

# **Crane Company (CR) Q1 2024 Earnings Call Transcript**

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**Body**

Crane Company (CR)

Q1 2024 Earnings Conference Call

April 23, 2024, 10:00 AM ET

Company Participants

Jason Feldman - Vice President, Treasury & Investor Relations

Max Mitchell - President & Chief Executive Officer

Richard Maue - Executive Vice President & Chief Financial Officer

Conference Call Participants

Matt Summerville - D.A. Davidson

Scott Deuschle - Deutsche Bank

Nathan Jones - Stifel

Damian Karas - UBS

Justin Ages - CJS Securities

Presentation

Operator

Welcome to the Crane Company First Quarter 2024 Earnings Conference Call. [Operator Instructions].

I'd now like to turn the call over to Jason Feldman, Senior Vice President of Investor Relations, Treasury and Tax. Please go ahead.

Jason Feldman

Thank you, operator, and good day, everyone. Welcome to our first quarter 2024 earnings release conference call.

On our call this morning, we have Max Mitchell, our Chairman, President and Chief Executive Officer and Rich Maue, our Executive Vice President and Chief Financial Officer. We'll start off our call with a few prepared remarks, after which we will respond to questions.

Just a reminder, that the comments we make on this call may include some forward-looking statements. We refer you to the cautionary language at the bottom of our earnings release and also in our annual report, 10-K and subsequent filings pertaining to forward-looking statements. Also during the call, we'll be using some non-GAAP numbers, which are reconciled to the comparable GAAP numbers and tables at the end of our press release and accompanying slide presentation, both of which are available on our website at www.craneco.com , in the Investor Relations section.

Now let me turn the call over to Max.

Max Mitchell

Thank you, Jason, and good morning, everyone. Thanks for joining the call today. Yet another impressive quarter with results outperforming expectations. Adjusted EPS was $1.22, driven by 5% core sales growth, along with strong leading indicators, core orders and backlog both up 11% compared to last year.

We are off to a great start in 2024. Based on that strength, we are raising our full-year guidance by $0.20 to a range of $4.75 to $5.05, which reflects 14% EPS growth at the midpoint. That's a high-confidence guidance that we have direct line of sight to delivering, assuming somewhat muted industrial activity and continued. but gradual improvement in the aerospace and electronics supply chain.

While this is our best thinking today, we believe there may be upside as the year progresses if those two assumptions prove conservative. If so, we are structured to meet any unexpected changes in upside demand. There's also a potential upside to guidance from capital deployment if we are successful with further M&A in the quarters ahead.

On that front, in addition to our strong first quarter results, I'm pleased to announce that we signed an agreement to acquire CryoWorks as a strategic bolt-on in our process flow technology segment. Founded in 2009, based in Jurupa Valley, California, CryoWorks is a leading supplier of vacuum-insulated pipe systems for hydrogen and cryogenic applications, which is highly synergistic with the ongoing organic development of our CRYOFLO brand. CryoWorks has an annual sales of approximately $28 million with approximately $5 million of adjusted EBITDA.

With a purchase price of $61 million before tax step-up benefits with a net present value of approximately $11 million, we expect that transaction to close at the end of this month. CryoWorks significantly and immediately expands our portfolio of cryogenic products and solutions. It will help us access a number of high-growth markets, including complex insulated piping for space launch applications, insulated piping and valves for cryogenic applications, and a number of electronics, semiconductor and manufacturing testing applications, as well as transportation and transfer solutions for cryogenic alternative fuels.

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Moreover, we will utilize this team's design expertise to accelerate development of our CRYOFLO solutions, targeting traditional cryogenic applications and new mobility and transportation applications. We expect this acquisition to exceed 10% ROIC with approximately 10% of EPS accretion, excluding intangible amortization by year five, another acquisition that is an excellent fit, strengthening our existing business, and fully aligned with our strategy. My personal thanks to Donna and Tim Mast and Tim Mast Jr. for their help and assistance throughout the diligence process and entrusting their outstanding organization to Crane moving forward and we look forward to working closely to further investing and driving growth with the entire CryoWorks team.

