

Parker Hannifin Corporation

Fiscal 2021 Second Quarter Earnings Release



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ENGINEERING YOUR SUCCESS.

February 4, 2021

Forward-Looking Statements and Non-GAAP Financial Measures

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,” “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: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; 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 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. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

This presentation contains references to non-GAAP financial information for Parker, including organic sales for Parker and by segment, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, and free cash flow. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. For Parker, adjusted EBITDA is defined as EBITDA before business realignment, Integration costs to achieve, acquisition related expenses, and Gain on sale of land. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin and free cash flow 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 period presented. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

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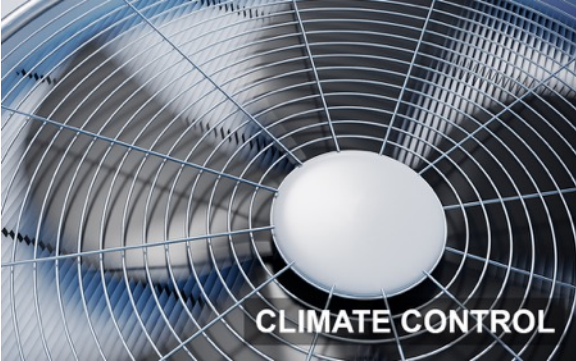
Agenda

CEO Comments and Highlights of Quarter Results

Results & Outlook

Questions & Answers

Unmatched Breadth of Core Technologies



Interconnected Technologies Create Competitive Advantages



Outstanding Performance in FY21 Second Quarter

- Top quartile safety performance; 23% reduction in recordable incidents
- Sales decline of 2.5% YoY; Organic decline of 6.1% YoY
- Q2 record net income of \$447 million
- EBITDA margin was 23.1% as reported or **20.8%** adjusted¹, +230 bps vs. prior
- Q2 YTD Cash flow from operations a record at **20.4%** of sales

<u>Total Parker</u>	<u>FY21 Q2</u>	<u>FY20 Q2</u>	<u>Change</u>
Total Segment Operating Margin, As Reported	17.4%	13.9%	
Total Segment Operating Margin, Adjusted ¹	20.4%	17.9%	+ 250bps

Strong Cash Flow Deployment

- Paid down \$767 million of debt during FY21 Q2
- ~\$2.8 billion debt reduction in last 14 months

Debt Ratios

Gross debt to EBITDA

Net debt to EBITDA

FY21 Q2

2.7x

2.5x

FY21 Q1

3.4x

3.0x

- Gross Debt to EBITDA: Reduced to 2.7x from 4.0x in one year

Reinitiating our 10b5-1 Share Repurchase Program



Parker's Transformation

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Strategy Summary

Why We Win



Where We Are Going

- The Win Strategy™
 - Decentralized business model
 - Technology breadth & interconnectivity
 - Engineered products with intellectual property
 - Long product life cycles
 - Global distribution, service & support
 - Low capital investment requirements
 - Great generators & deployers of cash over the cycle
- The Win Strategy™ 3.0
 - Purpose Statement
 - Strategies to Grow > GIPI
 - Portfolio Transformation

Position Parker for Top Quartile Performance

The Win Strategy™

Our Vision: Engineering Your Success

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Ownership – Entrepreneurial
- High Performance Teams & Leaders
- Continuous Improvement – Kaizen

Customer Experience

STRATEGIES

- Quality Solutions On Time
- Digital Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES

- Strategic Positioning
- Market-Driven Innovation
- System Solutions
- Strong Distribution
- Grow Share
- Acquisitions

Financial Performance

STRATEGIES

- Simplification
- Lean Enterprise
- Strategic Supply Chain
- Value Pricing

Our Culture & Values



SEPTEMBER 2019

The Win Strategy 3.0 and Our Purpose are Accelerating Performance



What is Parker's purpose?



