	9.8 %	-190 bps
GAAP loss per share (diluted)	\$ (2.93)	\$ (5.64)	48 %	\$ (8.59)	\$ (6.81)	-26 %
Adjusted earnings per share (diluted) ²	\$ 0.36	\$ 0.63	-43 %	\$ 0.78	\$ 1.80	-57 %
Operating cash flow	2.5	9.1	-73 %	(46.4)	(0.9)	-5056 %
Free cash flow ³	0.1	10.1	-99 %	(55.6)	(6.6)	-742 %
Orders	166.6	223.0	-25 %	567.7	740.9	-23 %
Orders - excluding divested businesses ¹	166.6	200.9	-17 %	563.2	663.8	-15 %

Segment Results

(\$ in millions)	Q3 2020	Q3 2019	Change	Q3 YTD 2020	Q3 YTD 2019	Change
Aerospace & Defense						
Revenue	\$ 62.2	\$ 67.6	-8 %	\$ 190.0	\$ 193.6	-2 %
Segment operating income	14.8	13.6	9 %	40.4	33.4	21 %
Segment operating margin	23.7 %	20.1 %	360 bps	21.3 %	17.2 %	410 bps
Orders	59.1	64.0	-8 %	207.8	245.5	-15 %
Industrial						
Revenue	\$ 124.4	\$ 169.4	-27 %	\$ 374.9	\$ 528.1	-29 %
Revenue - excluding divested businesses ¹	124.4	148.7	-16 %	370.0	451.5	-18 %
Segment operating income	9.8	21.3	-54 %	27.4	70.0	-61 %
Segment operating margin	7.9 %	12.6 %	-470 bps	7.3 %	13.3 %	-600 bps
Orders	107.5	159.0	-32 %	359.9	495.5	-27 %
Orders - excluding divested businesses ¹	107.5	136.9	-21 %	355.5	418.3	-15 %

1. Orders and revenue excluding divested businesses are non-GAAP measures and are calculated by subtracting the orders and revenues generated by the divested businesses during the periods prior to their divestiture from reported orders and revenues. Divested businesses include Reliability Services, Spence/Nicholson and Instrumentation & Sampling (all Industrial) which were sold before September 27, 2020.
2. Adjusted consolidated and segment results for Q3 2020 exclude net income from discontinued operations of \$0.3 million and net loss from non-cash acquisition-related intangible amortization, special and restructuring charges totaling \$12.9 million. These charges include: (i) \$11.6 million for non-cash acquisition-related intangible amortization and depreciation expense; (ii) \$0.8 million of professional fees and other costs associated with restructuring and cost reductions; and (iii) \$0.5 million of other special and restructuring charges. It also excludes the Q3 2020 charge for valuation allowance against deferred tax assets by virtue of using an effective tax rate in the adjusted results which is a \$53.3 million adjustment to taxes. Adjusted consolidated and segment results for Q3 2019 exclude net loss from discontinued operations of \$84.7 million and net loss from non-cash acquisition-related intangible amortization, special and restructuring charges totaling \$34.7million (\$40.2 million, net of tax). These charges include: (i) \$12.3 million for non-cash acquisition-related intangible amortization expense and amortization of the step-up in fixed asset values; (ii) \$11.6 million related to business sales; (iii) \$8.0 million of professional fees and other costs associated with restructuring and cost reductions; (iv) \$4.0 million of professional fees associated

- with an unsolicited tender offer to acquire all outstanding shares of the Company's common stock; and (iv) \$1.1 million of other special and restructuring recoveries.
3. *Free cash flow is a non-GAAP financial measure and is calculated by subtracting GAAP capital expenditures, net of proceeds from asset sales, from GAAP operating cash flow.*

Conference Call Information

CIRCOR International will hold a conference call to review its financial results at 9:00 a.m. ET today, November 5, 2020. To listen to the live conference call and view the accompanying presentation slides, please visit "Webcasts & Presentations" in the "Investors" portion of CIRCOR's website. The live call also can be accessed by dialing (833) 665-0658 or (914) 987-7312. The conference ID number is 9088809. Participants are encouraged to dial in to the call at least 15 minutes prior to the start time. The webcast will be archived on the Company's website for one year.

Use of Non-GAAP Financial Measures

Adjusted operating income, adjusted operating margin, adjusted net income, adjusted earnings per share (diluted), EBITDA, adjusted EBITDA, net debt, free cash flow and organic growth (and such measures further excluding discontinued operations) are non-GAAP financial measures. These non-GAAP financial measures are used by management in our financial and operating decision making because we believe they reflect our ongoing business and facilitate period-to-period comparisons. We believe these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the Company's current operating performance and future prospects in the same manner as management does, if they so choose. These non-GAAP financial measures also allow investors and others to compare the Company's current financial results with the Company's past financial results in a consistent manner. For example:

We exclude costs and tax effects associated with restructuring activities, such as reducing overhead and consolidating facilities. We believe that the costs related to these restructuring activities are not indicative of our normal operating costs.

We exclude certain acquisition-related costs, including significant transaction costs and amortization of inventory and fixed-asset step-ups and the related tax effects. We exclude these costs because we do not believe they are indicative of our normal operating costs.

We exclude the expense and tax effects associated with the non-cash amortization of acquisition-related intangible assets because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have lives up to 25 years. Exclusion of the non-cash amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses and with both acquisitive and non-acquisitive peer companies.

We also exclude certain gains/losses and related tax effects, which are either isolated or cannot be expected to occur again with any predictability, and that we believe are not indicative of our normal operating gains and losses. For example, we exclude gains/losses from items such as the sale of a business, significant litigation-related matters and lump-sum pension plan settlements.

We exclude the results of discontinued operations.

We exclude goodwill impairment charges.

Due to the significance of recently sold businesses and to provide a comparison of changes in our orders and revenue, we also discuss these changes on an "organic" basis. Organic is calculated assuming the divestitures completed prior to September 27, 2020 were completed on January 1, 2019 and excluding the impact of changes in foreign currency exchange rates.

CIRCOR's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the Company's operating performance and comparing such performance to that of prior periods and to the performance of our competitors. We use such measures when publicly providing our business outlook, assessing future earnings potential, evaluating potential acquisitions and dispositions and in our financial and operating decision-making process, including for compensation purposes.

Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with accounting principles generally accepted in the United States. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is included in this news release.