Strong start to the year, both in terms of results and with two acquisitions in the first four months. With continued progress on our existing M&A funnel, we expect additional opportunities to become actionable over the next year, primarily smaller and mid-sized transactions. While we are working on a number of transactions at the moment, we see more opportunities at the end of '24 than we do in the next several months, given the expected timeline for known processes.

Our annual Investor Day event is scheduled for May 14th at 8:30 a.m. in New York City, and we look forward to updating you on our progress delivering on the strategy and vision we laid out at last year's Investor Day. Specifically, we remain firmly confident in a 4% to 6% long-term core sales growth rate from resilient and durable businesses with solid aftermarket, substantial operating leverage on top of already solid margins today that should lead to double-digit average annual core profit growth with potential upside from capital deployment and with virtually no net debt, the capital deployment opportunity is significant.

And without taking too much away from Investor Day, where both Alex and Jay will provide more insights on recent wins, I would like to call out a couple in the corner, starting with aerospace electronics. I'm particularly excited that one of our key defense customers has secured an initial contract for a large AESA radar program. Given our positioning in that program, assuming it moves to full rate production as expected, we estimate that our lifetime sales for this new program will exceed $100 million.

This also continues our winning streak in the space, where our high-power converters have been selected for nearly every new ground-based AESA radar system developed in the last five years. To date, our awards in this application represent approximately $800 million in program lifetime sales, in an area where historically, prior to several years ago, we had no position.

In addition, we are also confident we will soon secure multiple unidirectional and bidirectional high-power conversion wins on leading military land vehicle demonstrators, with significant positions expected with all of the primes competing for major programs. We've talked previously about our product position for the XM30 optionally manned fighting vehicle, and we're now seeing progress with the common tactical truck program as well. There's another market where we've not historically had content, but given our technology investments, see a path and potential for roughly $700 million in program lifetime sales.

In our modular power business, we just launched the first phase of our new family of DC-DC converters called xMOR. This new range of products has a wide input voltage range for high-reliability aerospace and military-grade applications, as well as radiation-tolerant and radiation-hardened versions for space applications. This product family is being created on a single development platform. It can be configured to serve many different markets and end-user applications and voltage ranges. The full xMOR launch will be complete by the end of this year, and will be followed by the launch of both medium and low-power products called xMRT [ph] in late 2025.

Moving to process flow technologies, a few highlights from the quarter include the great progress we've made with our high-efficiency motor platform in the U.S. municipal water business. As we continue to expand the range of our portfolio, we've had particular success with this motor platform, and most recently with the largest frame size in the 75 horsepower to 120 horsepower range used in wastewater treatment plants. Based on our success in the quarter, we are on track to doubling our sales from last year in this product segment.

You may recall that last quarter I discussed a $5 million pharmaceutical order we won with a new customer due to advances with our EX diaphragm technology that supports a higher temperature range and longer product life than the entrenched incumbent provider was able to meet. Our value proposition continues to resonate with our customers, and we want another significant pharmaceutical project for a next-generation cancer drug where the production process requires temperature ranges where our products are differentiated and well-suited.

We also continue to gain traction with commercialization of many new key products that we've discussed over the last few years. One example is the success we've had with the FK-TrieX, a proprietary, innovative, triple offset valve with a breakthrough design that eliminates the traditional trade-off between flow rate and sealing capabilities.

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Since introduction, this valve has gained increasing acceptance, particularly in chloralkali, organics, olefin and fertilizer applications. Introduced just two years ago in 2022, we're on track for significant order growth this year, with orders on track to exceed $20 million annually by 2026. Very proud of our team and globally as we continue to drive our strategic vision with excellent execution.