**Enabling
Engineering
Breakthroughs
that Lead to
a Better
Tomorrow**

Parker is Essential to the Vaccine Value Chain



Development & Production

- Mixing & purification control systems
- Filtration & dispensing of bulk product



Patient Administration

- On premises refrigeration
- Pharmaceutical stoppers & syringe seals

Shipping & Bulk Transport

- Sterile vaccine transport containers
- Motion & control technologies enabling air & ground transportation



Storage & Local Distribution

- Low temp refrigeration for trailers, containers, and medical cold storage



Enabling the Production & Delivery of Billions of Vaccines



Strategies to Grow > GIPI

Portfolio

Acquire companies with higher growth trajectory and resiliency:

- CLARCOR
- LORD
- Exotic

Performance

- Strategic Positioning
- Innovation - Winovation PVI and NPB
- Simple by Design™
- International Distribution
- Digital Leadership
- Annual Cash Incentive Program (ACIP)

Consistent Growth Requires Both Portfolio & Performance Actions

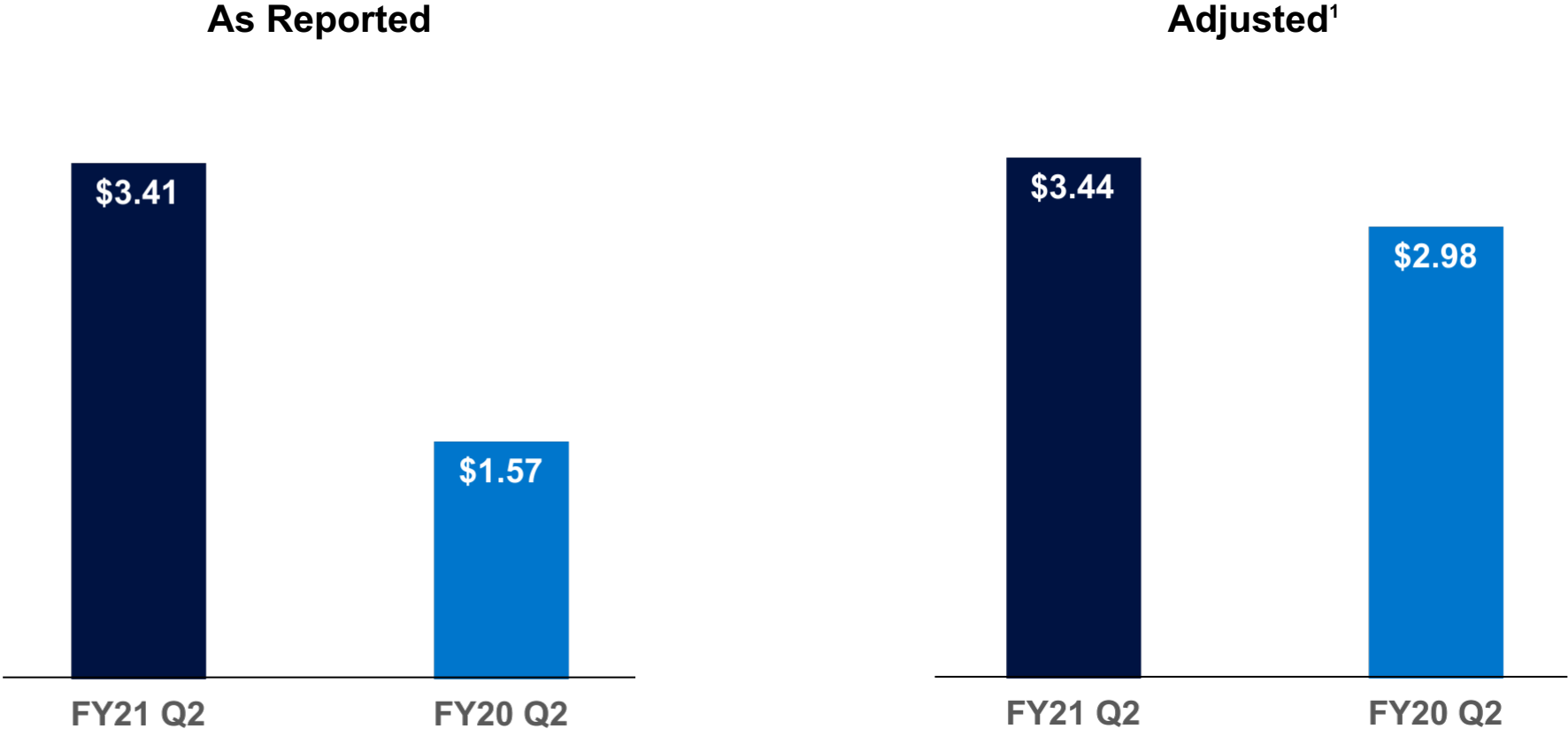
Summary of Fiscal 2021 2nd Quarter Results

