

# Parker Hannifin Corporation

## Fiscal 2022 First Quarter Earnings Presentation



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**ENGINEERING YOUR SUCCESS.**

**November 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.

The risks and uncertainties in connection with such forward-looking statements related to the proposed acquisition of Meggitt include, but are not limited to, the occurrence of any event, change or other circumstances that could delay the closing of the acquisition; the possibility of nonconsummation of the acquisition; the failure to satisfy any of the conditions to the acquisition (including the satisfaction of the conditions detailed in the Rule 2.7 announcement); the possibility that a governmental entity may prohibit the consummation of the acquisition or may delay or refuse to grant a necessary regulatory approval in connection with the acquisition, or that in order for the parties to obtain any such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the acquisition or cause the parties to abandon the acquisition; adverse effects on Parker's common stock because of the failure to complete the acquisition; Parker's business experiencing disruptions due to acquisition-related uncertainty or other factors making it more difficult to maintain relationships with employees, business partners or governmental entities; the possibility that the expected synergies and value creation from the acquisition will not be realized or will not be realized within the expected time period; the parties being unable to successfully implement integration strategies; and significant transaction costs related to the acquisition. Readers should consider these forward-looking statements in light of risk factors discussed in Parker's Annual Report on Form 10-K for the fiscal year ended June 30, 2021 and other periodic filings made with the Securities and Exchange Commission.

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 supply chain and labor disruptions, including as a result of labor shortages; 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. 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, including adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, organic sales growth, and free cash flow. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment, integration costs to achieve, acquisition related expenses, and other one-time items. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales growth, 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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# Outstanding Performance in FY22 Q1

- Safety performance improvement: 17% reduction in recordable incidents
- Sales growth of 17% YoY; Organic growth 16% YoY
- Seven first quarter records:
  - Sales, Operating Margin, Net income, EPS
  - Segment Operating Margins for Industrial North America, International, Aerospace
- EBITDA margin was 20.6% as reported or 22.1% adjusted<sup>1</sup>, +210 bps vs. prior

<b><u>Parker</u></b>	<b><u>FY22 Q1</u></b>	<b><u>FY21 Q1</u></b>	<b><u>Change</u></b>
Segment Operating Margin, As Reported	19.7%	16.8%	
Segment Operating Margin, Adjusted <sup>1</sup>	22.0%	19.9%	+210 bps

# What Drives Parker?

**Living Up to Our Purpose**

**Great Generators and  
Deployers of Cash**

**Top Quartile Performance  
vs. Proxy Peers**

What is Parker's purpose?



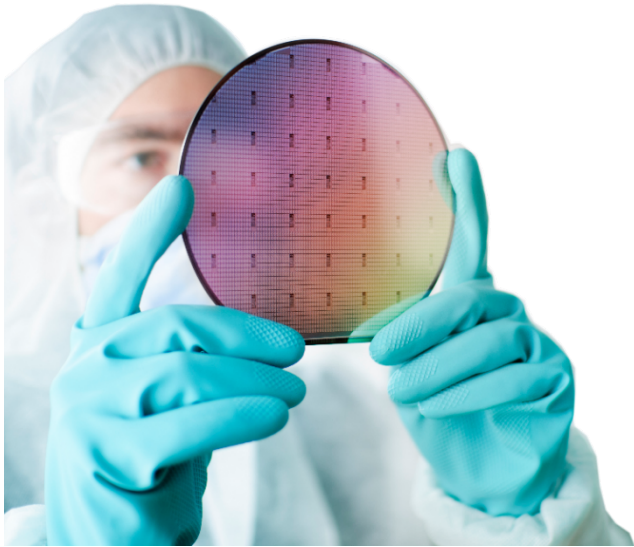
**Enabling  
Engineering  
Breakthroughs  
that Lead to  
a Better  
Tomorrow**

# Parker's Purpose in Action

## Expertise in Semiconductor Manufacturing

### Applications

- Liquid & gas mobile transport
- Bulk gas distribution at facility
- Specialty chemical delivery
- Valve manifold boxes
- Semiconductor tool hookup
- Fabrication tools