Now let me turn the call over to one of the most dynamic and exciting CFOs in the industry with a passion for profitable growth and who puts the fine back into finance, Mr. Richard A. Maue, for more specifics on the quarter and some more details on his guidance.

Richard Maue

Thank you, Max, but I must say that I think you undersold my excitement and passion. In the words of Ron Burgundy in the movie Anchorman, don't act like you're not impressed. I'm kind of a big deal. People know me. I have many leather-bound books and my apartment smells of rich mahogany.

For those who do not know me, I am kidding, but I am embarrassed to say that I do enjoy that movie and good morning, everybody. Another strong quarter demonstrating accelerating core growth results with continued excellent performance across all businesses, despite some persistent supply chain challenges that continue to impact the broader aerospace and defense industry.

Core sales growth of 5% reflects continued strong demand and great execution in aerospace and electronics. Adjusted operating profit increased 6%. While that reflects leverage more muted than we typically see in our businesses, it was known and due to expected factors that we previously discussed.

First, acquired sales always leverage mathematically at their operating profit margin level in the first year. Second, we have a very challenging comparison at process flow technologies to last year's record 23.4% adjusted operating margins, which I'll discuss more in a minute.

Adjusted EPS also beat our expectations and remember that comparing EPS to the prior year is challenging as our capital structure and related interest expense changed materially after last year's separation transaction. From a quarterly perspective, as I just mentioned, there are also a number of timing differences comparing 2024 to 2023 that flattered the first quarter of last year and created difficult comparisons. Looking at our results another way, our first quarter EPS run rate compared to full year 2023 reflects 14% adjusted EPS growth.

Importantly, leading indicators were also strong with core FX neutral backlog in orders both up 11% compared to last year and as Max explained, notably better than expected at process flow technologies. Getting into the details, I'll start off with segment comments that will compare the first quarter of 2024 to 2023, excluding special items as outlined in our press release and slide presentation and then I will comment on our 2024 outlook for each segment and for our overall P&L.

Starting with aerospace and electronics, no change in end market conditions, which remain very strong. On the commercial side of the business, aircraft retirements remain very low due to high demand and limitations on aircraft deliveries. This results in an aging fleet that requires more aftermarket parts and service and air traffic activity also remains strong.

On the defense side, we continue to see solid procurement spending and a continued focus on reinforcing the broader defense industrial base given the heightened global uncertainty today. Overall, just a solid demand environment with no signs of slowing anytime soon. That strong demand was reflected in our first quarter growth rates with sales of $226 million, increasing 25% compared to last year, with 20% core growth and a 5% benefit from the Vian acquisition.

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Despite continued high levels of sales growth, our record backlog of $792 million increased 23% year-over-year, including 15% core growth and an 8% contribution from the Vian acquisition. Sequentially, core FX neutral backlog increased 5%.

By category and excluding the Vian acquisition, in the quarter, total aftermarket sales increased 39%, with commercial aftermarket sales up 34% and military aftermarket up 53%. OE sales increased 14% in the quarter, with 16% growth in commercial and up 11% in military.

While the demand environment remains very strong, we continue to remain somewhat supply chain constrained, with steady but gradual improvement over the last few quarters. As we have discussed previously, this is not just related to on-time deliveries from suppliers, but the broader supply infrastructure spanning from raw materials, components, and labor, both availability and supplier employee turnover and employee experience levels.

Areas of specific shortages continue to shift and evolve, although overall component availability has modestly improved, consistent with our commentary over the last few quarters. We do continue to make investments related to expediting shipments, as well as projects to qualify new suppliers and add second sources where it makes strategic sense.

Adjusted segment margins of 22.4% increased 150 basis points from 20.9% last year, primarily reflecting higher volumes, productivity and favorable mix, partially offset by the supply chain related investments I just mentioned.