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Diluted Earnings per Share

2nd Quarter FY2021 vs. FY2020

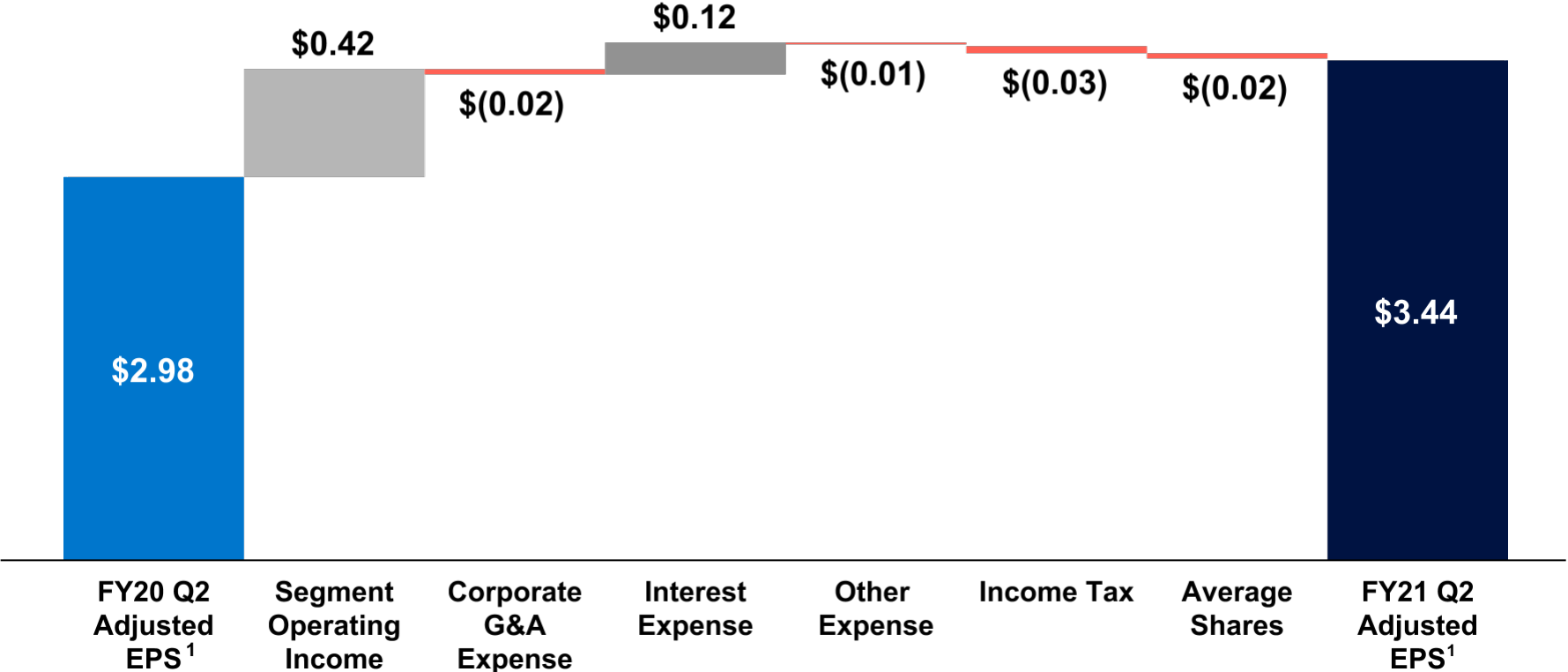


1. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



Influences on Adjusted Earnings per Share

2nd Quarter FY2021 vs. FY2020



1. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



Savings from Cost Out Actions

- Discretionary savings \$50 million greater than previously guided
- Permanent savings remain on track

<u>Savings</u>	<u>FY21 Q2 YTD</u>	<u>FY21 Total</u>	<u>FY21 YoY Incremental</u>
Discretionary Actions	~\$190	~\$225	~\$ 50
Permanent Actions	~\$125	~\$250	~\$210
Total	~\$315M	~\$475M*	~\$260M*

Sales & Segment Operating Margin

Total Parker

\$ in millions	2nd Quarter				
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>		
<u>Sales</u>					
As Reported	\$ 3,412	(2.5)%	\$ 3,498		
Acquisitions ¹	89	2.6 %			
Currency	40	1.0 %			
Organic Sales	\$ 3,283	(6.1)%			
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>	
<u>Segment Operating Margin</u>					
As Reported	\$ 593	17.4 %	\$ 486	13.9 %	
Acquired Intangible Asset Amortization	81		74		
Business Realignment	18		10		
Integration Costs to Achieve ²	3		7		
Acquisition-Related Expenses ³	—		49		
Adjusted	\$ 695	20.4 %	\$ 626	17.9 %	

