March 12, 2020

Parker Highlights Ongoing Transformation at Investor Meeting - Reviews Win Strategy™ 3.0 and Purpose, Affirms Q3 FY20 EPS Guidance and Reiterates Confidence in FY23 Targets

- *Transformative acquisitions of CLARCOR, LORD and Exotic Metals strengthened portfolio*
- *Win Strategy and Simplification actions drive step change in performance through cycles*
- *Win Strategy and Purpose to accelerate performance toward FY23 Targets*
- *Updated approach to reporting adjusted earnings per share beginning in fiscal year 2021*
- *Company affirms Q3 FY20 EPS guidance previously provided on January 30, 2020*

CLEVELAND, March 12, 2020 (GLOBE NEWSWIRE) -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today presented an update on its ongoing transformation, reviewed changes to The Win Strategy™, now referred to as The Win Strategy 3.0, and reiterated its confidence in fiscal year 2023 targets at its investor meeting held via webcast.

The Win Strategy is Parker's business system and establishes goals for engaged people, customer experience, profitable growth and financial performance. The company also announced plans to change its reporting of adjusted earnings per share which, beginning in fiscal year 2021, will exclude intangible asset amortization expense related to acquisitions.

"In 2015, we updated The Win Strategy and initiated a transformation of Parker's business from both a performance and a portfolio perspective," said Tom Williams, Chairman and CEO. "This transformation is most evident in our EBITDA margin performance which has shown a step change increase even during recessions, indicating a more resilient business model. Importantly, we have put our strong balance sheet to work by making three transformative acquisitions in high growth, high margin businesses."

The meeting included a review of the success of The Win Strategy with presentations by Tom Williams, Chairman and CEO and Lee Banks, President and Chief Operating Officer, and a financial overview by Cathy Suever, Chief Financial Officer. A webcast replay of the presentations is available at www.phstock.com

The company noted the following significant changes from the implementation of The Win Strategy:

- The company implemented a strategic restructuring from fiscal year 2013 through fiscal year 2016 to reduce its cost structure.
- Ongoing Simplification actions have streamlined the organizational structure from 126 divisions to 84.
- The company has made two enhancements to its business system by updating The Win Strategy in 2015 and introducing The Win Strategy 3.0 in fiscal year 2019 that includes a new purpose statement.
- The safety incident rate has declined 70% since fiscal year 2015, and in fiscal year 2020 employee engagement scores increased to 75%, with both measures in the top quartile compared to peer companies.
- As previously announced on January 30, 2020, the company anticipates adjusted EBITDA margin to reach 18.6% in fiscal year 2020, despite a global manufacturing recession. This represents a 390-basis point improvement from the last recession in fiscal year 2016.
- The company has continued to be a consistent generator of cash with 18 consecutive years of cash flow from operating activities greater than 10% of sales and greater than 100% free cash flow conversion, excluding discretionary pension contributions.
- The company has put its strong cash flow and balance sheet to work by making three transformative acquisitions of CLARCOR (filtration), LORD Corporation (engineered materials), and Exotic Metals Forming Company (aerospace), adding high growth, high margin businesses that are complementary to an already formidable line up of motion and control technologies.

Williams added, “The dedication of our global team members in implementing The Win Strategy has transformed our operations and our portfolio and positioned us to raise the bar for performance at Parker. There are still many opportunities for us to improve in our quest to reach top quartile performance on every significant measure, and we remain confident in our ability to achieve our fiscal year 2023 targets.”

The company updated its five-year targets to reflect a revised approach to reporting its adjusted earnings. Beginning in fiscal year 2021, Parker will include intangible asset amortization expense related to acquisitions as a line item in its adjustments to earnings. The company believes this change will lead to a better representation of its core operating earnings, especially since amortization expense has become much more material because of recent acquisitions. The change also aligns with reporting among the company’s proxy peer group of diversified industrial companies.

The company noted the following financial targets by the end of fiscal 2023:

- Organic sales growth 150 basis points greater than Global Industrial Production.
- Adjusted segment operating margin of 21% and adjusted EBITDA margin of 21%.
- Free cash flow conversion greater than 100%.
- 10% compound annual growth rate in adjusted earnings per share.

“The combination of continued performance improvements through implementation of the Win Strategy 3.0, our purpose statement which is a source of pride and inspiration for our team members, and the transformative acquisitions we have made that add resiliency to our portfolio, will help us accelerate performance toward our five-year goals,” said Williams. “The strength and interconnectivity of Parker technologies and our culture and values create a distinct competitive advantage that enable us to better serve our customers and drive future growth."