### Parker Technologies

#### **Process Control**

- Ultra high purity (UHP) valves
- UHP pressure regulators
- Fluoropolymer valve manifolds

#### **Fluid & Gas Handling**

- Cooling hoses
- Quick couplings

#### **Electromechanical**

- Solenoid actuation valves
- Servo systems for wafer spinning

#### **Engineered Materials**

- Electromagnetic shielding
- Load lock & chamber seals

**Parker Technologies Essential to the Digital Supply Chain**



# Unmatched Breadth of Core Technologies



HYDRAULICS



PNEUMATICS



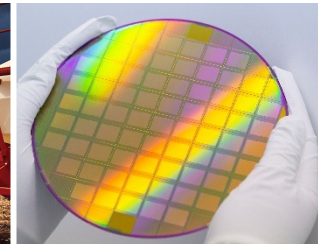
ELECTRO-MECHANICAL



FILTRATION



FLUID & GAS HANDLING



PROCESS CONTROL



ENGINEERED MATERIALS



CLIMATE CONTROL

~ **2/3's** of Our Revenue:

From customers who buy 4 or more Parker technologies

~ **2/3's** of Our Portfolio:

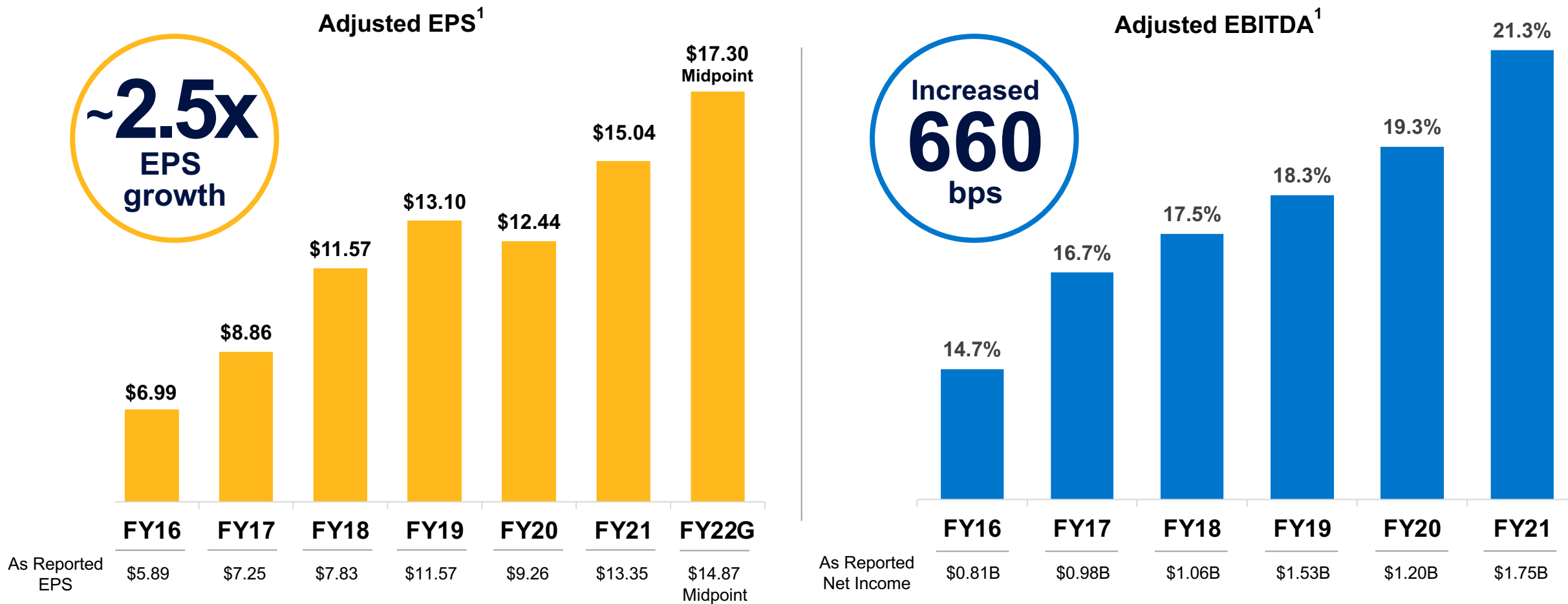
