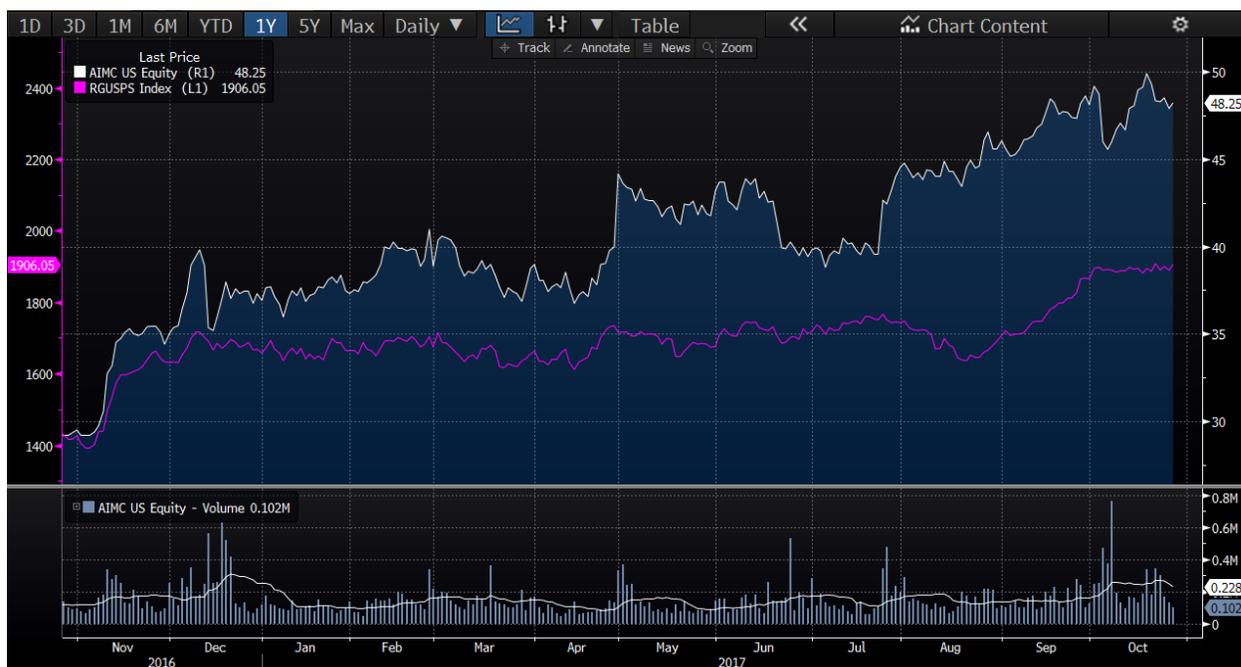


Company Description: Altra Industrial Motion Corp. is a leading global designer, producer and marketer of a wide range of mechanical power transmission components. With their global footprint, they sell their products in over 70 countries throughout the world and serve a diverse group of industries. The Company's product portfolio includes industrial clutches and breaks, enclosed gear drives, open gearing, couplings, engineered bearing assemblies, linear components, and other related products. They market these products under well recognized and established brand names, most of which have been in existence for 50 to over 100 years.



BUY

Current Price: \$48.25
 Target Price: \$60.90
 Market Cap: 1.4B
 52 Week High/ Low \$50.00 -\$28.85

20 Day Average Volume: 224,627
 Gross Profit Margin: 31.8%
 EBITA Margin: 15.3%
 EPS: 2.10

Thesis:

Altra Industrial Motion has strong growth factors due to their diversified portfolio of products catering to a wide variety of sectors within the industrials industry. Altra will experience further organic growth through the increasing favorable industry trends. Their profitability and margins will continue to improve through the integration of their recent acquisitions, as well as their restructuring and cost-saving strategies.

Catalysts:

- Short Term(within the year): Integration of their acquisition of Stromag.
- Mid Term(1-2 years): Increasing sales through organic growth.
- Long Term(3+): Expand its geographical reach, and product offerings through strategic acquisitions. Improving profitability through cost reduction initiatives.