Safe Harbor Statement

This press release contains certain statements that are “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 (the “Act”). The words “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” and other expressions, which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements, although not all forward-looking statements are accompanied by such words. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements, including statements about outlook for the fourth quarter, the expected and potential direct or indirect impacts of the COVID-19 pandemic on our business, the realization of cost reductions from restructuring activities and expected synergies, the number of new product launches and future cash flows from operating activities, involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the duration and severity of the COVID-19 pandemic and its impact on the global economy; changes in the price of and demand for oil and gas in both domestic and international markets; any adverse changes in governmental policies; variability of raw material and component pricing; changes in our suppliers’ performance; fluctuations in foreign currency exchange rates; changes in tariffs or other taxes related to doing business internationally; our ability to hire and retain key personnel; our ability to operate our manufacturing facilities at efficient levels including our ability to prevent cost overruns and reduce costs; our ability to generate increased cash by reducing our working capital; our prevention of the accumulation of excess inventory; our ability to successfully implement our divestiture; restructuring or simplification strategies; fluctuations in interest rates; our ability to successfully defend product liability actions; as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world, including as a result of COVID-19, natural disasters, terrorist attacks and other similar matters. We advise you to read further about these and other risk factors set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019, which is filed with the Securities and Exchange Commission (“SEC”) and is available on the SEC’s website at www.sec.gov. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

About CIRCOR International, Inc.

CIRCOR International is one of the world’s leading providers of mission critical flow control products and services for the Industrial and Aerospace & Defense markets. The Company has a product portfolio of market-leading brands serving its customers’ most demanding applications. CIRCOR markets its solutions directly and through various sales partners to more than 14,000 customers in approximately 100 countries. The Company has a global presence with approximately 3,200 employees and is headquartered in Burlington, Massachusetts. For more information, visit the Company’s investor relations website at <http://investors.circor.com>.

Contact:

Abhi Khandelwal
Senior Vice President Finance & Chief Financial Officer
CIRCOR International
(781) 270-1200

CIRCOR INTERNATIONAL, INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share data) (unaudited)

	Three Months Ended		Nine Months Ended	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Net revenues	\$ 186,640	\$ 237,052	\$ 564,920	\$ 721,675
Cost of revenues	130,630	162,578	389,905	490,870
Gross profit	56,010	74,474	175,015	230,805
Selling, general and administrative expenses	50,652	60,039	164,948	190,227
Goodwill impairment charge	—	—	116,182	—
Special and restructuring charges (recoveries), net	938	23,519	(35,747)	19,893
Operating income (loss)	4,420	(9,084)	(70,368)	20,685
Other expense (income), net:				
Interest expense, net	8,202	11,804	25,699	37,846
Other expense (income), net	765	(759)	229	(2,755)
Total other expense, net	8,967	11,045	25,928	35,091
(Loss) income from continuing operations before income taxes	(4,547)	(20,129)	(96,296)	(14,406)
Provision for (benefit from) income taxes	54,318	7,520	40,923	13,513
(Loss) income from continuing operations, net of tax	(58,865)	(27,649)	(137,219)	(27,919)
Income (loss) from discontinued operations, net of tax	341	(84,688)	(34,345)	(107,572)
Net loss	<u>\$ (58,524)</u>	<u>\$ (112,337)</u>	<u>\$ (171,564)</u>	<u>\$ (135,491)</u>
Basic income (loss) per common share:				
Basic from continuing operations	\$ (2.94)	\$ (1.39)	\$ (6.87)	\$ (1.40)
Basic from discontinued operations	\$ 0.02	\$ (4.25)	\$ (1.72)	\$ (5.41)
Net loss	\$ (2.93)	\$ (5.64)	\$ (8.59)	\$ (6.81)
Diluted income (loss) per common share:				
Diluted from continuing operations	\$ (2.94)	\$ (1.39)	\$ (6.87)	\$ (1.40)
Diluted from discontinued operations	\$ 0.02	\$ (4.25)	\$ (1.72)	\$ (5.41)
Net loss	\$ (2.93)	\$ (5.64)	\$ (8.59)	\$ (6.81)
Weighted average number of common shares outstanding:				
Basic	20,001	19,916	19,975	19,898
Diluted	20,001	19,916	19,975	19,898

CIRCOR INTERNATIONAL, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

	Nine Months Ended	
	September 27, 2020	September 29, 2019
OPERATING ACTIVITIES		
Net loss	\$ (171,564)	\$ (135,491)
Loss from discontinued operations, net of income taxes	(34,345)	(107,572)
Loss from continuing operations	(137,219)	(27,919)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	14,881	16,618
Amortization	32,418	36,023
Provision for bad debt expense	7,219	(469)
Write down of inventory	2,386	301
Compensation expense for share-based plans	4,076	4,200
Amortization of debt issuance costs	6,463	3,669
Deferred tax provision	35,582	11,812
Loss on sale or write-down of property, plant and equipment	—	2,889
Goodwill impairment charge	116,182	—
(Gain) loss on sale of businesses	(54,253)	2,707
Changes in operating assets and liabilities, net of effects of acquisition and disposition:		
Trade accounts receivable	18,051	17,413
Inventories	(8,477)	(11,724)
Prepaid expenses and other assets	(39,184)	(20,546)
Accounts payable, accrued expenses and other liabilities	(30,468)	(18,300)
Net cash (used in) provided by continuing operating activities	(32,343)	16,674
Net cash used in discontinued operating activities	(14,022)	(17,585)
Net cash used in operating activities	(46,365)	(911)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(9,147)	(9,519)
Proceeds from sale of property, plant and equipment	(122)	99
Proceeds from the sale of business	166,210	163,056
Proceeds from beneficial interest of factored receivables	2,212	—
Net cash provided by continuing investment activities	159,153	153,636
Net cash used in discontinued investing activities	(11,338)	(2,435)
Net cash provided by investing activities	147,815	151,201
FINANCING ACTIVITIES		
Proceeds from long-term debt	165,800	231,950
Payments of long-term debt	(279,191)	(379,897)
Proceeds from the exercise of stock options	117	106
Net cash used in continuing financing activities	(113,274)	(147,841)
Net cash used in financing activities	(113,274)	(147,841)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	29	(1,753)
(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(11,795)	696
Cash, cash equivalents, and restricted cash at beginning of period	85,727	69,525
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 73,932	\$ 70,221

CIRCOR INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets
(in thousands) (unaudited)