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	2nd Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 1,567	(3.0)%	\$ 1,616	
Acquisitions ¹	50	3.1 %		
Currency	(3)	(0.2)%		
Organic Sales	\$ 1,520	(5.9)%		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 282	18.0 %	\$ 211	13.1 %
Acquired Intangible Asset Amortization	48		45	
Business Realignment	3		4	
Integration Costs to Achieve ²	1		5	
Acquisition-Related Expenses ³	—		29	
Adjusted	\$ 334	21.3 %	\$ 294	18.2 %

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	2nd Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 1,260	9.8 %	\$ 1,147	
Acquisitions ¹	37	3.2 %		
Currency	41	3.5 %		
Organic Sales	\$ 1,182	3.1 %		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 220	17.5 %	\$ 154	13.4 %
Acquired Intangible Asset Amortization	21		16	
Business Realignment	14		7	
Integration Costs to Achieve ²	1		2	
Acquisition-Related Expenses ³	—		5	
Adjusted	\$ 256	20.3 %	\$ 184	16.0 %

Sales & Segment Operating Margin

Aerospace Systems

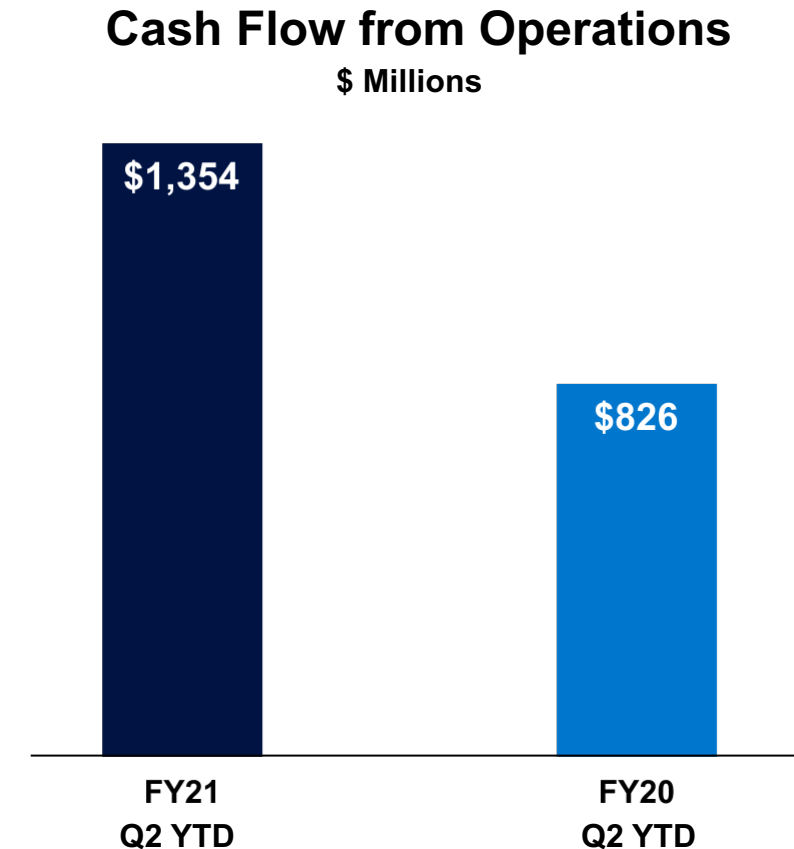
\$ in millions	2nd Quarter			
	<u>FY2021</u>	<u>% Change</u>	<u>FY2020</u>	
<u>Sales</u>				
As Reported	\$ 585	(20.4)%	\$ 735	
Acquisitions ¹	3	0.4 %		
Currency	1	0.1 %		
Organic Sales	\$ 581	(20.9)%		
	<u>FY2021</u>	<u>% of Sales</u>	<u>FY2020</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 91	15.5 %	\$ 121	16.5 %
Acquired Intangible Asset Amortization	13		12	
Business Realignment	1		—	
Integration Costs to Achieve ²	—		1	
Acquisition-Related Expenses ³	—		14	
Adjusted	\$ 105	18.0 %	\$ 148	20.2 %

Cash Flow

Q2 YTD FY2021 vs. FY2020

Highlights

- Cash Flow from Operations of 20.4% of Sales
- Free Cash Flow of 19.0% of Sales
- Free Cash Flow Conversion of 164%