Business Overview/Outlook:

AIMC manufactures mechanical power transmission and motion control products. They specialize in industrial clutches and brakes, gear drives, couplings, and bearings, linear components, gear motors and other related products. These products serve a wide variety of end markets such as, energy, general industrial, material handling, mining, transportation and turf and garden. AIMC's line up is marketed under an impressive amount of brands including TB Wood's and Warner Electric, both directly and through distributors to OEMs in material handling, mining, and transportation industries. Altra Industrial Motion reports its top-line results under three segmental heads, namely, Couplings Clutches & Brakes (43% of total revenues in 2016), Electromagnetic Clutches & Brakes (30%), and Gearing (27%).



They are dedicated to finding new and better ways of handling some of the most demanding power transmission applications. By working closely with their customers and applying the latest technologies in design, materials and manufacturing, they have accelerated the development process of bringing new products to the marketplace. With state-of-the-art equipment at our disposal like the UniGraphics solid modeling design package, models can be generated quickly, expediting the initial phases of design and sales process. Their experienced CAD design teams can create simple models, like standard, modular, worm gear speed reducers, for high volume projects as well as complex models for small or large-scale custom jobs. Rapid prototyping utilizing 3D printing technology helps turn concept into reality. They also have full service test labs to validate the integrity of new product designs before they manufacture the product. In the test lab, they are able to simulate many common application scenarios to evaluate problems you may be experiencing on your manufacturing floor. This can decrease down time and expenses associated with trouble-shooting.



Their global sales and marketing network includes more than 1,000 direct OEM customers and over 3,000 distributor outlets. Roughly 35% of their net sales were generated through independent distributors in 2013. North America accounts for more than 60% of sales. During the quarter end September 30, 2017, they saw continued improvement in certain of their end markets that previously had been challenged. As their markets strengthen, they expect to benefit increasingly from their work during the past few years on facility consolidation, supply chain and operational excellence initiatives. Moreover, they believe they are now in a position to capitalize on the positive momentum in the industrial economy by driving growth initiatives. To this end, their sales and engineering teams are targeting specific strategic end markets with focused activities to generate new opportunities. They continue to be encouraged by the progress of the integration of our

Stromag acquisition and they have already experienced an increase in cross-selling opportunities. They continue to seek further acquisitions, but remain highly disciplined in that pursuit

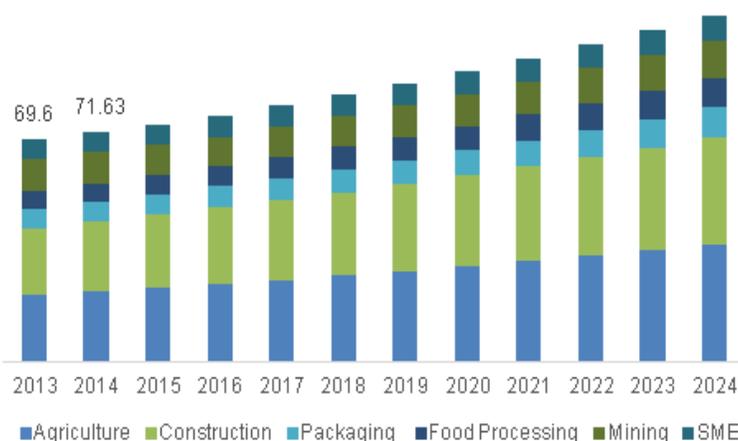
Industry Outlook:

The industrial machinery market size is estimated to grow at an approximate CAGR of 6% from 2016 to 2024. The improving economic conditions worldwide is one of the major factor driving the demand for the industrial machinery in various sectors such as packaging, agriculture, machine tools and materials handling. Rapid industrialization and increasing investment in capital-intensive technologies has led to a significant increase in the demand for the industrial machinery. Industrial machinery is considered crucial in the operations of printing, food, textile, construction, pharmaceuticals, chemical, automotive, agricultural, power generation, utility, transportation and shipping industries. The growth in the Industrial machinery market is driven by the increasing global demand for cars which will lead to a rise in the spending on robotics and the tools used in the automotive sector. The increase in the production of automobiles will also lead to an increase in the rubber and plastic industries which will, in turn, drive overall market demand. The increasing popularity of green technologies has led to an increase in demand for the industrial machinery in photovoltaic and in wind turbines manufacturing companies. The growing demand for efficiency and quality is anticipated to drive investments in the development of the industrial machinery market. Automated machinery saves time, improves quality and also lowers operational cost of a manufacturing company. The packaging industry is expected to boost the demand for industrial machinery. Food processing machinery market share will grow at over 7% CAGR estimation from 2016 to 2024. Increasing investment in lighter packaging which requires fewer materials, produces less waste and is more energy efficient is projected to spur the demand for industrial machinery. Further, the technological advances in packaging like wrapping food in ready-to-cook enclosures and new aseptic packaging technology is projected to drive the market growth. Packaging application will surpass a revenue USD 65 billion by 2024, primarily driven by increasing demand for packaged food and beverages across the burgeoning middle-class population.

