

# Fourth Quarter and Full Year 2015 Earnings Release Supplement

## February 19, 2016

The data in this package should be read in conjunction with Barnes Group Inc.'s earnings release and periodic filings with the SEC.



*One Team. One Company.*



# Forward-Looking Statements



This presentation contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future operating and financial performance and financial condition, and often contain words such as "anticipate," "believe," "expect," "plan," "strategy," "estimate," "project," and similar terms. These forward-looking statements do not constitute guarantees of future performance and are subject to a variety of risks and uncertainties that may cause actual results to differ materially from those expressed in the forward-looking statements. These include, among others: difficulty maintaining relationships with employees, including unionized employees, customers, distributors, suppliers, business partners or governmental entities; failure to successfully negotiate collective bargaining agreements or potential strikes, work stoppages or other similar events; difficulties leveraging market opportunities; changes in market demand for our products and services; rapid technological and market change; the ability to protect intellectual property rights; introduction or development of new products or transfer of work; higher risks in international operations and markets; the impact of intense competition; acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses; uncertainties relating to conditions in financial markets; currency fluctuations and foreign currency exposure; future financial performance of the industries or customers that we serve; our dependence upon revenues and earnings from a small number of significant customers; a major loss of customers; inability to realize expected sales or profits from existing backlog due to a range of factors, including changes in customer sourcing decisions, material changes, production schedules and volumes of specific programs; the impact of government budget and funding decisions; changes in raw material or product prices and availability; integration of acquired businesses; restructuring costs or savings; the continuing impact of prior acquisitions and divestitures, and any other future strategic actions, including acquisitions, divestitures, restructurings, or strategic business realignments, and our ability to achieve the financial and operational targets set in connection with any such actions; the outcome of pending and future legal, governmental, or regulatory proceedings and contingencies and uninsured claims; future repurchases of common stock; future levels of indebtedness; numerous other matters of a global, regional or national scale, including those of a political, economic, business, competitive, environmental, regulatory and public health nature; and other risks and uncertainties described in documents filed with or furnished to the Securities and Exchange Commission ("SEC") by the Company, including, among others, those in the Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors sections of the Company's filings. The Company assumes no obligation to update its forward-looking statements.

References to adjusted financial results for 2014 and 2015 are non-GAAP measures. You will find a reconciliation table on our website as part of our fourth quarter and full year 2015 press release and in the Form 8-K submitted to the SEC. This supplement should be read in conjunction with this reconciliation table.

# Q4 & Full Year 2015 Summary



## Fourth Quarter 2015:

- Sales of \$287 million, down 7%; Organic sales down 7%
- Adjusted Operating Income of \$44.5 million, down 11%
- Adjusted Operating Margin of 15.5%, down 60 bps
- Adjusted Income from Continuing Operations of \$0.60 per diluted share, down 3%

## Full Year 2015:

- Sales of \$1,194 million, down 5%; Organic sales down 1%
- Adjusted Operating Income of \$188.9 million, down 3%
- Adjusted Operating Margin of 15.8%, up 40 bps
- Adjusted Income from Continuing Operations of \$2.38 per diluted share, up 2%
- Total Backlog of \$764 million; Aerospace Backlog of \$571 million
- Full Year Free Cash Flow was \$164 million vs. \$130 million last year;  
Adjusted free cash flow to net income of 128%

# Q4 & FY 2015 Sales Growth



## Fourth Quarter 2015:

	<b>Sales Growth</b>	=	<b>Organic <sup>(1)</sup></b>	+	<b>F/X</b>	+	<b>M&amp;A</b>
Industrial	(4%)	=	(3%)	+	(6%)	+	6%
Aerospace	(14%)	=	(14%)	+	0%	+	0%
Total BGI	(7%)	=	(7%)	+	(4%)	+	4%

## Full Year 2015:

	<b>Sales Growth</b>	=	<b>Organic <sup>(1)</sup></b>	+	<b>F/X</b>	+	<b>M&amp;A</b>
Industrial	(5%)	=	2%	+	(8%)	+	2%
Aerospace	(6%)	=	(6%)	+	0%	+	0%
Total BGI	(5%)	=	(1%)	+	(5%)	+	1%

Note: <sup>(1)</sup> Organic sales growth represents the total reported sales increase within the Company's ongoing businesses less the impact of foreign currency translation and acquisition and divestitures completed in the preceding twelve months.