Enables clean technologies

Partnering with our customers to increase their productivity and profitability



# Performance

## Our People, Portfolio & Strategy Transform Performance





# Continued Progress on Meggitt Transaction



**MEGGITT**



**Compelling Strategic Aerospace Combination**

# Summary of Fiscal 2022 1st Quarter Results

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# Financial Summary

## FY22 Q1 vs. FY21 Q1

\$ Millions, except per share amounts

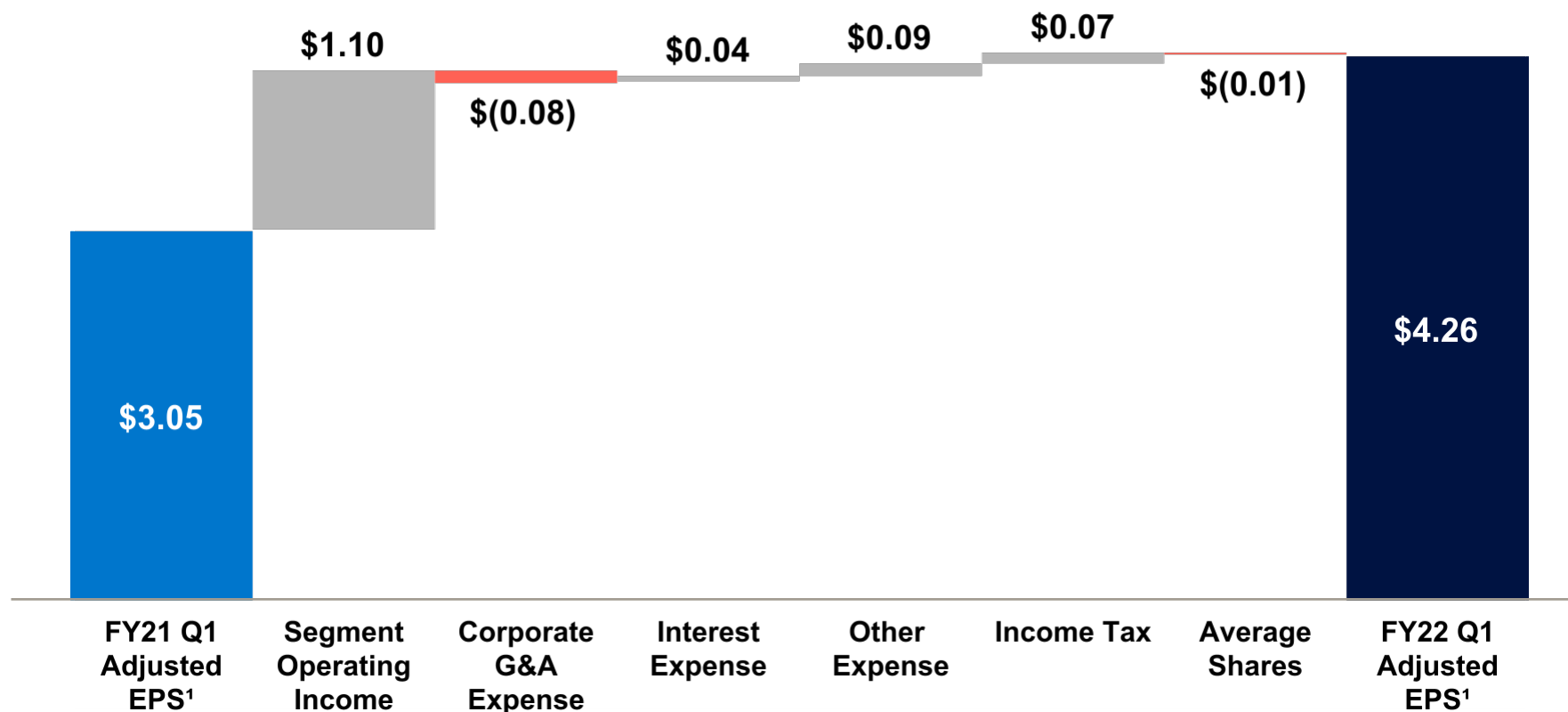
	Q1 FY22 As Reported	Q1 FY22 Adjusted <sup>1</sup>	Q1 FY21 Adjusted <sup>1</sup>	YoY Change Adjusted
Sales	\$3,763	<b>\$3,763</b>	\$3,231	+16.5%
Segment Operating Margin	19.7%	<b>22.0%</b>	19.9%	+210 bps
EBITDA Margin	20.6%	<b>22.1%</b>	20.0%	+210 bps
Net Income	\$451	<b>\$557</b>	\$398	+40%
EPS	\$3.45	<b>\$4.26</b>	\$3.05	+40%