Industry Trends

Industrial Machinery Market size was over USD 485 billion in 2015 with 5.3% CAGR estimation from 2016 to 2024.

U.S. Industrial Machinery market size, by application, 2013-2024 (USD Billion)



The U.S. market showed strength subsequent to the election of President Trump, primarily factoring in his promised pro-growth policies. However, the momentum has stalled following uncertainties looming over policy enactment and implementation. As far the Industrial Products companies are concerned, the Trump government's infrastructure improvement plan, if

implemented, will boost demand. Also, the sector is seeing improving export demand for its products from

foreign nations. Since the beginning of the year, industrial products stocks have been strong performers, with the sector gaining roughly 9.4%. Industrial production is one of the leading economic indicators for the industrial stocks. It measures the level of output of manufacturing, mining and utilities sectors in a country. The country’s industrial production increased at an annual rate of 4.7% in the second quarter, driven by impressive growth in mining and utilities. Moreover, growing industrialization will drive construction and mining applications, with a growth rate of 4.5% over the period of 2016 to 2024. Per the U.S. Census Bureau report, new orders for U.S.-manufactured machinery increased 5.7% in the first half of 2017 led by growth in orders for construction, mining, industrial, material handling and other machineries. Also, the job market showed strength, with the recent data indicating 209,000 new job additions in July. In second-quarter 2017, new job additions averaged 194,333 per month. Unemployment rate declined from 4.4% in June to 4.3% in July. In Europe, Altra’s second most populated area saw an improvement in industrial production by 1.3% in May from the prior month and rose 4% year over year. In April, industrial production inched up 0.3% from the previous month. The unemployment rate was 9.1% in June versus 9.2% in the previous month.

Product Overview/ Growth:

Altra currently operates through three business segments that are aligned with key product types and end markets served: Couplings, Clutches & Brakes, Electromagnetic Clutches & Brakes, and Gearing. Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other.

Clutches in this segment are devices that use mechanical, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations

Electric Clutches & Brakes	Couplings, Clutches & Brakes		Gearing
Electric Clutches and Brakes	Couplings	Heavy Duty Clutches & Brakes	Gear Drives
Inertia Dynamics	Ameridrives	Industrial Clutch	Boston Gear
Matrix International	Ameridrives Power Transmission	Stromag	Delroyd Worm Gear
Warner Electric	Bibby Turboflex	Svendborg Brakes	Nuttall Gear
Linear Products	Guardian Couplings	Twiflex	Gear Motors
Warner Linear	Huco Dynatork	Wichita Clutch	Bauer Gear Motor
	Lamiflex Couplings	Overrunning Clutches	Engineered Bearing Assemblies
	Stromag	Formsprag Clutch	Kilian Manufacturing
	TB Wood's Incorporated	Marland Clutch	
	Belted Drives	Stieber Clutch	
	TB Wood's Incorporated	Geared Cam Limit Switches	
		Stromag	

of interacting parts that work to slow or stop machinery. Products in this segment are generally used in heavy industrial applications and energy markets. Products in the Electromagnetic Clutches & Brakes segment include brakes and clutches that are used to electronically slow, stop, and engage or disengage equipment utilizing electromagnetic friction type connections. Products in this segment are used in industrial and commercial markets including agricultural machinery, material handling, motion control, and turf & garden. Gears are utilized to reduce the speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. Gears produced by the Company are primarily utilized in industrial applications.