Order Rates

	<u>Dec 2020</u>	<u>Sep 2020</u>	<u>Dec 2019</u>	<u>Sep 2019</u>
Total Parker	0 %	(12)%	(3)%	(2)%
Diversified Industrial North America	1 %	(11)%	(7)%	(6)%
Diversified Industrial International	10 %	(4)%	(6)%	(10)%
Aerospace Systems	(18)%	(25)%	12 %	22 %

Excludes Acquisitions, Divestitures & Currency
3-month year-over-year comparisons of total dollars, except Aerospace Systems
Aerospace Systems is calculated using a 12-month rolling average



FY2021 Guidance Increased

EPS Midpoint: \$12.15 As Reported, \$13.90 Adjusted

Sales Growth vs. Prior Year	
Diversified Industrial North America	(0.1)% - 1.9%
Diversified Industrial International	10.9% - 12.9%
Aerospace Systems	(14.3)% - (12.3)%
Total Parker	0.7% - 2.7%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	17.7% - 18.1%	21.1% - 21.5%
Diversified Industrial International	17.6% - 18.0%	20.0% - 20.4%
Aerospace Systems	16.0% - 16.4%	18.5% - 18.9%
Total Parker	17.4% - 17.8%	20.2% - 20.6%

Below the Line Items	As Reported	Adjusted ²
Corporate General & Administrative Expenses, Interest and Other	\$388M	\$487M

Tax Rate	As Reported
Full Year	23.0%

Shares	
Diluted Shares Outstanding	130.6M

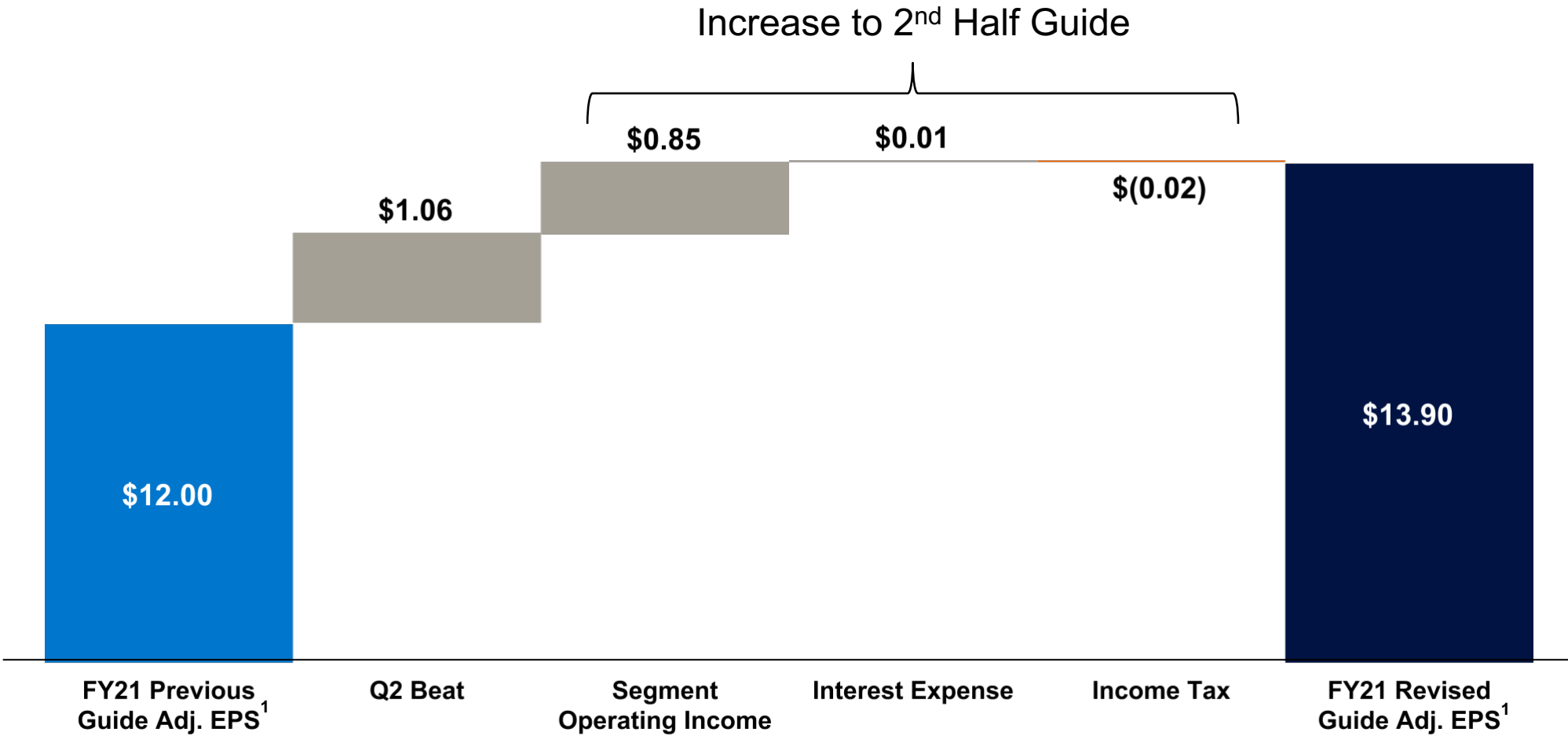
Earnings Per Share	As Reported	Adjusted ^{1,2}
Range	\$11.90 - \$12.40	\$13.65 - \$14.15