Looking ahead to the remainder of 2024, we are raising our guidance to reflect the strong first quarter and our expectations for continued strength. We now expect core sales growth of 12% for the full year, up from prior guidance of 10% core growth, and we still expect a full year, 4.5% favourable benefit from the Vian acquisition. That guidance assumes continued modest sequential growth over the next three quarters, albeit at a decelerating year-over-year growth rate as the comparisons become more challenging.

We are also raising our full year margin guidance to 22% up from prior guidance of 21.5%. That does assume a slight moderation in margin rates, primarily because we don't expect the mix for the remainder of this year to be quite as favourable as the first quarter. Margin guidance reflects core leverage, excluding Vian of approximately 37%, a little higher than prior guidance overall on track for another outstanding year. From a cadence perspective, sales will increase slightly sequentially across the full year, with margins fairly steady over the next three quarters.

At Process Flow Technologies, we remain very well positioned to continue outgrowing our markets, and our market outlook is now a little bit more positive than it was over the last several quarters. While we continue to see softness in the European chemical, non-residential construction and general industrial markets, North America and China projects have now been stronger than we expected for the last few quarters, and we now expect this trend to continue. We believe part of this may be related to reshoring in the U.S. and localization projects in China, both directly and indirectly, success from our share gain initiatives and a somewhat unique cyclical recovery in the post-COVID global macro environment. While we are still a little cautious in our outlook, we are raising our sales and margin guidance for the year to reflect better-than-expected strength in our orders and backlog year-to-date.

In the quarter itself, we delivered sales of $284 million, up 5%, driven by a 6% benefit from the Vian acquisition, and favourable foreign exchange, with core sales down 2% as expected. Compared to the prior year, core FX neutral backlog increased 7% and core FX neutral orders increased 9%, both driven primarily by North American markets, followed by China and Asia Pacific. Sequentially, compared to the fourth quarter, core FX neutral backlog increased 6%, with core FX neutral orders up 9%.

Adjusted operating margins of 20.8% decreased 260 basis points better than we expected, compared to our all-time record margins in the first quarter of last year. Remember that the first quarter of 2023 benefited from an inventory revaluation as well as timing of deferred growth investment spending. For our current volume run rates, we are very pleased with first quarter margins.

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Turning to our full-year guidance, we now expect 2024 sales growth of approximately 7%, up from our prior expectation of 4.5%. Acquisitions now including both Vian and CryoWorks, will add about six points to our full-year growth rate. When excluding acquisitions, we now expect core sales growth of approximately 1%, up from prior guidance of flat, and reflecting a modest acceleration in sales growth over the course of the year.

We are also raising our margin guidance for the full year to 20.4%, up 40 basis points from prior guidance. That implies slightly lower margins that we delivered in the first quarter, reflecting modest temporary dilution from the CryoWorks acquisition, and slightly less favourable mix.

For context, remember that in 2019, just before COVID, margins were 13.6%. The significant step-function change in margins reflects deep structural shifts in the business to higher growth in higher margin end markets. The contribution from accretive new product introduction, pricing that is both disciplined and appropriately assertive, given the inflationary environment, our continued investments in technology-driven product differentiation and continued cost repositioning and productivity. From a cadence or timing perspective as a reminder, we expect 2024 to be far more level-loaded than 2023.

At Engineered Materials, sales of $55 million decreased 12% compared to the prior year as expected. Adjusted operating profit margins decreased 360 basis points to 14.7% on the lower volumes. For the full year, 2024, we continue to expect both sales and margins to be flat compared to 2023, as the RV market stabilizes with a normal quarterly cadence with the fourth quarter seasonally slowest.

Moving on to total company results, in the first quarter, adjusted free cash flow was negative $86 million, consistent with normal seasonality, and better than last year's negative $101 million. For the full year, we are raising our adjusted free cash flow guidance to a range of $250 million to $275 million, up $10 million from prior guidance, and still reflecting better than 90% free cash flow conversion.