1. Sales figures As Reported. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.  
 Note: FY21 Q1 As Reported: Segment Operating Margin of 16.8%, EBITDA Margin of 19.4%, Net Income of \$320M, EPS of \$2.45.



# Adjusted Earnings per Share Bridge

## FY21 Q1 to FY22 Q1



1. FY21 Q1 As Reported EPS of \$2.45. FY22 Q1 As Reported EPS of \$3.45.  
Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

# FY22 Q1 Segment Performance

	Sales As Reported \$ Organic % <sup>1</sup>	Segment Operating Margin As Reported	Segment Operating Margin Adjusted <sup>1</sup>	Order Rates <sup>2</sup>	Commentary
Diversified Industrial North America	\$1,794M +16.9% Organic	18.6%	21.3% <b>+30 bps YoY</b>	+32%	<ul style="list-style-type: none"> <li>• Strong execution in challenging environment</li> <li>• Record segment operating margin</li> </ul>
Diversified Industrial International	\$1,376M +20.5% Organic	21.2%	22.8% <b>+360 bps YoY</b>	+25%	<ul style="list-style-type: none"> <li>• Volume leverage</li> <li>• Continued distribution growth</li> <li>• Record segment operating margin</li> </ul>
Aerospace Systems	\$593M +3.4% Organic	20.0%	22.1% <b>+400 bps YoY</b>	+16%	<ul style="list-style-type: none"> <li>• Strong commercial aftermarket</li> <li>• Favorable spares/repairs mix</li> <li>• Record segment operating margin</li> </ul>
Parker	\$3,763M +15.8% Organic	19.7%	22.0% <b>+210 bps YoY</b>	+26%	<ul style="list-style-type: none"> <li>• Price/cost margin neutral</li> <li>• Robust demand continues</li> <li>• <b>35% incremental margin<sup>1</sup>, 58% excluding prior year discretionary savings of \$125m</b></li> </ul>