# Segment & Market Outlook

(Updated 2/19/2016)



**INDUSTRIAL  
SEGMENT**

	Actual % of '15 Sales	2016 Sales Growth Outlook*	End Market Highlights / Comments
Molding Solutions	<b>27%</b>	LDD	Medical / Healthcare Strong, Auto Model Changes Favorable
Engineered Components	<b>29%</b>	Flat	Favorable Global Auto Production, General Industrial Weakness
Nitrogen Gas Products	<b>9%</b>	Flat	Tool & Die Markets Starting to Recover After Slow 2H'15



**AEROSPACE  
SEGMENT**

Original Equipment Manufacturing (OEM)	<b>25%</b>	LSD	Record Boeing & Airbus Backlog, Strong BGI Backlog, Transition Year in 2016
Maintenance Repair and Overhaul (MRO)	<b>6%</b>	LSD	Aircraft Utilization Strong, Increasing Traffic & Lower Fuel Prices
Spare Parts (RSP Programs)	<b>4%</b>	Flat	Favorable CFM56 Demographics, Tough 2015 Comparable



**OTHER**

M&A		Thermoplay and Priamus Acquisition Sales +3%
F/X		F/X Sales Headwind of ~1%

**2016 TOTAL SALES EXPECTATION UP 2% TO 4%; FLAT TO 2% ORGANICALLY**

\* HSD - High single digits, MSD - Mid single digits, LSD - Low single digits, LDD - Low double digits

# 2014 & 2015 Results and 2016 Guidance

(\$M, except per share)



	2014 Full Year Results	2015 Full Year Results	Variance Over 2014 Results	2016 Full Year Guidance
Net Sales	\$1,262	\$1,194	-5%	+2% to +4%
Organic Sales			-1%	Flat to +2%
Operating Margin %	14.3%	14.1%	-20bps	
Adjusted Operating Margin % <sup>(1)</sup>	15.4%	15.8%	+40bps	16% to 17%
EPS (diluted)	\$2.16	\$2.19	+1%	\$2.40 to \$2.55
Income from Continuing Operations				
Adjusted EPS (diluted) <sup>(1)</sup>	\$2.34	\$2.38	+2%	\$2.43 to \$2.58
Income from Continuing Operations				+2% to +8%
Cash Conversion - Adjusted <sup>(2)</sup>	99%		128%	~100%

## Key Factors in 2016 Guidance Range Include:

### Low-End

- China Softness
- Global Economic Uncertainty
- Auto Production Leveling

### High-End

- + Aero Aftermarket (RSPs & CRPs)
- + Productivity Benefits
- + Sales Volume Leverage

(1) References to Adjusted Operating Margin and Adjusted EPS for 2014 and 2015 are non-GAAP measures. A reconciliation table is available on our website as part of our Q4 and Full Year 2015 press release and in the Form 8-K submitted to the SEC.

(2) Cash Conversion – Adjusted is equal to Net Cash Provided by Operating Activities less Capital Expenditures divided by Net Income. (For the purpose of calculating the cash conversion ratio, the Company has excluded the pension lump-sum settlement charge, net of tax, from 2015 net income and the utilization of the year-end 2013 income tax receivable related to the gain on the sale of BDNA to offset 2014 payments from 2014 free cash flow.)

# Additional Information



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Additional information is  
available at:

**[www.BGInc.com](http://www.BGInc.com)**