	September 27, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 72,772	\$ 84,531
Trade accounts receivable, less allowance for doubtful accounts of \$10,424 and \$3,086 at September 27, 2020 and December 31, 2019, respectively	102,840	125,422
Inventories	144,476	137,309
Prepaid expenses and other current assets	98,401	66,664
Assets held for sale	—	161,193
Total Current Assets	418,489	575,119
PROPERTY, PLANT AND EQUIPMENT, NET	167,037	172,179
OTHER ASSETS:		
Goodwill	158,117	271,893
Intangibles, net	357,038	385,542
Deferred income taxes	905	30,852
Other assets	43,621	35,360
TOTAL ASSETS	\$ 1,145,207	\$ 1,470,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,966	\$ 79,399
Accrued expenses and other current liabilities	86,176	94,169
Accrued compensation and benefits	27,570	19,518
Liabilities held for sale	—	43,289
Total Current Liabilities	177,712	236,375
LONG-TERM DEBT	527,721	636,297
DEFERRED INCOME TAXES	16,823	21,425
PENSION LIABILITY, NET	143,599	146,801
OTHER NON-CURRENT LIABILITIES	58,538	38,636
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 19,997,931 and 19,912,362 outstanding at September 27, 2020 and December 31, 2019 respectively	214	213
Additional paid-in capital	451,351	446,657
(Accumulated deficit) retained earnings	(72,528)	99,280
Common treasury stock, at cost (1,372,488 shares at September 27, 2020 and December 31, 2019)	(74,472)	(74,472)
Accumulated other comprehensive loss, net of tax	(83,751)	(80,267)
Total Shareholders' Equity	220,814	391,411
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,145,207	\$ 1,470,945

CIRCOR INTERNATIONAL, INC.
Summary of Orders and Backlog
(in millions) (unaudited)

		Three Months Ended		Nine Months Ended	
		Q3 2020	Q3 2019	Q3 2020	Q3 2019
ORDERS (1)					
	Aerospace & Defense	\$ 59.1	\$ 64.0	\$ 207.8	\$ 245.5
	Industrial	107.5	159.0	359.9	495.4
	Total Orders	<u>\$ 166.6</u>	<u>\$ 223.0</u>	<u>\$ 567.7</u>	<u>\$ 740.9</u>
		Q3 2020	Q3 2019		
BACKLOG (2)					
	Aerospace & Defense	\$ 211.4	\$ 206.9		
	Industrial	204.0	218.4		
	Total Backlog	<u>\$ 415.4</u>	<u>\$ 425.3</u>		

Note 1: Orders do not include the foreign exchange impact due to the re-measurement of customer backlog amounts denominated in foreign currencies. Orders for the nine months ended September 27, 2020 include orders from businesses divested prior to September 27, 2020 of \$4.5 million. Orders for the three months ended September 27, 2019 include orders from businesses divested of \$22.1 million (\$77.1 million for the nine months ended September 27, 2019). Divested businesses are Reliability Services, Spence/Nicholson and Instrumentation & Sampling, all in the Industrial segment.

Note 2: Backlog includes unshipped customer orders for which revenue has not been recognized. Backlog at Q3 2019 includes \$9.1 million for Industrial related to divested businesses.

CIRCOR INTERNATIONAL, INC.
Segment Information
(in thousands, except percentages)
UNAUDITED

As reported ORDERS	2019					2020				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL	
Aerospace & Defense	\$ 88,107	\$ 93,405	\$ 63,968	\$ 68,459	\$ 313,939	\$ 72,031	\$ 76,616	\$ 59,105	\$ 207,752	
Industrial	171,834	164,642	158,986	168,091	663,553	136,443	116,023	107,453	359,919	
Total	\$ 259,941	\$ 258,047	\$ 222,954	\$ 236,550	\$ 977,492	\$ 208,474	\$ 192,639	\$ 166,558	\$ 567,671	

NET REVENUES

Aerospace & Defense	\$ 61,240	\$ 64,694	\$ 67,621	\$ 79,070	\$ 272,625	\$ 65,493	\$ 62,241	\$ 62,249	\$ 189,983	
Industrial	177,615	181,074	169,431	163,568	691,688	126,720	123,825	124,391	374,937	
Total	\$ 238,855	\$ 245,768	\$ 237,052	\$ 242,638	\$ 964,313	\$ 192,213	\$ 186,066	\$ 186,640	\$ 564,920	

SEGMENT OPERATING INCOME

Aerospace & Defense	\$ 9,374	\$ 10,443	\$ 13,564	\$ 19,099	\$ 52,480	\$ 12,494	\$ 13,142	\$ 14,782	\$ 40,418	
Industrial	22,581	26,174	21,278	20,757	90,790	5,169	12,406	9,807	27,383	
Corporate expenses	(8,522)	(8,028)	(9,248)	(7,671)	(33,469)	(6,588)	(9,664)	(7,244)	(23,496)	
Total	\$ 23,433	\$ 28,589	\$ 25,594	\$ 32,185	\$ 109,801	\$ 11,075	\$ 15,884	\$ 17,345	\$ 44,305	

SEGMENT OPERATING MARGIN %

Aerospace & Defense	15.3 %	16.1 %	20.1 %	24.2 %	19.2 %	19.1 %	21.1 %	23.7 %	21.3 %	
Industrial	12.7 %	14.5 %	12.6 %	12.7 %	13.1 %	4.1 %	10.0 %	7.9 %	7.3 %	
Total	9.8 %	11.6 %	10.8 %	13.3 %	11.4 %	5.8 %	8.5 %	9.3 %	7.8 %	

Results of divested businesses (1)	2019					2020				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL	
ORDERS - Industrial	\$ 30,611	\$ 24,448	\$ 22,090	\$ 18,047	\$ 95,196	\$ 4,449	\$ —	\$ —	\$ 4,449	
NET REVENUES - Industrial	\$ 29,787	\$ 26,101	\$ 20,697	\$ 18,602	\$ 95,187	\$ 4,900	\$ —	\$ —	\$ 4,900	
SEGMENT OP. INC. -Industrial	\$ 6,217	\$ 5,229	\$ 2,677	\$ 3,166	\$ 17,289	\$ —	\$ —	\$ —	\$ —	

CIRCOR INTERNATIONAL, INC.
Supplemental Information Regarding Divested Businesses
(in thousands, except percentages) (unaudited)