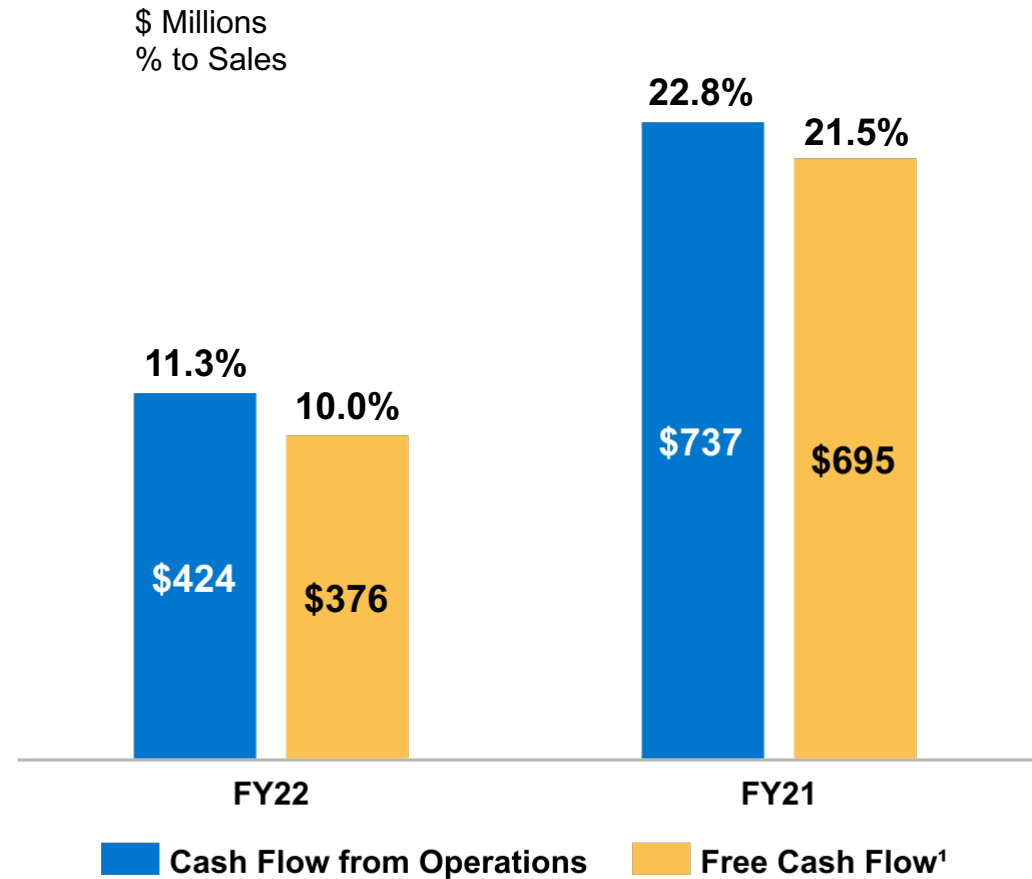
1. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

2. Order Rates exclude acquisitions, divestitures, & currency. Industrial is a 3 month YoY comparison of total dollars. Aerospace is a rolling 12 month YoY comparison.

# FY22 Cash Flow Performance

- Cash Flow from Operations of 11.3%
- Free Cash Flow of 10.0%
- Free Cash Flow Conversion of 83%
- Net change in Working capital<sup>2</sup>
  - Use of cash of 3.6% of sales

**Forecast Mid-Teens CFOA for FY22**



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

2. Defined as net change in accounts receivable, inventory, and accounts payable trade per the statement of cash flows

# Capital Deployment Strategies

- ▶ Dividends: Maintain annual increase record
  - Target 5-year average payout 30-35% of net income
- ▶ Fund organic growth and productivity
  - Target capital expenditures 2% of sales
- ▶ Offset share dilution through 10b5-1 share repurchase program
  - Additional discretionary repurchase of \$180M
- ▶ Meggitt financing update

# FY22 Guidance Increased

EPS Midpoint: \$14.87 As Reported, \$17.30 Adjusted

Sales Growth vs. Prior Year	
Diversified Industrial North America	9% - 12%
Diversified Industrial International	5% - 8%
Aerospace Systems	3% - 6%
<b>Parker</b>	<b>6% - 9%</b>

Segment Operating Margins	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	19.3% - 19.7%	22.0% - 22.4%
Diversified Industrial International	19.8% - 20.2%	21.7% - 22.1%
Aerospace Systems	18.5% - 18.9%	20.7% - 21.1%
<b>Parker</b>	<b>19.4% - 19.8%</b>	<b>21.7% - 22.1%</b>

Earnings Per Share	As Reported	Adjusted <sup>1</sup>
Range	<b>\$14.52 - \$15.22</b>	<b>\$16.95 - \$17.65</b>

Additional Items	As Reported	Adjusted <sup>1</sup>
Corporate G&A, Interest and Other	<b>\$513M</b>	<b>\$461M</b>
Full Year Reported Tax Rate	~23%	
Diluted Shares Outstanding	<b>130.8M</b>	