Altra's net sales across all three segments was up from \$173.13M at third quarters end in 2016 to \$214.62M in 2017 according to their Quarterly report. By segment, their biggest seller was couplings, clutches,



and brakes who posted a 7% increase of \$32.66M. In regards to income from operations, their couplings, clutches and brakes underwent at 17% increase since the end of the third quarter of 2016. Income from operations across all segments reported at a \$10.9M increase. Income from operations as a percent of total sales increased 4% since the end of the 3rd quarter in 2016. The strong performance from the couplings, clutches, and brakes segment can be attributed to Altra's recent acquisition of Stromag. Synergies continue to be on track and cross-selling initiatives are performing better than expectations.

Stromag Acquisition:



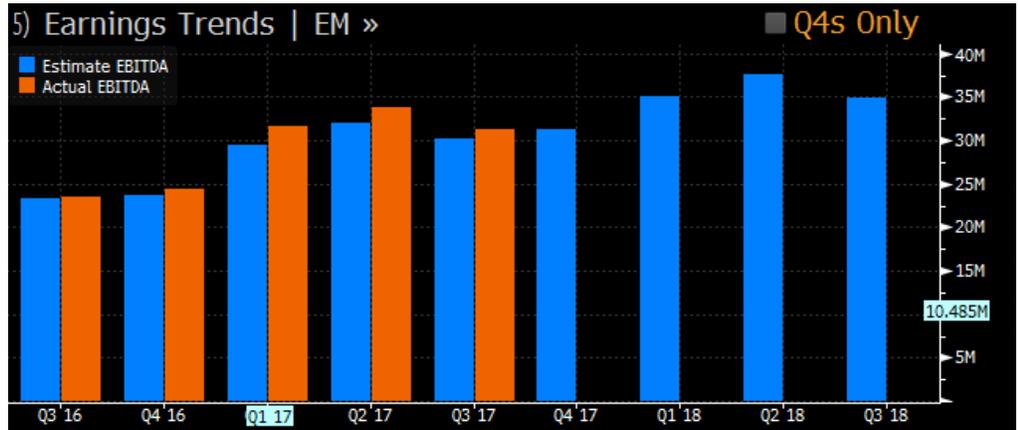
Altra successfully closed the acquisition of Stromag on Dec 30, 2016.

Stromag is well known for providing tailored-engineered solutions to its customers in agricultural equipment, construction, marine, metal processing, renewable energy, crane & hoist and general industrial markets. Its product portfolio includes clutches and brakes, flexible couplings, limit switches and friction discs. Stromag's revenues totaled roughly €131 million in 2015. Altra Industrial Motion had to assume debt of roughly €14 million as well as shell out approximately €184 million in cash for the Stromag's assets. The company anticipates the acquired assets to be earnings accretive in 2017. This acquisition is consistent with its strategic expansion policy. It is also indicative of its strong balance sheet and healthy cash position. Net sales in the Couplings, Clutches & Brakes segment were \$110.1 million in the quarter ended September 30, 2017, an increase of approximately \$32.7 million or 42.2%, from the quarter ended September 30, 2016. Approximately \$28.8 million of the increase was due to the inclusion of sales from the newly acquired Stromag business for the quarter. Segment operating income increased approximately \$6.1 million compared to the prior period primarily as a result of the addition of Stromag and plant consolidations. Net sales in the Electromagnetic Clutches & Brakes segment were \$58.3 million in the quarter ended September 30, 2017, an increase of approximately \$7.6 million, or 15.0%, from the quarter ended September 30, 2016. Approximately \$6.0 million of the increase was due to the inclusion of sales from the newly acquired Stromag business in the quarter. Segment operating income decreased \$0.5 million compared to the prior period primarily as a result of the impact of foreign exchange.