Total debt at the end of the first quarter was approximately $357 million with $219 million of cash on hand. At the end of this month, we do expect to draw on our revolver to help finance the $61 million purchase price for the CryoWorks acquisition. We continue to have substantial financial flexibility with more than $1 billion in M&A capacity today in reaching as much as $4 billion by 2028.

Now, this is more financial flexibility than we've had historically. Our capital allocation strategy is unchanged. We will deploy our capital with the same strict financial and strategic discipline that we always have employed, prioritizing internal investments for growth, followed by M&A, and returns to shareholders.

Turning to our 2024 guidance, as Max mentioned, we raised our adjusted EPS range to $4.75 to $5.05, from our prior range of $4.55 to $4.85 reflecting 14% EPS growth at the midpoint. Guidance assumes total core growth of 4% to 6% up a point from our prior guidance, and a 5% benefit from acquisitions also up approximately a point from prior guidance. That 4% to 6% core growth will drive approximately 16% growth in adjusted segment operating profit about three times core sales growth.

Most other elements of our full year guidance are unchanged, but we did raise net operating expense by $3 million to $23 million to reflect incremental interest expense associated with the CryoWorks acquisition. Overall, just a great start to the year with incredible momentum.

Operator, we are now ready to take our first question.

Question-and-Answer Session

Operator

[Operator instructions] And our first question will come from Matt Summerville with D.A. Davidson. Please go ahead.

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Matt Summerville

Maybe first, if we can start with PFT, can you talk about how much incremental price capture you're expecting in that business in '24 relative to '23? And then you mentioned specifically North American China seeing some healthy project activity. Could you maybe put a little end market color around that and then touch on more broadly speaking what you're seeing in the MRO side of PFT, and then I have a follow up. Thank you.

Richard Maue

Yeah, Matt, just on the first question, on pricing and what we expect in '24 relative to 2023, we would expect full year this year to be in the mid-single digit range roughly for overall PFT. I would say that that's slightly lower than 2023 overall, but still healthy.

Max Mitchell

On North America and help project health and so forth from the end market commentary, Matt, look, as what we told you historically, as we looked at historic modelling of the cycles, we predicted that orders were going to go negative in Q3, kind of inflect at that point, and continue to then recover from there and then we believed it was just moving to the right. I think what we're realizing, and we're still seeing this play out, certainly it's been stronger than we anticipated, not quite as bad as we had forecast based on previous cycles.

I think it's unique for this post-COVID environment, and we probably underestimated the impact of some of the reshoring broadly that's impacting direct and indirect order strength in chemicals in the Gulf Coast. So, right now, with the revised guidance, we're looking at not inflicting as negative as we had anticipated and recovering from here.

In terms of the project and MRO strength, there's just a broad-based improvement in projects overall. North America in particular, China to a lesser degree, but is stronger than anticipated. Europe hasn't changed significantly. Some of the reasons are expansions, debottlenecking, some reliability improvements. We're even seeing some pull-through in the semiconductor related. There are chemical applications using erosive, corrosive chemicals in semiconductor that we're seeing some general strength there also, but generally, it's coming in a little stronger than we anticipated, and I think we're feeling a little more bullish.

Richard Maue

I would agree, and I would say that maybe bolstering some of what Max mentioned was just our success in some of the share gain initiatives that we continue to have with our new product introductions across the business map. So, to give you an example about a pharmaceutical win, its things like that that we continue to make good progress on.

Matt Summerville

Got it. And then just as a follow-up, I think GE sort of dialled back on their conference call today the growth outlook for the LEAP engine this year from, I think, 20%, 25% to 10% to 15%. How does that, if at all, kind of impact the outlook for your A&E business? And I guess how closely would your business kind of, if that program kind of correlate to that sort of growth rate?

Max Mitchell

Yeah, I think what I would say is as it relates to 2024, we don't expect any change for our business relative to any change in outlook for the LEAP. At this point, Matt, looking out to the extent that it changes a little bit, it would have some impact, but for 2024, we would not expect any, just given the demand environment that we're in today.