# Key Messages

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- Highly engaged global team delivering outstanding performance
- Living up to our purpose
- Top quartile performance
- Strategic portfolio transformation

**The Win Strategy™ 3.0 & Capital Deployment Accelerate Performance**





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# Appendix

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- Reconciliation of Organic Growth
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Reconciliation of Free Cash Flow Conversion
- Supplemental Sales Information – Global Technology Platforms
- Reconciliation of Forecasted EPS

# Reconciliation of Organic Growth

(Dollars in thousands)  
(Unaudited)

	Quarter-to-Date			
	As Reported September 30, 2021	Currency	Organic September 30, 2021	As Reported September 30, 2020
<b>Net Sales</b>				
Diversified Industrial:				
North America	\$ 1,793,715	\$ (7,927)	\$ 1,785,788	\$ 1,528,111
International	1,376,436	(15,200)	1,361,236	1,129,251
Total Diversified Industrial	3,170,151	(23,127)	3,147,024	2,657,362
Aerospace Systems	592,658	107	592,765	573,178
Total Parker Hannifin	\$ 3,762,809	\$ (23,020)	\$ 3,739,789	\$ 3,230,540
	As reported	Currency	Organic	
Diversified Industrial:				
North America	17.4 %	0.5 %	16.9 %	
International	21.9 %	1.4 %	20.5 %	
Total Diversified Industrial	19.3 %	0.9 %	18.4 %	
Aerospace Systems	3.4 %	— %	3.4 %	
Total Parker Hannifin	16.5 %	0.7 %	15.8 %	

# Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2022							
	As Reported September 30, 2021	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Adjusted September 30, 2021	% of Sales
<b>Net Sales</b>	\$ 3,762,809	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ 3,762,809	100.0 %
Cost of Sales	2,713,897	72.1 %	—	1,001	651	—	2,712,245	72.1 %
Selling, general, and admin. expenses	407,765	10.8 %	79,771	2,013	551	12,998	312,432	8.3 %
Interest expense	59,350	1.6 %	—	—	—	—	59,350	1.6 %
Other (income), net	10,052	0.3 %	—	—	—	39,201	(29,149)	(0.8) %
Income before income taxes	571,745	15.2 %	(79,771)	(3,014)	(1,202)	(52,199)	707,931	18.8 %
Income taxes	120,282	3.2 %	17,948	678	270	11,745	150,923	4.0 %
Net Income	451,463	12.0 %	(61,823)	(2,336)	(932)	(40,454)	557,008	14.8 %
Less: Noncontrollable interests	306	0.0 %	—	—	—	—	306	0.0 %
<b>Net Income - common shareholders</b>	\$ 451,157	12.0 %	\$ (61,823)	\$ (2,336)	\$ (932)	\$ (40,454)	\$ 556,702	14.8 %
<b>Diluted earnings per share</b>	\$ 3.45		\$ (0.47)	\$ (0.02)	\$ (0.01)	\$ (0.31)	\$ 4.26	

# Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

Quarter-to-Date FY 2021

	As Reported		Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Adjusted	
	September 30, 2020*	% of Sales					September 30, 2020*	% of Sales
<b>Net sales</b>	\$ 3,230,540	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ 3,230,540	100.0 %
Cost of sales	2,386,449	73.9 %	—	12,150	331	—	2,373,968	73.5 %
Selling, general and admin. expenses	369,851	11.4 %	81,703	2,987	3,284	332	281,545	8.7 %
Interest expense	65,958	2.0 %	—	—	—	—	65,958	2.0 %
Other (income) expense, net	(4,892)	(0.2)%	—	564	—	—	(5,456)	(0.2)%
Income before income taxes	413,174	12.8 %	(81,703)	(15,701)	(3,615)	(332)	514,525	15.9 %
Income taxes	93,063	2.9 %	18,792	3,611	831	76	116,373	3.6 %
Net income	320,111	9.9 %	(62,911)	(12,090)	(2,784)	(256)	398,152	12.3 %
Less: Noncontrolling interests	308	0.0 %	—	—	—	—	308	0.0 %
<b>Net income - common shareholders</b>	\$ 319,803	9.9 %	\$ (62,911)	\$ (12,090)	\$ (2,784)	\$ (256)	\$ 397,844	12.3 %
<b>Diluted earnings per share</b>	\$ 2.45		\$ (0.48)	\$ (0.10)	\$ (0.02)	\$ —	\$ 3.05	