Results excluding divested businesses	2019						2020					
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL		1ST QTR	2ND QTR	3RD QTR	TOTAL		
ORDERS												
Aerospace & Defense	\$ 88,107	\$ 93,405	\$ 63,968	\$ 68,459	\$ 313,939	\$	72,031	\$ 76,616	\$ 59,105	\$ 207,752	\$	
Industrial	141,223	140,194	136,896	150,044	568,357		131,994	116,023	107,453	355,470		
Total	\$ 229,330	\$ 233,599	\$ 200,864	\$ 218,503	\$ 882,296	\$	204,025	\$ 192,639	\$ 166,558	\$ 563,222	\$	
NET REVENUES												
Aerospace & Defense	\$ 61,240	\$ 64,694	\$ 67,621	\$ 79,070	\$ 272,625	\$	65,493	\$ 62,241	\$ 62,249	\$ 189,983	\$	
Industrial	147,828	154,973	148,734	144,966	596,501		121,820	123,825	124,391	370,037		
Total	\$ 209,068	\$ 219,667	\$ 216,355	\$ 224,036	\$ 869,126	\$	187,313	\$ 186,066	\$ 186,640	\$ 560,020	\$	
SEGMENT OPERATING INCOME												
Aerospace & Defense	\$ 9,374	\$ 10,443	\$ 13,564	\$ 19,099	\$ 52,480	\$	12,494	\$ 13,142	\$ 14,782	\$ 40,418	\$	
Industrial	16,364	20,945	18,601	17,591	73,501		5,169	12,406	9,807	27,383		
Corporate expenses	(8,522)	(8,028)	(9,248)	(7,671)	(33,469)		(6,588)	(9,664)	(7,244)	(23,496)		
Total	\$ 17,216	\$ 23,360	\$ 22,917	\$ 29,019	\$ 92,512	\$	11,075	\$ 15,884	\$ 17,345	\$ 44,305	\$	
SEGMENT OPERATING MARGIN %												
Aerospace & Defense	15.3 %	16.1 %	20.1 %	24.2 %	19.2 %		19.1 %	21.1 %	23.7 %	21.3 %		
Industrial	11.1 %	13.5 %	12.5 %	12.1 %	12.3 %		4.2 %	10.0 %	7.9 %	7.4 %		
Total	8.2 %	10.6 %	10.6 %	13.0 %	10.6 %		5.9 %	8.5 %	9.3 %	7.9 %		

(1) Divested businesses are related to the Industrial Segment and include Reliability Services, Spence/Nicholson and Instrumentation & Sampling. Engineered Valves and Distributed Valves are discontinued operations and not reflected in the As Reported figures in accordance with US GAAP.

CIRCOR INTERNATIONAL, INC.
Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms
(in thousands, except percentages) (unaudited)

	2019					2020				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL	
Net Cash (Used In) Provided By Operating Activities	\$ (22,378)	\$ 12,339	\$ 9,128	\$ 16,822	\$ 15,911	\$ (23,947)	\$ (24,883)	\$ 2,465	\$ (46,365)	
LESS										
Capital expenditures, net of sale proceeds (a)	3,689	2,995	(963)	(1,535)	4,186	3,412	3,527	2,330	9,269	
FREE CASH FLOW	<u>\$ (26,067)</u>	<u>\$ 9,344</u>	<u>\$ 10,091</u>	<u>\$ 18,357</u>	<u>\$ 11,725</u>	<u>\$ (27,359)</u>	<u>\$ (28,410)</u>	<u>\$ 135</u>	<u>\$ (55,634)</u>	
Gross Debt	\$ 753,950	\$ 748,250	\$ 659,100	\$ 653,850	\$ 653,850	\$ 602,288	\$ 592,038	\$ 540,463	\$ 540,463	
Less: Cash & Cash equivalents	73,619	76,082	69,225	84,531	84,531	170,861	125,421	72,772	72,772	
GROSS DEBT, NET OF CASH	<u>\$ 680,331</u>	<u>\$ 672,168</u>	<u>\$ 589,875</u>	<u>\$ 569,319</u>	<u>\$ 569,319</u>	<u>\$ 431,427</u>	<u>\$ 466,617</u>	<u>\$ 467,691</u>	<u>\$ 467,691</u>	
TOTAL SHAREHOLDERS' EQUITY	\$ 516,177	\$ 494,899	\$ 375,388	\$ 391,411	\$ 391,411	\$ 290,845	\$ 273,351	\$ 220,814	\$ 220,814	
GROSS DEBT AS % OF EQUITY	146 %	151 %	176 %	167 %	167 %	207 %	217 %	245 %	245 %	
GROSS DEBT, NET OF CASH AS % OF EQUITY	132 %	136 %	157 %	145 %	145 %	148 %	171 %	212 %	212 %	

(a) includes capital expenditures, net of sales proceeds of discontinued operations

CIRCOR INTERNATIONAL, INC.
Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms
(in thousands, except percentages) (unaudited)

	2019					2020			
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL
NET (LOSS) INCOME	\$ (4,633) \$	(18,520) \$	(112,338) \$	1,555 \$	(133,936) \$	(78,948) \$	(34,092) \$	(58,524) \$	(171,564)
LESS:									
Restructuring related inventory charges	325	—	(1,145)	—	(820)	(602)	—	351	(250)
Restructuring charges, net	358	299	5,038	(509)	5,186	2,883	588	502	3,973
Acquisition amortization	12,077	11,247	11,202	11,189	45,715	10,218	10,681	10,625	31,523
Acquisition depreciation	1,123	1,106	1,102	1,021	4,352	974	980	1,011	2,965
Special (recoveries) charges, net	(8,200)	3,917	18,481	3,488	17,686	(45,175)	5,019	436	(39,720)
Goodwill Impairment charge	—	—	—	—	—	116,182	—	—	116,182
Income tax impact	3,625	(2,266)	5,533	(1,752)	5,140	7,704	(22,549)	53,240	38,395
Net loss (income) from discontinued operations	5,728	17,156	84,688	1,595	109,167	(9,162)	43,848	(341)	34,345
ADJUSTED NET INCOME	\$ 10,403 \$	12,939 \$	12,561 \$	16,587 \$	52,490 \$	4,074 \$	4,475 \$	7,300 \$	15,849
(LOSS) EARNINGS PER COMMON SHARE (Diluted)									
LESS:									
Restructuring related inventory charges	0.02	—	(0.06)	—	(0.04)	(0.03)	—	0.02	(0.01)
Restructuring charges, net	0.02	0.02	0.25	(0.03)	0.26	0.14	0.03	0.02	0.20
Acquisition amortization	0.61	0.57	0.56	0.56	2.30	0.51	0.53	0.53	1.58
Acquisition depreciation	0.06	0.06	0.06	0.05	0.22	0.05	0.05	0.05	0.15
Special (recoveries) charges, net	(0.41)	0.20	0.93	0.18	0.89	(2.27)	0.25	0.02	(1.99)
Impairment charge	—	—	—	—	—	5.83	—	—	5.82
Income tax impact	0.18	(0.12)	0.28	(0.10)	0.24	0.39	(1.11)	2.66	1.91
Earnings (Loss) per share from discontinued operations	0.29	0.86	4.25	0.08	5.48	(0.46)	2.16	(0.02)	1.72
ADJUSTED EARNINGS PER SHARE (Diluted)	\$ 0.52 \$	0.65 \$	0.63 \$	0.82 \$	2.62 \$	0.20 \$	0.22 \$	0.36 \$	0.78