Earnings & Estimates:

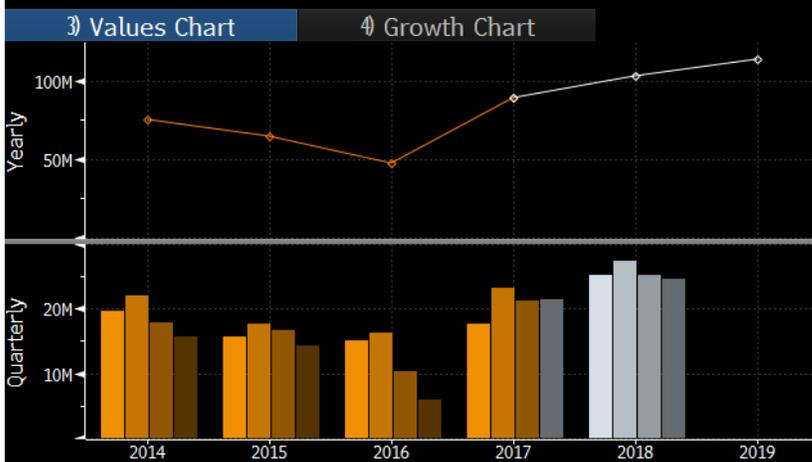
In the last six months, Altra Industrial's shares have yielded 22% return, outperforming the gain of 14.2% recorded by the industry. The company stands to benefit from its diversified product portfolio and large customer base in the energy, general industrial, material handling, metals, mining, special machinery, transportation, & turf and garden industries. Non- GAAP diluted earnings per share increased from \$2.00 to \$2.06 at the end of Q3.

The stock has an 87 EPS Rating, which means its recent quarterly and annual earnings growth tops 87% of all stocks. Altra's YoY growth across key measures: EPS 15.6%, Revenue 19%, Adjusted Net Income 29.6%, EBITA 28.7%. For the past five consecutive quarters, they have been outperforming estimates across all previously stated measures. Their estimates for EBITA moving forward into 2018 for all four quarters are considerably over the 30M mark. Operating Profit for Altra has been increasing at an average CAGR of



Measure	Operating Profit					
	2014	2015	2016	2017	2018	2019
Q1 Mar	19.65M	15.65M	14.98M	17.66M	25.20M	
Q2 Jun	21.96M	17.71M	16.18M	23.15M	27.35M	
Q3 Sep	17.81M	16.66M	10.37M	21.27M	25.15M	
Q4 Dec	15.70M	14.19M	6.03M	21.50M	24.60M	
Year	75.11M	64.21M	47.55M	89.40M	102.75M	113.50M
Cal Yr	75.11M	64.21M	47.55M	89.40M	102.75M	113.50M

(Fiscal Period: Reported, Estimated)



1.46% for quarters 1-3. Shown in the illustration to the left, the company has outperformed the past three previous quarters since 2016 and are projected to continue that increase. "This was the fourth consecutive quarter of year-over-year organic sales growth, which gives us increasing confidence that the upturn in certain previously challenged end markets is sustainable. As a result of the higher sales volumes, the success of our margin improvement initiatives and a tailwind from foreign exchange, we achieved a 130% increase in diluted GAAP EPS, a 37% increase in non-GAAP dilutive EPS, a 90 basis point increase in gross margin, and a 390 basis point increase in operating margin."* - Carl Christenson, Altra's Chairman and CEO. They has been capitalizing on positive momentum, which in turn is helping drive organic growth initiatives.

Third-Quarter 2017 Results:

- Third-quarter 2017 net sales were \$214.6 million, up 24% from \$173.1 million in the third quarter of 2016. Excluding the impact of the Stromag acquisition, third-quarter net sales were up 3.8% from the same quarter of 2016.

The increase in sales during the quarter ended September 30, 2017 was due to the acquisition of Stromag, price increases, higher sales levels in several end markets and the favorable effect of changes in foreign exchange rates of \$2.5 million. Of the increase in sales, approximately \$34.9 million relates to the inclusion of additional sales as a result of the acquisition of Stromag for the quarter. In addition, price increases contributed \$1.7 million to the increase during the quarter. The rest of the increase related to a recovery in sales levels in various end markets in the Couplings, Clutches, and Brakes business segment.

- Gross margin increased 90 basis points year over year to 32.2%.

Gross profit as a percentage of sales increased during the quarter ended September 30, 2017 primarily due to improvements realized from their consolidation and cost saving efforts as well as a modest improvement in some of their more profitable end markets.