\*Prior periods have been adjusted to reflect the change in inventory accounting method

# Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)

(Unaudited)

Quarter-to-Date FY 2022

	As Reported		Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Adjusted	
	September 30, 2021	% of Sales					September 30, 2021	% of Sales <sup>2</sup>
Diversified Industrial								
North America <sup>1</sup>	\$ 333,702	18.6 %	\$ 47,263	\$ 953	\$ 331	\$ —	\$ 382,249	21.3 %
International <sup>1</sup>	291,176	21.2 %	19,742	2,064	871	—	313,853	22.8 %
Aerospace Systems <sup>1</sup>	118,251	20.0 %	12,766	(3)	—	—	131,014	22.1 %
Total segment operating income	743,129	19.7 %	(79,771)	(3,014)	(1,202)	—	827,116	22.0 %
Corporate administration	49,072	1.3 %	—	—	—	—	49,072	1.3 %
Income before interest and other	694,057	18.4 %	(79,771)	(3,014)	(1,202)	—	778,044	20.7 %
Interest expense	59,350	1.6 %	—	—	—	—	59,350	1.6 %
Other (income) expense	62,962	1.7 %	—	—	—	52,199	10,763	0.3 %
Income before income taxes	\$ 571,745	15.2 %	\$ (79,771)	\$ (3,014)	\$ (1,202)	\$ (52,199)	\$ 707,931	18.8 %

<sup>1</sup>Segment operating income as a percent of sales is calculated on as reported segment sales.

<sup>2</sup>Adjusted 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 September 30,	
(Amounts in dollars)	2021	2020*
<b>Earnings per diluted share</b>	<b>\$ 3.45</b>	<b>\$ 2.45</b>
Adjustments:		
Acquired intangible asset amortization expense	0.61	0.63
Business realignment charges	0.02	0.12
Integration costs to achieve	0.01	0.03
Acquisition-related expenses	0.40	—
Tax effect of adjustments <sup>1</sup>	<b>(0.23)</b>	<b>(0.18)</b>
<b>Adjusted earnings per diluted share</b>	<b>\$ 4.26</b>	<b>\$ 3.05</b>

<sup>1</sup>This 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.

\*Prior periods have been adjusted to reflect the change in inventory accounting method



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

## RECONCILIATION OF EPS TO ADJUSTED EPS

(Unaudited)

(Amounts in Dollars)

	12 Months ended 6/30/16	12 Months ended 6/30/17	12 Months ended 6/30/18	12 Months ended 6/30/19*	12 Months ended 6/30/20*	12 Months ended 6/30/21
<b>Earnings per diluted share</b>	<b>\$ 5.89</b>	<b>\$ 7.25</b>	<b>\$ 7.83</b>	<b>\$ 11.57</b>	<b>\$ 9.26</b>	<b>\$ 13.35</b>
Adjustments:						
Acquisition-related intangible asset amortization expense	0.74	1.02	1.59	1.51	2.19	2.49
Business realignment charges	0.80	0.42	0.34	0.12	0.59	0.36
Acquisition-related expenses & Costs to achieve		0.76	0.27	0.23	1.62	0.11
(Gain) / loss on sale and writedown of assets or land			0.24			(0.77)
Tax effect of adjustments <sup>1</sup>	(0.44)	(0.59)	(0.42)	(0.44)	(1.03)	(0.50)
Favorable tax settlement					(0.19)	
Tax expense related to U.S. Tax Reform			1.72	0.11		
<b>Adjusted earnings per diluted share</b>	<b>\$ 6.99</b>	<b>\$ 8.86</b>	<b>\$ 11.57</b>	<b>\$ 13.10</b>	<b>\$ 12.44</b>	<b>\$ 15.04</b>

<sup>1</sup>This 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.