CIRCOR INTERNATIONAL, INC.
Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms
(in thousands, except percentages) (unaudited)

	2019					2020				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL	
NET (LOSS) INCOME	\$ (4,633)	\$ (18,520)	\$ (112,338)	\$ 1,555	\$ (133,936)	\$ (78,948)	\$ (34,092)	\$ (58,524)	\$ (171,564)	
LESS:										
Interest expense, net	13,094	12,947	11,804	10,763	48,609	9,011	8,486	8,202	25,699	
Depreciation	5,499	5,568	5,551	5,427	22,045	5,121	4,958	4,802	14,881	
Amortization	12,536	11,685	11,629	11,741	47,591	10,516	10,976	10,925	32,418	
Provision for income taxes	5,709	284	7,490	1,193	14,676	8,374	(21,769)	54,318	40,923	
Loss (income) from discontinued operations	5,728	17,156	84,688	1,595	109,167	(9,162)	43,847	(341)	34,345	
EBITDA	\$ 37,933	\$ 29,121	\$ 8,825	\$ 32,274	\$ 108,152	\$ (55,088)	\$ 12,406	\$ 19,383	\$ (23,299)	
LESS:										
Restructuring related inventory charges (recoveries)	325	—	(1,145)	—	(820)	(602)	—	351	(250)	
Restructuring charges (recoveries), net	358	299	5,038	(509)	5,186	2,883	588	502	3,973	
Special (recoveries) charges, net	(8,200)	3,917	18,481	3,488	17,686	(45,175)	5,019	436	(39,720)	
Goodwill impairment charge	—	—	—	—	—	116,182	—	—	116,182	
ADJUSTED EBITDA	\$ 30,416	\$ 33,337	\$ 31,199	\$ 35,253	\$ 130,204	\$ 18,200	\$ 18,013	\$ 20,671	\$ 56,885	

CIRCOR INTERNATIONAL, INC.
Reconciliation of Key Performance Measures to Commonly Used Generally Accepted Accounting Principle Terms
(in thousands, except percentages) (unaudited)

	2019					2020				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	TOTAL	
GAAP OPERATING INCOME (LOSS)	\$ 17,750	\$ 12,020	\$ (9,084)	\$ 16,996	\$ 37,682	\$ (73,405)	\$ (1,384)	\$ 4,420	\$ (70,368)	
LESS:										
Restructuring related inventory charges (recoveries)	325	—	(1,145)	—	(820)	(602)	—	351	(250)	
Amortization of inventory step-up	—	—	—	—	—	—	—	—	—	
Restructuring charges (recoveries), net	358	299	5,038	(509)	5,186	2,883	588	502	3,973	
Acquisition amortization	12,077	11,247	11,202	11,189	45,715	10,218	10,681	10,625	31,523	
Acquisition depreciation	1,123	1,106	1,102	1,021	4,352	974	980	1,011	2,965	
Special (recoveries) charges, net	(8,200)	3,917	18,481	3,488	17,686	(45,175)	5,019	436	(39,720)	
Goodwill impairment charge	—	—	—	—	—	116,182	—	—	116,182	
ADJUSTED OPERATING INCOME	\$ 23,433	\$ 28,589	\$ 25,594	\$ 32,185	\$ 109,801	\$ 11,075	\$ 15,884	\$ 17,345	\$ 44,305	
GAAP OPERATING MARGIN	7.4 %	4.9 %	(3.8)%	7.0 %	3.9 %	(38.2)%	(0.7)%	2.4 %	(12.5)%	
LESS:										
Restructuring related inventory charges (recoveries)	0.1 %	— %	(0.5)%	— %	(0.1)%	(0.3)%	— %	0.2 %	— %	
Amortization of inventory step-up	— %	— %	— %	— %	— %	— %	— %	— %	— %	
Restructuring charges (recoveries), net	0.1 %	0.1 %	2.1 %	(0.2)%	0.5 %	1.5 %	0.3 %	0.3 %	0.7 %	
Acquisition amortization	5.1 %	4.6 %	4.7 %	4.6 %	4.7 %	5.3 %	5.7 %	5.7 %	5.6 %	
Acquisition depreciation	0.5 %	0.5 %	0.5 %	0.4 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %	
Special (recoveries) charges, net	(3.4)%	1.6 %	7.8 %	1.4 %	1.8 %	(23.5)%	2.7 %	0.2 %	(7.0)%	
Goodwill impairment charge	— %	— %	— %	— %	— %	60.4 %	— %	— %	20.6 %	
ADJUSTED OPERATING MARGIN	9.8 %	11.6 %	10.8 %	13.3 %	11.4 %	5.8 %	8.5 %	9.3 %	7.8 %	



INDUSTRIAL
AEROSPACE & DEFENSE



Third Quarter 2020 Investor Review

November 5, 2020

This presentation contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act"). The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions, which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements, although not all forward-looking statements are accompanied by such words. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements, including statements about outlook for the fourth quarter, the expected and potential direct or indirect impacts of the COVID-19 pandemic on our business, the realization of cost reductions from restructuring activities and expected synergies, the number of new product launches and future cash flows from operating activities, involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the duration and severity of the COVID-19 pandemic and its impact on the global economy; changes in the price of and demand for oil and gas in both domestic and international markets; any adverse changes in governmental policies; variability of raw material and component pricing; changes in our suppliers' performance; fluctuations in foreign currency exchange rates; changes in tariffs or other taxes related to doing business internationally; our ability to hire and retain key personnel; our ability to operate our manufacturing facilities at efficient levels including our ability to prevent cost overruns and reduce costs; our ability to generate increased cash by reducing our working capital; our prevention of the accumulation of excess inventory; our ability to successfully implement our divestiture, restructuring or simplification strategies; fluctuations in interest rates; our ability to successfully defend product liability actions; as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world, including as a result of COVID-19, natural disasters, terrorist attacks and other similar matters. We advise you to read further about these and other risk factors set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, which is filed with the Securities and Exchange Commission ("SEC") and is available on the SEC's website at www.sec.gov. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

See page 12 for information on the use of non-GAAP financial measures.