- Operating margin increased 390 basis points year over year to 9.9%; non-GAAP operating margin increased 130 basis points to 10.3%.*
- Third-quarter net income was \$13.3 million, or \$0.46 per diluted share, compared with \$5.3 million, or \$0.20 per diluted share, in the third quarter of 2016.
- Non-GAAP net income in Q3 2017 was \$13.8 million, or \$0.48 per diluted share, compared with \$9.0 million, or \$0.35 per diluted share, a year ago.*
- Cash flow from operations of \$43.3 million led to free cash flow of \$20.0 million for the year to date period.

During 2015, the Company adopted a restructuring plan (“2015 Altra Plan”) in response to weak demand and to make certain adjustments to improve business effectiveness, reduce the number of facilities and streamline the Company’s cost structure. The actions taken pursuant to the 2015 Altra Plan included reducing headcount and limiting discretionary spending to improve profitability. Approximately \$1.9 million of the decrease is related to activity in the Couplings, Clutches and Brakes segment not present in the current quarter under the 2015 Altra Plan. The Company does not expect to incur any additional material costs as a result of the 2015 Plan. During the quarter ended September 30, 2017, the Company commenced a new restructuring plan (“2017 Altra Plan”) as a result of the Stromag acquisition and to rationalize its global renewable energy business. The actions taken pursuant to the 2017 Altra Plan include reducing headcount, facility consolidations and the elimination of certain costs. Approximately \$0.6 million of the expense in the current quarter is related to activity in the Couplings, Clutches and Brakes segment under the 2017 Altra Plan. The company expects to incur approximately \$2.0 to \$4.0 million in additional expense through 2019 related to the 2017 Altra Plan.

Conclusion:

Altra Industrial Motion expects to become a leading global provider of electrochemical power transmission solutions. They have been consistently beating analyst estimates for 5 consecutive quarters across multiple profitability measures. They have posted record high numbers in this last quarter through strategic executive strategies. They will continue to see organic growth through their highly diversified and industry leading products. Effective supply chain management and accretive acquisitions will remain the company's preferred modes for enhancing profitability. I propose to buy Altra Industrial Motion with a target price of \$60.19.



Altra Industrial Motion Corp.
(AIMC)

CENTER FOR GLOBAL FINANCIAL STUDIES

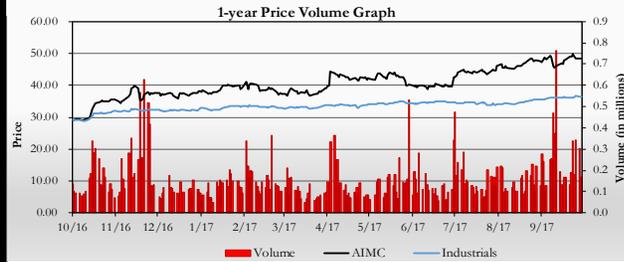
BULLISH

Analysis by Michael Vitale
10/27/2017

Current Price: **\$48.25**
Dividend Yield: **1.3%**

Intrinsic Value: **\$51.77**
Target Price: **\$60.19**

Target 1 year Return: **26.06%**
Probability of Price Increase: **99%**

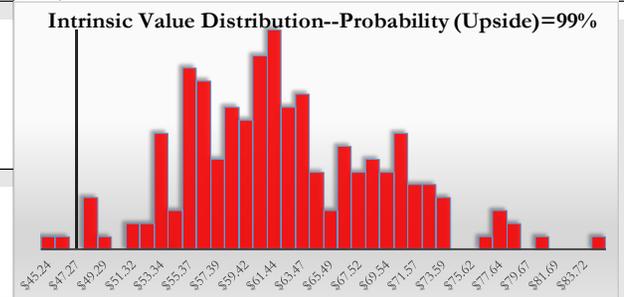


Description	
Altra Industrial Motion Corp. designs, produces, and markets mechanical power transmission components worldwide.	
General Information	
Sector	Industrials
Industry	Machinery
Last Guidance	November 3, 2015
Next earnings date	February 17, 2018
Estimated Country Risk Premium	6.16%
Effective Tax rate	26%
Effective Operating Tax rate	26%