Matt Summerville

Understood.

Operator

Our next question will come from Scott Deuschle with Deutsche Bank. Please go ahead.

Q - Scott Deuschle

Rich, I think hearing you quote Ron Burgundy might end up being the highlight of the turning season.

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Max Mitchell

I'm hoping our earnings is a better highlight.

Q - Scott Deuschle

No, yeah, that's true. Very good. Rich, I guess my first question would be whether you can give us a sense for what the price realizations were this quarter at A&E and at PFT separately?

Richard Maue

Sure, sure. So on PFT, I would just reiterate around mid-single-digit is what we're seeing in the business overall and at A&E, roughly a third of the growth that we saw in the core growth that we saw in the quarter has been through price with the balance being volumes; hope the helps.

Q - Scott Deuschle

Yeah. That's very helpful. And then Max, I was wondering if you might characterize the kind of broader competitive intensity at PFT right now, particularly relative to Ni Wei and China, mainly just curious, not something I know very much about, but I'm just curious if you're seeing that specific Chinese competitor move up the value chain at all or if the competitive environment is pretty status quo?

Max Mitchell

In Ni Wei in particular, I don't like to talk about the competitors too much. I would literally say that we're not seeing any dramatic change. Where years ago we may have been more concerned about Chinese manufacturers entering the US globally, we haven't seen that kind of traction take place. I think we're well positioned. Even within China, there's a place for the global manufacturer versus localized spend and that customer base that values still the technology quality delivery stability that we bring and differentiate ourselves on that we continue to win. Not dramatic shifts, anything that we see significantly within the competitive base within the last year and couple years quite honestly.

Q - Scott Deuschle

Okay. Great. And then Max's last question, which is, did the mid-sized deals in the pipeline skew at all more toward A&E or more toward PFT or is it relatively well balanced on the mid-sized deal?

Max Mitchell

It's balanced right now, Scott.

Operator

Our next question will come from Nathan Jones with Stifel. Please go ahead.

Nathan Jones

I just thought with a bit of a longer time question on A&E, you guys have had a high single digit kind of organic growth rate target out there over the next several years into the next decade. I'm sure that had a number of these projects, like the radar one [ph] you're talking about this morning, in those and probability weighted on the chances that you'd win them and that they'd come to fruition.

Maybe you could just talk about over the last two or three years, have things gone better than you expected in that algorithm in line with what you'd expected worse and what you'd expected and has your outlook changed for the potential on some of those future wins that drive that long-term organic growth rate?

Richard Maue

Yeah. Good question, Nathan. When we set that 7% to 9% target a few years ago, there was clearly a set of assumptions that we had in mind, whether that was project wins in defense, how we sort things rolling out in commercial, more EV wins, type wins, the high-power defense and so forth. So what I would say is since then, we clearly have won a little bit more than we had anticipated in that 7% to 9%. I think every A&E is a platform that's been out there available for bid and quote and we've, I think we've won all of them.

The other thing, so we've seen more momentum in project wins, I think is the part of the answer. The other part of the answer would be our success on, and future, I would say more longer-term runway as it relates to price. So we do see further opportunity there, I would say relative to when we first set the 7% to 9% growth rate.

Max Mitchell

I think we'll update on the longer-term vision at Investor Day as well, Nathan.

Nathan Jones

I wasn't going to actually ask you to go 8% to 10% or 9% to 11% today. I figured we might get that in mail something. While we're all making jokes today. So just a question on PFT, clearly things have turned a little bit there. Some of the leading indicators, macro leading indicators that we all look at turned up and are looking better. I think the outlook is fundamentally looks a little bit better, but you guys are taking it up a little bit, but remaining pretty cautious.

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Could you talk about the things that keep giving you some caution on the outlook there, what the risks you see to the outlook that maybe keep it where it is, and it doesn't move up throughout the year, or that maybe it even comes in below where you've got it to?