Strong Quarter Despite Unprecedented Macro Challenges

Resilient business portfolio continues to deliver

- End market and product diversification mitigating impact of weaker economic environment
- Regional diversity in Industrial end markets serving as a natural hedge
- Robustness in Defense offsetting pressure from Commercial Aerospace
- Mission critical product portfolio ensuring price increases despite market downturn

Strong Operational Execution

- Continued focus on productivity and cost resulting in decrements of 19%
- \$45 million of structural and temporary cost actions for 2020 on plan
- Aerospace and Defense margin expansion +360bps driven by productivity and price
- CIRCOR Operating System delivering improved operating performance across most metrics

Positioning CIRCOR to take advantage of market recovery

- New product introductions remain on plan with 45 launches expected in 2020, 13 in Q3
- Close collaboration with suppliers and customers to ensure available capacity as demand recovers
- Continued focus on deleveraging and liquidity

Q3 2020 Highlights

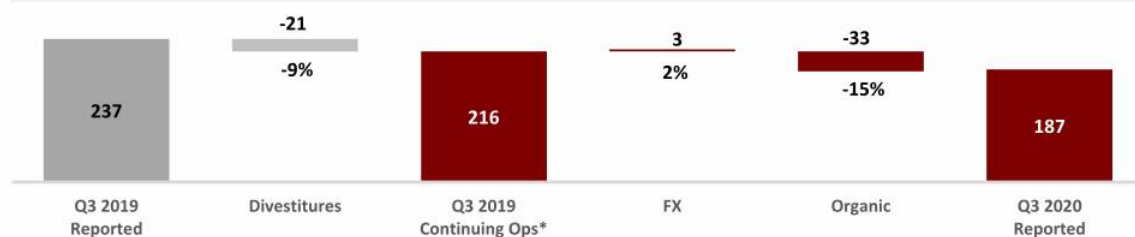


(\$ millions)

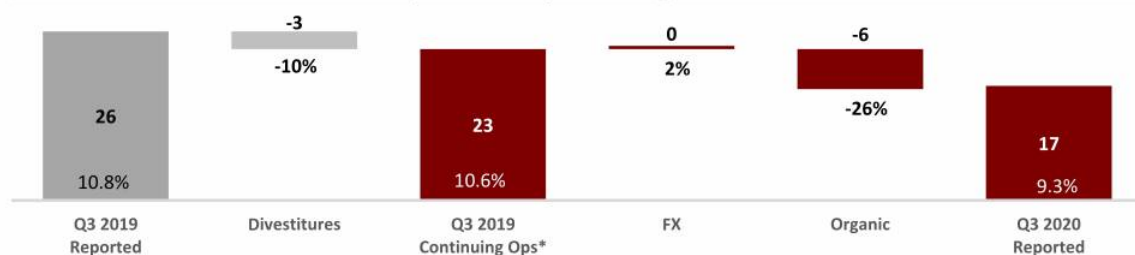
Orders



Revenue



Adjusted Operating Income



* Continuing Ops figures exclude the impact of businesses divested prior to the end of Q3 2020 which are Spence/Nicholson and Instrumentation & Sampling.

Industrial Segment Highlights



(\$ millions)

Orders



Comments on Organic YOY Results

Q3 2020 Orders

- Industrial markets remain soft due to COVID-19
- Sequential improvement in Aftermarket while capital projects remain depressed
- Slight sequential recovery witnessed in Germany and A

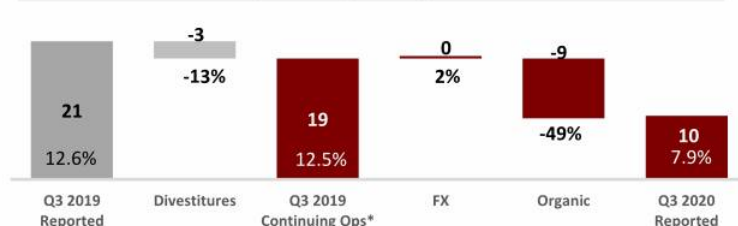
Revenue



Q3 2020 Revenue

- Industrial markets remain soft due to COVID-19
- Customer maintenance delays and lower asset utilization
- Strength in Power Generation and Defense

Adjusted Operating Income



Q3 2020 Segment Operating Income & Margin

- AOI decline driven by lower volume and impact of COVID-19 production disruption, partially offset by cost actions and price
- Revenue drop through to earnings of 36%

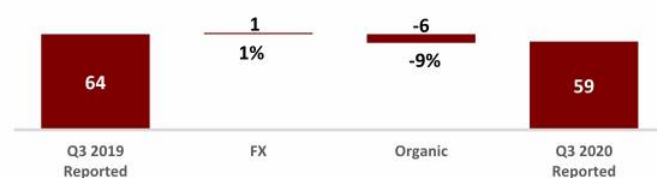
* Continuing Ops figures exclude the impact of businesses divested prior to the end of Q3 2020.

Aerospace & Defense Segment Highlights



(\$ millions)

Orders

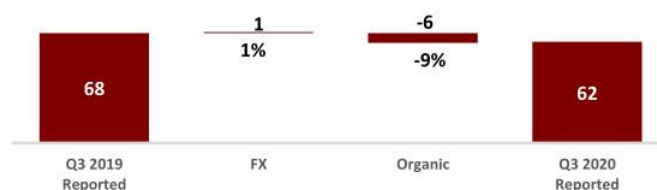


Comments on Organic YOY Results

Q3 2020 Orders

- Orders decline driven by impact of COVID-19 on commercial aerospace and timing of large project orders in Defense

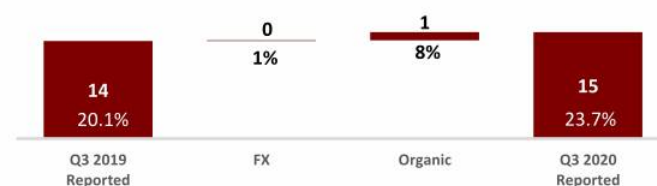
Revenue



Q3 2020 Revenue

- Decline driven by COVID-19 impact on commercial aerospace and ongoing delay of 737MAX partially offset by strong Defense shipments (JSF, Virginia Class Sub, Block V)

Adjusted Operating Income



Q3 2020 Segment Operating Income & Margin

- Margin expansion of 360 bps despite lower volume, driven by price, productivity and cost actions