Market Data	
Market Capitalization	\$1,412.54
Daily volume (mil)	0.10
Shares outstanding (mil)	29.28
Diluted shares outstanding (mil)	28.26
% shares held by institutions	100%
% shares held by investments Managers	74%
% shares held by hedge funds	5%
% shares held by insiders	2.94%
Short interest	1.59%
Days to cover short interest	2.57
52 week high	\$50.00
52-week low	\$28.85
Volatility	29.20%

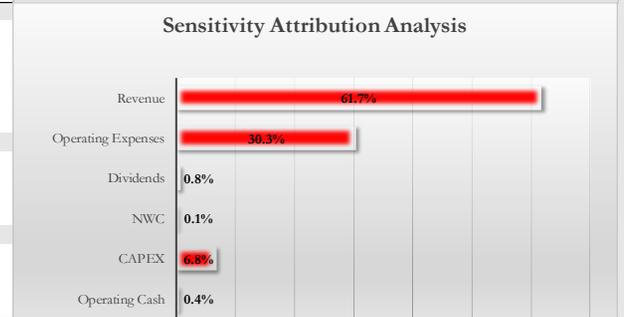
Past Earning Surprises		
Quarter ending	Revenue	EBITDA
9/30/2016	-1.88%	-7.96%
12/31/2016	-0.64%	7.30%
3/31/2017	0.18%	2.72%
6/30/2017	-0.53%	0.78%
9/30/2017	-0.42%	0.20%
Mean	-0.66%	0.61%
Standard error	0.3%	2.5%

Peers	
Graco Inc.	5.76% per annum over 5y
Actuant Corporation	5.76% per annum over 5y
Barnes Group Inc.	5.76% per annum over 5y
Regal Beloit Corporation	5.76% per annum over 5y
Rexnord Corporation	5.76% per annum over 5y
Colfax Corporation	5.76% per annum over 5y
Nordson Corporation	5.76% per annum over 5y
Pentair plc	N/M

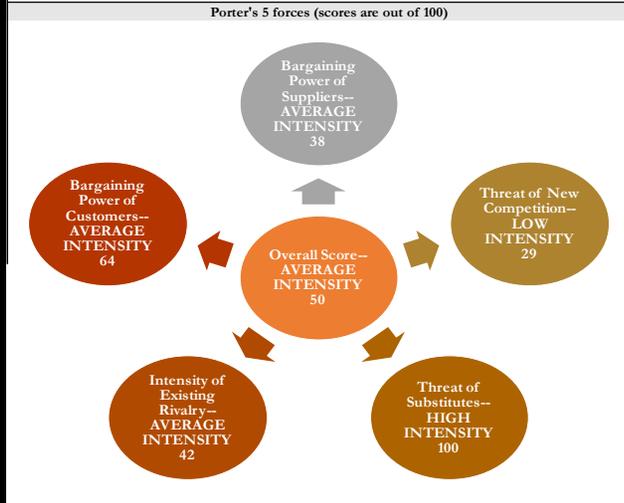


Management		Position	
Christenson, Carl	Chairman and Chief Executive	Chairman and Chief Executive	9.78% per annum over 5y
Storch, Christian	Chief Financial Officer and	Chief Financial Officer and	8.99% per annum over 5y
Deegan, Glenn	Vice President of Legal & Hu	Vice President of Legal & Hu	16.46% per annum over 5y
Schuele, Craig	Vice President of Marketing	Vice President of Marketing	11.58% per annum over 5y
Ferris, Gerald	Vice President of Global Sal	Vice President of Global Sal	10.52% per annum over 5y
Patriacca, Todd	Chief Accounting Officer, Vi	Chief Accounting Officer, Vi	N/M

Total compensations growth		Total return to shareholders	
AIMC (LTM)	7.95%	Peers' Median (LTM)	9.91%
AIMC (5 years historical average)	5.49%	Peers' Median (LTM)	11.46%
AIMC (LTM)	1.45	Peers' Median (LTM)	0.87
AIMC (5 years historical average)	13.1%	Peers' Median (LTM)	17.3%
AIMC (LTM)	4.7%	Peers' Median (LTM)	13.4%
AIMC (5 years historical average)	2.79	Peers' Median (LTM)	1.29