Detail of Pre-Tax Adjustments to:	¹ Segment Margins	² Below the Line
Acquired Intangible Asset Amortization	\$322M ³	—
Business Realignment Charges	\$58M	\$2M
Integration Costs to Achieve	\$15M	—
Gain on Land Sale	—	(\$101M)



FY2021 Guidance

Reconciliation of Q2 Beat and Updated Guidance



1: Adjusted for acquired intangible asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Gain on land sale, and the tax effect of such adjustments



Key Messages

- Highly engaged global team
- Strength & interconnectivity of Parker's portfolio
- Strategic portfolio transformation – CLARCOR, LORD & Exotic
- Improving financial performance over the cycle
- The Win Strategy™ 3.0 & Purpose Statement accelerates performance

Remain Confident in Achieving FY23 Targets



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Appendix

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Free Cash Flow Conversion
- Supplemental Sales Information – Global Technology Platforms
- Reconciliation of Forecasted EPS

Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended December 31,	
	<u>2020</u>	<u>2019</u>
Net sales	\$ 3,411,905	\$ 3,497,974
Cost of sales	2,519,545	2,682,765
Selling, general and administrative expenses	356,572	491,121
Interest expense	62,990	82,891
Other (income), net	(103,714)	(13,549)
Income before income taxes	576,512	254,746
Income taxes	129,015	50,148
Net income	447,497	204,598
Less: Noncontrolling interests	191	124
Net income attributable to common shareholders	\$ 447,306	\$ 204,474
Earnings per share attributable to common shareholders:		
Basic earnings per share	\$ 3.47	\$ 1.59
Diluted earnings per share	\$ 3.41	\$ 1.57
Average shares outstanding during period - Basic	129,013,781	128,396,933
Average shares outstanding during period - Diluted	131,075,655	130,495,381

CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,	
	<u>2020</u>	<u>2019</u>
Cash dividends per common share	\$ 0.88	\$ 0.88

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

	Quarter-to-Date FY 2021								
	As Reported December 31, 2020	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Gain On Sale Of Land	Adjusted December 31, 2020	% of Sales
Net Sales	\$ 3,411,905	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,411,905	100.0 %
Cost of Sales	2,519,545	73.8 %	—	14,183	393	—	—	2,504,969	73.4 %
Selling, general, and admin. expenses	356,572	10.5 %	81,237	3,923	2,856	343	—	268,213	7.9 %
Interest expense	62,990	1.8 %	—	—	—	—	—	62,990	1.8 %
Other (income), net	(103,714)	(3.0)%	—	661	—	—	(100,893)	(3,482)	(0.1)%
Income before income taxes	576,512	16.9 %	(81,237)	(18,767)	(3,249)	(343)	100,893	579,215	17.0 %
Income taxes	129,015	3.8 %	18,766	4,335	751	79	(24,503)	128,443	3.8 %
Net Income	447,497	13.1 %	(62,471)	(14,432)	(2,498)	(264)	76,390	450,772	13.2 %
Less: Noncontrollable interests	191	0.0 %	—	—	—	—	—	191	0.0 %
Net Income - common shareholders	\$ 447,306	13.1 %	\$ (62,471)	\$ (14,432)	\$ (2,498)	\$ (264)	\$ 76,390	\$ 450,581	13.2 %
Diluted earnings per share	\$ 3.41		\$ (0.48)	\$ (0.11)	\$ (0.02)	\$ —	\$ 0.58	\$ 3.44	

Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2021								
	As Reported December 31, 2020	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Gain On Sale Of Land	Adjusted December 31, 2020	% of Sales ²
Diversified Industrial									
North America ¹	\$ 281,619	18.0 %	\$ 47,699	\$ 2,863	\$ 1,876	\$ —	\$ —	\$ 334,057	21.3 %
International ¹	220,213	17.5 %	20,765	13,673	1,373	—	—	256,024	20.3 %
Aerospace Systems ¹	90,729	15.5 %	12,773	1,386	—	343	—	105,231	18.0 %
Total segment operating income	592,561	17.4 %	(81,237)	(17,922)	(3,249)	(343)	—	695,312	20.4 %
Corporate administration	38,720	1.1 %	—	184	—	—	—	38,536	1.1 %
Income before interest and other	553,841	16.2 %	(81,237)	(18,106)	(3,249)	(343)	—	656,776	19.2 %
Interest expense	62,990	1.8 %	—	—	—	—	—	62,990	1.8 %
Other (income) expense	(85,661)	(2.5)%	—	661	—	—	(100,893)	14,571	0.4 %
Income before income taxes	\$ 576,512	16.9 %	\$ (81,237)	\$ (18,767)	\$ (3,249)	\$ (343)	\$ 100,893	\$ 579,215	17.0 %

¹Segment operating income as a percent of sales is calculated on as reported segment sales.

²Adjusted amounts as a percent of sales are calculated on as reported segment sales.

Reconciliation of Earnings per Diluted Share to Adjusted Earnings per Diluted Share

(Unaudited)	Three Months Ended December 31,	
(Amounts in dollars)	<u>2020</u>	<u>2019</u>
Earnings per diluted share	\$ 3.41	\$ 1.57
Adjustments:		
Acquired intangible asset amortization expense	0.62	0.57
Business realignment charges	0.14	0.08
Lord costs to achieve	0.02	0.05
Acquisition-related expenses	—	1.14
Gain on sale of land	(0.77)	—
Tax effect of adjustments ¹	0.02	(0.43)
Adjusted earnings per diluted share	\$ 3.44	\$ 2.98

¹This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

Business Segment Information

(Unaudited)	Three Months Ended December 31,	
(Dollars in thousands)	2020	2019
Net sales		
Diversified Industrial:		
North America	\$ 1,566,877	\$ 1,615,852
International	1,259,625	1,147,084
Aerospace Systems	585,403	735,038
Total net sales	\$ 3,411,905	\$ 3,497,974
Segment operating income		
Diversified Industrial:		
North America	\$ 281,619	\$ 211,339
International	220,213	153,816
Aerospace Systems	90,729	121,039
Total segment operating income	592,561	486,194
Corporate general and administrative expenses	38,720	35,660
Income before interest expense and other expense	553,841	450,534
Interest expense	62,990	82,891
Other (income) expense	(85,661)	112,897
Income before income taxes	\$ 576,512	\$ 254,746

Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin

(Unaudited) (Dollars in thousands)	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 592,561	17.4 %	\$ 486,194	13.9 %
Adjustments:				
Acquired intangible asset amortization expense	81,237		73,956	
Business realignment charges	17,922		9,719	
Lord costs to achieve	3,249		6,725	
Exotic costs to achieve	343		489	
Acquisition-related expenses	—		48,725	
Adjusted total segment operating income	\$ 695,312	20.4 %	\$ 625,808	17.9 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,	
	2020	2019
Net sales	\$ 3,411,905	\$ 3,497,974
Net income	\$ 447,497	\$ 204,598
Income taxes	129,015	50,148
Depreciation and amortization	149,818	144,229
Interest expense	62,990	82,891
EBITDA	789,320	481,866
Adjustments:		
Business realignment charges	18,767	9,836
Lord costs to achieve	3,249	6,725
Exotic costs to achieve	343	489
Acquisition-related expenses	—	148,467
Gain on sale of land	(100,893)	—
Adjusted EBITDA	\$ 710,786	\$ 647,383
EBITDA margin	23.1 %	13.8 %
Adjusted EBITDA margin	20.8 %	18.5 %

Consolidated Balance Sheet

(Unaudited)
(Dollars in thousands)

Assets

Current assets:

	December 31, 2020	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 564,734	\$ 685,514	\$ 948,355
Marketable securities and other investments	43,314	70,805	145,120
Trade accounts receivable, net	1,816,731	1,854,398	1,973,187
Non-trade and notes receivable	312,590	244,870	319,126
Inventories	1,870,948	1,814,631	2,014,260
Prepaid expenses and other	191,362	214,986	261,103
Total current assets	4,799,679	4,885,204	5,661,151
Property, plant and equipment, net	2,302,142	2,292,735	2,335,940
Deferred income taxes	134,325	126,839	114,032
Investments and other assets	795,073	764,563	941,588
Intangible assets, net	3,695,194	3,798,913	4,036,108
Goodwill	8,101,016	7,869,935	7,955,170
Total assets	\$ 19,827,429	\$ 19,738,189	\$ 21,043,989

Liabilities and equity

Current liabilities:

Notes payable and long-term debt payable within one year	\$ 610,909	\$ 809,529	\$ 1,604,318
Accounts payable, trade	1,343,011	1,111,759	1,311,733
Accrued payrolls and other compensation	345,973	424,231	372,549
Accrued domestic and foreign taxes	218,624	195,314	165,265
Other accrued liabilities	688,566	607,540	637,257
Total current liabilities	3,207,083	3,148,373	4,091,122
Long-term debt	6,602,309	7,652,256	8,141,220
Pensions and other postretirement benefits	1,843,209	1,887,414	1,366,814
Deferred income taxes	420,699	382,528	569,582
Other liabilities	631,825	539,089	532,750
Shareholders' equity	7,105,982	6,113,983	6,330,175
Noncontrolling interests	16,322	14,546	12,326
Total liabilities and equity	\$ 19,827,429	\$ 19,738,189	\$ 21,043,989



Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Six Months Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 769,214	\$ 543,639
Depreciation and amortization	298,260	253,300
Share incentive plan compensation	79,833	73,069
Gain on property, plant and equipment	(102,565)	(4,478)
Gain on marketable securities	(6,959)	(1,969)
Gain on investments	(4,783)	(1,849)
Net change in receivables, inventories and trade payables	269,322	227,247
Net change in other assets and liabilities	47,707	(278,168)
Other, net	3,959	15,177
Net cash provided by operating activities	1,353,988	825,968
Cash flows from investing activities:		
Acquisitions (net of cash of \$82,192 in 2019)	—	(5,075,605)
Capital expenditures	(92,907)	(118,593)
Proceeds from sale of property, plant and equipment	124,428	20,993
Purchases of marketable securities and other investments	(16,029)	(190,129)
Maturities and sales of marketable securities and other investments	52,019	198,872
Other	11,183	9,374
Net cash provided by (used in) investing activities	78,694	(5,155,088)
Cash flows from financing activities:		
Net payments for common stock activity	(57,688)	(134,892)
Net (payments for) proceeds from debt	(1,324,348)	2,416,222
Dividends paid	(227,228)	(227,025)
Net cash (used in) provided by financing activities	(1,609,264)	2,054,305
Effect of exchange rate changes on cash	55,802	3,403
Net decrease in cash and cash equivalents	(120,780)	(2,271,412)
Cash and cash equivalents at beginning of year	685,514	3,219,767
Cash and cash equivalents at end of period	\$ 564,734	\$ 948,355

Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Six Months Ended December 31, 2020
Net income	\$ 769,214
Cash flow from operations	\$ 1,353,988
Capital Expenditures	(92,907)
Free cash flow	\$ 1,261,081
Free cash flow conversion (free cash flow / net income)	164 %

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,	
	2020	2019
Net sales		
Diversified Industrial:		
Motion Systems	\$ 720,315	\$ 752,306
Flow and Process Control	949,949	942,249
Filtration and Engineered Materials	1,156,238	1,068,381
Aerospace Systems	585,403	735,038
Total	\$ 3,411,905	\$ 3,497,974

Reconciliation of EPS

Fiscal Year 2021 Guidance

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2021</u>
Forecasted earnings per diluted share	\$11.90 to \$12.40
Adjustments:	
Business realignment charges	0.46
Costs to achieve	0.11
Acquisition-related intangible asset amortization expense	2.47
Gain on sale of land	(0.77)
Tax effect of adjustments ¹	<u>(0.52)</u>
Adjusted forecasted earnings per diluted share	<u>\$13.65 to \$14.15</u>

¹This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. We estimate the tax effect of each adjustment item by applying our overall effective tax rate for continuing operations to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.