About Parker Hannifin
Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For more than a century the company has been enabling engineering breakthroughs that lead to a better tomorrow. Parker has increased its annual dividend per share paid to shareholders for 63 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at www.parker.com or @parkerhannifin.

Note on Non-GAAP Financial Measures
This press release contains references to non-GAAP financial information including (a) adjusted earnings per share; (b) adjusted cash flow from operations; free cash flow; (c) adjusted segment operating margin; (d) EBITDA margin; and adjusted EBITDA margin. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Free cash flow is defined as cash flow from operations less capital expenditures plus discretionary pension contributions. Although adjusted segment operating margin, EBITDA margin, adjusted EBITDA margin, adjusted cash flow from operations, free cash flow, and adjusted earnings per share are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the company performance for the periods presented. A reconciliation of non-GAAP measures is included with this press release.

Forward-Looking Statements
Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. These statements may be identified from the use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "expects," "targets," "is likely," "will," or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. Parker cautions readers not to place undue reliance on these statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof on future performance and earnings projections may impact the company's tax calculations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR, LORD Corporation or Exotic Metals; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global competitive market conditions, including global reactions to U.S. trade policies, and resulting effects on sales and pricing; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX and the recent outbreak of coronavirus. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

Contact: Media –
Aidan Gormley, Director, Global Communications and Branding 216/896-3258
aidan.gormley@parker.com

Financial Analysts –
Robin J. Davenport, Vice President, Corporate Finance 216/896-2265
rjdavenport@parker.com

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)
(Dollars in millions)

	12 Months ended 6/30/16	12 Months ended 6/30/17	12 Months ended 6/30/18	12 Months ended 6/30/19	Guide: 12 Months ended 6/30/20
Net sales	**$ 11,361**	**$ 12,029**	**$ 14,302**	**$ 14,320**	**$ 14,324**
Net income	807	984	1,061	1,513	1,185
Income taxes	308	345	641	420	339
Depreciation and Amortization	307	355	466	436	564
Interest Expense	137	162	214	190	319

EBITDA*	**$ 1,558**	**$ 1,846**	**$ 2,382**	**$ 2,560**	**$ 2,407**
Adjustments:					
Voluntary retirement expense	12				
Business realignment charges	97	56	46	16	40
Acquisition-related expenses & Costs to Achieve		103	37	30	212
(Gain) / Loss on Sale and Writedown of Assets			32		
Adjusted EBITDA*	**$ 1,667**	**$ 2,006**	**$ 2,497**	**$ 2,605**	**$ 2,658**
EBITDA margin	**13.7 %**	**15.3 %**	**16.7 %**	**17.9 %**	**16.8 %**
Adjusted EBITDA margin	**14.7 %**	**16.7 %**	**17.5 %**	**18.2 %**	**18.6 %**

*Totals may not foot due to rounding

RECONCILIATION OF EARNINGS PER DILUTED SHARE TO ADJUSTED EARNINGS PER DILUTED SHARE

(Unaudited)
(Amounts in Dollars)

	Guide: 3 Months ended 3/31/20
Earnings per diluted share	**$ 2.10**
Adjustments:	
Business realignment charges	0.14
Acquisition-related expenses & Costs to Achieve	0.20
Tax effect of adjustments	(0.08)
Adjusted earnings per diluted share	**$ 2.36**

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO ADJUSTED CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

(Unaudited)
(Dollars in millions)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Cash Provided by Operating Activities - As Reported	$ 631	$ 558	$ 662	$ 854	$ 951	$ 957	$ 1,317	$ 1,129	$ 1,219	$ 1,167
Discretionary Pension Contribution	0	106	75	83	101	161	12	0	100	400
Cash Provided by Operating Activities - Adjusted	**$ 631**	**$ 663**	**$ 737**	**$ 936**	**$ 1,051**	**$ 1,118**	**$ 1,329**	**$ 1,129**	**$ 1,319**	**$ 1,567**

Cash Provided by Operating Activities - As Reported	$ 631	$ 558	$ 662	$ 854	$ 951	$ 957	$ 1,317	$ 1,129	$ 1,219	$ 1,167
Capital Expenditures	207	156	138	155	198	238	280	271	129	207
Free Cash Flow	424	401	524	699	753	719	1,036	858	1,090	960
Discretionary Pension Contribution	0	106	75	83	101	161	12	0	100	400
Free Cash Flow - Adjusted for Discretionary Pension Contribution	**$ 424**	**$ 507**	**$ 599**	**$ 782**	**$ 853**	**$ 880**	**$ 1,049**	**$ 858**	**$ 1,190**	**$ 1,360**

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Source: Parker-Hannifin Corporation