Max Mitchell

Oh my goodness, the uncertainty just remains what's outside of our control, quite honestly. You have a highly charged political environment. You have wars. We have unknown inflationary environment and Fed action. There's just a lot of global uncertainty that is I think the right reason to be cautious and be prepared for anything.

Having said that, what's within our control and what we see immediately, it feels high confidence. I would say that, I see if this trend continues, a little downside risk with some upside potential opportunity, what could influence that potentially, Europe coming back a little stronger potentially, that's how I'm thinking about it.

Richard Maue

Yeah, I would echo, it's probably maybe the inverse of the question is when do we see things, what would be a positive indicator for us and it really is more probably that's the way we're thinking of things, there could be these things that could go wrong, but European chemical, getting better faster. So to the extent that that happens, we would see upside to what we've shared today at the midpoint.

Operator

Our next question will come from Damian Karas at UBS. Please go ahead.

Damian Karas

First I just wanted to congratulate Jason on your recent promotion. From my perspective, very, very much deserved.

Jason Feldman

Thanks for comment. Agreed.

Damian Karas

No, absolutely. And Rich, maybe it doesn't have to be now, but maybe sometime you can just explain to us the history of San Diego. So let me ask you something actually about aerospace. Sorry if I missed this, but you've talked in the past about unmet demand and I know you're still facing some supply chain bottlenecks. Could you just give us an update on where you think that unmet demand, the size of it, kind of what it represents and kind of what it would take to maybe see some of those constraints removed?

Max Mitchell

Yes, thanks, Damien. So it's still in that $50 million to $60 million range. It's a rough estimate. Remember this supply chain we've described, it moved from true supply chain post-COVID supplier shortages ramping up, so forth, electrical components. It's improved broadly in terms of just on time delivery issues to become more general supply chain challenges around everything from capacity to turnover in our supply base, general challenges that moves around.

I wouldn't call out any one commodity. I wouldn't call out any one supplier. Castings can continue to be problematic over time, things like that. So as we think about this, and it's not the same $50 million or $60 million, our customers were not impacting customer deliveries. It moves to the right, but generally it's in the same.

That's good news as well. So it's not worsening. It's stable and we continue to see modest improvement, and that's in our guide, which is just continued modest improvement. So to the degree that things can continue to improve, then we would expect to be able to pull some things in a little sooner. If not, I think we feel confident in how we've planned and guided so far.

Richard Maue

I agree. And Damien, the one thing that I would add is the order of strength that we saw in the quarter as well, much of it was beyond '24 delivery, right? So where you might say, well, why isn't that $50 million or $60 getting bigger, a good portion of what we saw in the way of strength is for delivery in '25 and '26, frankly.

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Damian Karas

Okay, great. That's really helpful, guys. And then you gave some commentary around PST and market verticals and regions. Would you possibly be able to just give us some numbers around, okay, so European chemicals and construction was a drag on, won't use, sales, like how much of a drag was it and what are you faking into the full year guide, thinking about that 1% organic growth? Like how much of a headwind are you currently factoring in for European chemical and construction?

Max Mitchell

Let me see if I can tackle what you're asking now. I would say that we're not expecting a lot of the repair and maintenance activity right now to improve significantly in European chemical. Our revised guidance reflects some project activity that's been building, as you know, over the last few quarters that some of it will spill here into the 2024 period largely in U.S. opportunities, China opportunities.

So in terms of the overall guide revision on plus 1%, I would say, it's stable in that maintenance area, MRO area, and increasing in chemical North America, China. Jason, would you add anything else?

Jason Feldman

No, again, the guidance increase was strength of projects specifically on European chemical. I think we've commented that we expect that down double digits this year.

Damian Karas

Okay, fantastic. Thanks. Best of luck, guys.