Q3 P&L Selected Items



(\$ millions, except EPS)	Q3 2020			Q3 2019			
	GAAP	Special	Adjusted	GAAP	Special	Adjusted	Adj Ex Div*
Sales	187	-	187	237	-	237	216
Operating (loss) income	4	13	17	(9)	35	26	23
Interest expense	8	-	8	12	-	12	
Other income	1	-	1	(1)	-	(1)	
Pre-tax	(5)	13	8	(20)	35	15	
Tax benefit (provision)	(54)	53	(1)	(8)	6	(2)	
Net income (loss) from continuing operations	(59)	66	7	(28)	40	13	
Net (loss) income from discontinued operations	0	(0)	-	(85)	85	-	
Net (loss) income	(59)	66	7	(112)	125	13	
EPS - continuing operations	\$ (2.94)		\$ 0.36	\$ (1.39)		\$ 0.63	
EPS - net loss (income)	\$ (2.93)		\$ 0.36	\$ (5.64)		\$ 0.63	

Restructuring & Special Charges (excluded from AOI)

	Q3 2020	Q3 2019
Special charges in cost of goods sold		
Acquisition-related depreciation & amortization	4.7	5.3
Restructuring	0.4	(1.1)
- subtotal	5.1	4.1
Special charges in SG&A		
Acquisition-related depreciation & amortization	6.9	7.0
Professional fees and other costs related to re-structuring and cost reductions	0.8	8.0
Professional fees relating to tender	-	4.0
Other business sales	-	11.6
Other special / restructuring charges	0.1	(0.1)
- subtotal	7.8	30.5
Total	12.9	34.7

* Adjusted: Reflects non-GAAP measures, see CIRCOR Q3 2020 earnings press release for definitions and a reconciliation to GAAP.

* Adj Ex Div: Adjusted P&L items excluding the impact of businesses divested prior to the end of Q3 2020 which are Spence/ Nicholson and Instrumentation & Sampling.

EPS: Earnings (Loss) Per Share or Diluted Earnings Per Share

Numbers may not add due to rounding.

Cash Flow and Debt Position



(\$ millions)

	Q3 2020	Q3 2019
Cash Flow from Operations	2	9
Capital Expenditures, net	(2)	1
Free Cash Flow	<u>0</u>	<u>10</u>
	30-Sep-20	30-Sep-19
Total Debt	540	659
Cash and Cash Equivalents	73	69
Net Debt	<u>468</u>	<u>590</u>

\$122 million
Net Debt Reduction

Industrial Outlook



Primary End Market	Share of 2019 Revenue	YoY Outlook Q4 2020	Comments Q4 vs Prior Q3 Outlook
Downstream	14%	(5%) – (15%)	Improved versus prior outlook as refiners move selected projects forward
Machinery Manufacturing	9%	(2%) – (8%)	Improved outlook but with OEM CapEx reduction and delays continuing
Commercial Marine	8%	(20%) – (35%)	Consistent outlook: Q2-Q3 record low new orders & shipbuilding
Chemical Processing	7%	(1%) – (5%)	Consumer demand slowly improving driving demand for Plastics, Fiber, Textiles, etc.
Power Generation	4%	(1%) – (5%)	Improved outlook sequentially (global)
Midstream O&G	4%	(10%) – (30%)	Slightly improved but CapEx push outs and project delays across end markets still ongoing
Building & Construction	4%	(2%) – (15%)	
Wastewater	2%	(1%) – (5%)	
Other End Markets	14%	(2%) – (8%)	Slight sequential improvement in customer activity
Aftermarket	32%	(5%) – (15%)	Slightly improved outlook sequentially • Cruise ship and OSV utilization remain low • Customer facility utilization low • Continued Refinery maintenance delays where possible
Price	1%	1%	2019 carry over and surgical pricing
Total Industrial	100%	(5%) – (15%)	

Sequential Change from Q3:
flat to +10%

A&D Outlook - Defense



Primary End Market	Share of 2019 Revenue	YoY Outlook Q4 2020	Comments Q4 vs Prior Q3 Outlook
TOP PROGRAM			
Joint Strike Fighter (JSF)	28%	30% – 35%	Improvement vs prior outlook with growth driven by JSF, Virginia Class, and Dreadnought Class Submarines
Virginia Class Sub			
DDG 51			
Columbia Class Sub			
CVN Carrier			
Dreadnought Class Sub			
OTHER OEM			
Drone	17%	20% – 25%	Improvement from prior outlook driven by the strong defense orders in Q2 for missile programs (Hellfire, GMLRS, SM3) and Predator
Missile			
Helicopter			
Submarine			
Multi-Mission Aircraft			
Other			
Aftermarket	24%	0% – (5%)	Deterioration vs. prior outlook driven by reduced US defense spares
Price	2%	4%	Consistent with prior outlook
Total Defense	68%	15% – 20%	

Sequential Change from Q3:
+20% to +25%

Note: Analysis excludes "other" revenue in Aerospace & Defense that totals ~\$40M per year.

A&D Outlook - Commercial



Primary End Market	Share of 2019 Revenue	YoY Outlook Q4 2020	Comments Q4 vs Prior Q3 Outlook
BOEING / AIRBUS			
B737	14%	(55%) – (60%)	Additional deterioration from prior outlook driven by both single aisle and twin aisle build rates
A350			
A320			
A220			
A330			
B767			
OTHER OEM			
Bus Jet	14%	(15%) – (20%)	Slight improvement due to timing of deliveries to Q4
Civil Helicopter			
Civil Transport			
Regional Jet			
Space			
Other			
Aftermarket	3%	(50%) – (55%)	Consistent with prior outlook
Price	3%	4%	Consistent with prior outlook
Total Commercial	32%	(40%) – (45%)	

Sequential Change from Q3:
+15% to +25%

Note: Analysis excludes "other" revenue in Aerospace & Defense that totals ~\$40M per year.

Use of Non-GAAP Financial Measures



Within this presentation the Company uses non-GAAP financial measures, including Adjusted operating income, Adjusted operating margin, Adjusted net income, Adjusted earnings per share (diluted), EBITDA, Adjusted EBITDA, net debt, free cash flow and organic growth (and such measures further exclude discontinued operations). These non-GAAP financial measures are used by management in our financial and operating decision making because we believe they reflect our ongoing business and facilitate period-to-period comparisons. We believe these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the Company's current operating performance and future prospects in the same manner as management does, if they so choose. These non-GAAP financial measures also allow investors and others to compare the Company's current financial results with the Company's past financial results in a consistent manner.