Profitability		Invested Funds		Capital Structure	
Return on Capital (GAAP)	10.5%	Cash/Capital	8.5%	Total Debt/Market Capitalization	0.44
Operating Margin	7%	NWC/Capital	21.3%	Cost of Existing Debt	3.3%
Revenue/Capital (GAAP)	1.55	Operating Assets/Capital	44.7%	CGFS Rating (F-score, Z-score, and default Probability)	B
ROE (GAAP)	17.7%	Goodwill/Capital	25.4%	WACC	8.9%
Net margin	6.3%	Capital Structure	AIMC (LTM)	AIMC (5 years historical average)	AIMC (5 years historical average)
Revenue/Book Value (GAAP)	2.81	Operating Assets/Capital	17.5%	Peers' Median (LTM)	Peers' Median (LTM)
Operating Assets/Capital	44.7%	Goodwill/Capital	38.6%	Peers' Median (LTM)	Peers' Median (LTM)
Goodwill/Capital	25.4%	Capital Structure	AIMC (LTM)	AIMC (5 years historical average)	AIMC (5 years historical average)
Capital Structure	AIMC (LTM)	Operating Assets/Capital	17.5%	Peers' Median (LTM)	Peers' Median (LTM)
Total Debt/Market Capitalization	0.44	Goodwill/Capital	38.6%	Peers' Median (LTM)	Peers' Median (LTM)
Cost of Existing Debt	3.3%	Capital Structure	AIMC (LTM)	AIMC (5 years historical average)	AIMC (5 years historical average)
CGFS Rating (F-score, Z-score, and default Probability)	B	Operating Assets/Capital	17.5%	Peers' Median (LTM)	Peers' Median (LTM)
WACC	8.9%	Goodwill/Capital	38.6%	Peers' Median (LTM)	Peers' Median (LTM)



Period	Revenue Growth Forecast	Return on Invested Capital Forecast
Base Year	16%	11.0%
9/30/2018	8%	8.1%
9/30/2019	4%	8.2%
9/30/2020	1%	8.2%
9/30/2021	1%	9.3%
9/30/2022	1%	10.7%
9/30/2023	1%	12.3%
9/30/2024	2%	14.2%
9/30/2025	2%	23.8%
9/30/2026	2%	24.9%
9/30/2027	2%	26.1%
Continuing Period	2%	27.5%
Continuing Period	2%	29.0%

Valuation	
NOPAT Margin Forecast	10.5%
Revenue to Capital Forecast	1.04
NOPAT Margin Forecast	8.0%
Revenue to Capital Forecast	1.01
NOPAT Margin Forecast	8.0%
Revenue to Capital Forecast	1.03
NOPAT Margin Forecast	8.5%
Revenue to Capital Forecast	1.10
NOPAT Margin Forecast	9.0%
Revenue to Capital Forecast	1.19
NOPAT Margin Forecast	9.5%
Revenue to Capital Forecast	1.30
NOPAT Margin Forecast	10.0%
Revenue to Capital Forecast	1.42
NOPAT Margin Forecast	15.1%
Revenue to Capital Forecast	1.58
NOPAT Margin Forecast	15.6%
Revenue to Capital Forecast	1.60
NOPAT Margin Forecast	16.1%
Revenue to Capital Forecast	1.62
NOPAT Margin Forecast	16.6%
Revenue to Capital Forecast	1.65
NOPAT Margin Forecast	17.2%
Revenue to Capital Forecast	1.69
WACC Forecast	
WACC Forecast	8.9%
Price per share Forecast	\$52.35
WACC Forecast	9.5%
Price per share Forecast	\$60.56
WACC Forecast	9.2%
Price per share Forecast	\$67.56
WACC Forecast	9.0%
Price per share Forecast	\$74.70
WACC Forecast	9.1%
Price per share Forecast	\$82.02
WACC Forecast	8.9%
Price per share Forecast	\$89.33
WACC Forecast	8.9%
Price per share Forecast	\$96.76
WACC Forecast	9.0%
Price per share Forecast	\$104.30
WACC Forecast	8.8%
Price per share Forecast	\$111.80
WACC Forecast	8.8%
Price per share Forecast	\$119.39
WACC Forecast	8.9%
Price per share Forecast	\$127.06
WACC Forecast	8.9%
Price per share Forecast	\$127.06