Operator

And our next question will come from Mariana Perez Mora [ph] at Bank of America. Please go ahead.

UnidentifiedAnalyst

On aerospace and electronics, could you guys give us a little color on how you are thinking about the rest of the year for how long the aftermarket strength can continue for both military and commercial? And if you're seeing even higher pricing being able to get pushed through relative to the whole segment.

Max Mitchell

Sure. So, well, for military, I'll start there. We entered the year with sort of a double-digit guide on where we thought military aftermarket was going to be just given what we were saying entering the year. I would say that's largely unchanged. We still see really good strength in that end market, whether that's R&O, spares, retrofit, etcetera.

On commercial aftermarket, we did have a really robust quarter, this quarter in Q1. Some favourable comps helped us there as well and then as we move through the balance of the year, we still are seeing an outlook of basically low double-digit, which is what we said coming into the year this year. So, you'll see it, you'll see the year-over-year as we move forward, be a little bit more muted than what we saw here in Q1, but still pretty strong.

From a pricing point of view, we're continuing to, seize all those opportunities as you'd expect us to, whether that's through indexing that exists and other opportunities strategically for us to take price up. Jason.

Jason Feldman

Yeah, no, on the more muted growth rate as we progress through the year, just remember to look at the comps, right? The comparisons in the second half are a lot more challenging than the first half. If you look at the fourth quarter, two years in a row, 24% in the fourth quarter of '22, 33% up last year, they do get a lot more challenging, but the trend itself on a dollar basis continues to be quite favourable.

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Operator

[Operator instructions] And our next question will come from Justin Ages with CJS Securities. Please go ahead.

Justin Ages

I was just hoping you could give us an update on the hydrogen business that was called out as one of the pillars of growth. Does the recent acquisition fit into that? Or is that going to be a separate business because of the end market served there?

Max Mitchell

Yeah, great question. Thank you. So it absolutely fits into the current strategy. So we've, and we'll give an update on Investor Day as well. We previously talked about our investment in the CRYOFLO brand and creating our own vacuum jacketed pipe as well as valves and fittings and entering into the market. We've got a line of valves. We've already announced the strategic partnership with Chart on some of that. We were getting traction right now with approvals across major gas producers. This is where the focus has been working on design, starting this business.

So we have a site in Conroe, Texas that is going to be -- was the core CRYOFLO vacuum jacketed pipe producing facility as we move forward. CryoWorks brings to us immediately a presence on the West Coast and you tend to see regional strength with the vacuum jacketed and vacuum insulated piping systems for hydrogen and cryogenic solutions.

What we plan to do is leverage the existing teams sales growth investment and also technology to expand range, expand into still keep the growth into the Texas facility for East Coast and Gulf positioning and continuing to grow and take share at an accelerated rate. So it brings immediate acceleration of our product development initiatives as well as sales expansion for CryoWorks in the vacuum insulated piping solution, which will then help us in terms of the full solution, valve fittings and vacuum insulated piping. So very synergistic.

Justin Ages

No, that's very thorough. Appreciate it. Thanks for taking the question.

Operator

And with no further questions in queue, I would -- this does conclude the Q&A portion of today's call. I would like to turn the floor back to Max Mitchell for closing remarks.

Max Mitchell

Thank you, operator. What a great start to the year and looking ahead, we've got a great event planned for May 14 and I hope to see many of you there at our Investor Day where we will further share our growth strategy for the future. In the words of the late great interior and fashion designer, Iris Apfel, you can't go to the future if you haven't come from the past and past strategic development, deployment and execution has clearly been at the heart of our present performance.

We look forward to explaining our future strategic direction, expectations and path forward for profitable growth in May. Thank you all for your interest in Crane and your time and attention this morning. Have a great day.

A - Jason Feldman

Stay classy, Max.

Operator

Thank you. And this does conclude today's Crane Company first quarter 2024 earnings conference call. Please disconnect your lines at this time and have a wonderful day.

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