For example:

- We exclude costs and tax effects associated with restructuring activities, such as reducing overhead and consolidating facilities. We believe that the costs related to restructuring activities are not indicative of our normal operating costs.
- We exclude certain acquisition-related costs, including significant transaction costs and amortization of inventory and fixed-asset step-ups and the related tax effects exclude these costs because we do not believe they are indicative of our normal operating costs.
- We exclude the expense and tax effects associated with the non-cash amortization of acquisition-related intangible assets because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have lives up to 25 years. Exclusion of the non-cash amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses and with both acquisitive and non-acquisitive peer companies.
- We also exclude certain gains/losses and related tax effects, which are either isolated or cannot be expected to occur again with any predictability, and that we believe not indicative of our normal operating gains and losses. For example, we exclude gains/losses from items such as the sale of a business, significant litigation-related matters and lump-sum pension plan settlements.
- We exclude the results of discontinued operations.
- We exclude goodwill impairment charges.
- Due to the significance of recently sold businesses and to provide a comparison of changes in our orders and revenue, we also discuss these changes on an "organic" basis. Organic is calculated assuming the divestitures completed prior to September 30, 2020 were completed on January 1, 2019 and excluding the impact of changing foreign currency exchange rates.

CIRCOR's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the Company's operating performance and comparing such performance to that of prior periods and to the performance of our competitors. We use such measures when publicly providing our business outlook, assessing future earnings potential, evaluating potential acquisitions and dispositions and in our financial and operating decision making process, including for compensation purposes.

Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with accounting principles generally accepted in the United States. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is available in the Company's third-quarter 2020 news release available on its website at www.CIRCOR.com.

Figures labeled "Adjusted" exclude certain charges and recoveries. A description of these charges and recoveries and a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is available in the Company's third-quarter 2020 news release available on its website www.CIRCOR.com.

Appendix

Q3 Results



(\$ millions, except EPS)	Q3 2020			Q3 2019			
	GAAP	Special	Adjusted	GAAP	Special	Adjusted	Adj Ex D
Orders	167	-	167	223	-	223	2
Sales	187	-	187	237	-	237	2
Gross margin	56	5	61	74	4	79	
SG&A	51	(7)	44	60	(7)	53	
Special & restructuring income, net	1	(1)	-	24	(24)	-	-
Operating (loss) income	4	13	17	(9)	35	26	
Interest expense	8	-	8	12	-	12	
Other income	1	-	1	(1)	-	(1)	
Pre-tax	(5)	13	8	(20)	35	15	
Tax benefit (provision)	(54)	53	(1)	(8)	6	(2)	
Net income (loss) from continuing operations	(59)	66	7	(28)	40	13	
Net (loss) income from discontinued operations	0	(0)	-	(85)	85	-	
Net (loss) income	(59)	66	7	(112)	125	13	
EPS - continuing operations	\$ (2.94)		\$ 0.36	\$ (1.39)		\$ 0.63	
EPS - net loss (income)	\$ (2.93)		\$ 0.36	\$ (5.64)		\$ 0.63	

* Adjusted: Reflects non-GAAP measures, see CIRCOR Q3 2020 earnings press release for definitions and a reconciliation to GAAP.

* Adj Ex Div: Adjusted P&L items excluding the impact of businesses divested prior to the end of Q3 2020 which are Spence/ Nicholson and Instrumentation & Sampling.

EPS: Earnings (Loss) Per Share or Diluted Earnings Per Share

Numbers may not add due to rounding.

18 Month Strategic Plan Update



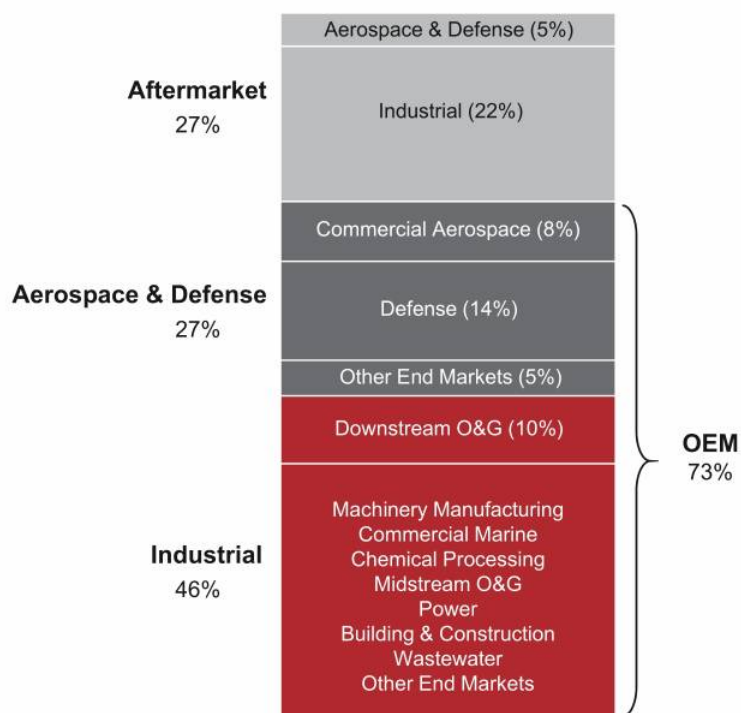
Our Strategic Priorities		Status Update
1	A&D: Accelerating Growth With Further Margin Expansion	<ul style="list-style-type: none"> ✓ Program transitions to low cost Morocco site on track, including product for A350 and A320 ✓ Price increase in line with 2019 ✓ Launching 32 new products in 2020 vs. 25 in 2019
2	Industrial: Driving Integration Synergies and Investing in Growth	<ul style="list-style-type: none"> ✓ Delivering 2020 sourcing synergies as planned ✓ Significant reduction of OPEX beyond plan levels ✓ Launching 13 new products in 2020 vs 8 last year ✓ Established dedicated aftermarket organization
3	Energy: Exit	<ul style="list-style-type: none"> ✓ Exit from upstream O&G complete ✓ Eliminated Energy Group
4	Prudent Portfolio Management	<ul style="list-style-type: none"> ✓ Executed 4 non-core divestitures. Gross proceeds of \$342M
5	Disciplined Investment in Growth	<ul style="list-style-type: none"> ✓ Preserving growth capacity despite structural and temporary cost actions ✓ Launching a total of 45 new products in 2020 vs. 33 in 2019
6	Enhancing Operational Efficiency and Margin	<ul style="list-style-type: none"> ✓ Significant reduction of structural cost vs. original plan ✓ Raising prices in line with original plan despite volume headwind



CIRCOR End Market Exposure



CIRCOR 2019 Revenue by End Market



Comments

- Completed exit from Upstream Oil & Gas with divestiture of Distributed Valves
- Large global installed base driving higher margin Aftermarket orders, mitigating broader economic decline
- Key program wins and existing platform growth in Defense driving strong performance
- Strength in Defense offsetting pressure in Commercial Aerospace due to COVID-19
- Diversified Industrial portfolio with no end market more than 6% of revenue

Note: Revenue excludes divested businesses.