\*FY19 and FY20 have been adjusted to reflect the change in inventory accounting method

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

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 743,129	19.7 %	\$ 542,500	16.8 %
Adjustments:				
Acquired intangible asset amortization expense	79,771		81,703	
Business realignment charges	3,014		14,523	
Integration costs to achieve	1,202		3,947	
<b>Adjusted total segment operating income</b>	\$ 827,116	22.0 %	\$ 642,673	19.9 %

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	<u>2021</u>	<u>2020*</u>
<b>Net sales</b>	\$ 3,762,809	\$ 3,230,540
Net income	\$ 451,463	\$ 320,111
Income taxes	120,282	93,063
Depreciation and amortization	145,522	148,442
Interest expense	59,350	65,958
<b>EBITDA</b>	<u>776,617</u>	<u>627,574</u>
Adjustments:		
Business realignment charges	3,014	15,701
Integration costs to achieve	1,202	3,947
Acquisition-related expenses	52,199	—
<b>Adjusted EBITDA</b>	<u>\$ 833,032</u>	<u>\$ 647,222</u>
<b>EBITDA margin</b>	20.6 %	19.4 %
<b>Adjusted EBITDA margin</b>	22.1 %	20.0 %

\*Prior periods have been adjusted to reflect the change in inventory accounting method

# 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 <sup>1</sup>	12 Months ended 6/30/20 <sup>1</sup>	12 Months ended 6/30/21
<b>Net sales</b>	<b>\$ 11,361</b>	<b>\$ 12,029</b>	<b>\$ 14,302</b>	<b>\$ 14,320</b>	<b>\$ 13,696</b>	<b>\$ 14,348</b>
Net income	807	984	1,061	1,525	1,202	1,747
Income taxes	308	345	641	424	305	500
Depreciation and Amortization	307	355	466	436	538	595
Interest Expense	137	162	214	190	308	250
<b>EBITDA*</b>	<b>\$ 1,558</b>	<b>\$ 1,846</b>	<b>\$ 2,382</b>	<b>\$ 2,576</b>	<b>\$ 2,353</b>	<b>\$ 3,092</b>
Adjustments:						
Voluntary retirement expense	12					
Business realignment charges	97	56	46	16	76	48
Acquisition-related expenses & Costs to Achieve		103	37	30	211	15
(Gain) / Loss on Sale and Writedown of Assets or land			32			(101)
<b>Adjusted EBITDA*</b>	<b>\$ 1,667</b>	<b>\$ 2,006</b>	<b>\$ 2,497</b>	<b>\$ 2,621</b>	<b>\$ 2,639</b>	<b>\$ 3,055</b>
<b>EBITDA margin</b>	<b>13.7%</b>	<b>15.3%</b>	<b>16.7%</b>	<b>18.0%</b>	<b>17.2%</b>	<b>21.6%</b>
<b>Adjusted EBITDA margin</b>	<b>14.7%</b>	<b>16.7%</b>	<b>17.5%</b>	<b>18.3%</b>	<b>19.3%</b>	<b>21.3%</b>

<sup>1</sup>Amounts have been adjusted to reflect the change in inventory accounting method.

\*Totals may not foot due to rounding

# Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	<b>Three Months Ended September 30, 2021</b>	<b>Three Months Ended September 30, 2020*</b>
<b>Net income</b>	<b>\$ 451,463</b>	<b>\$ 320,111</b>
Cash flow from operations	\$ 424,359	\$ 737,374
Capital Expenditures	(48,203)	(42,117)
<b>Free cash flow</b>	<b>\$ 376,156</b>	<b>\$ 695,257</b>
<b>Free cash flow conversion (free cash flow / net income)</b>	<b>83 %</b>	<b>217 %</b>

\*Prior periods have been adjusted to reflect the change in inventory accounting method

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2021	2021
<b>Net sales</b>		
Diversified Industrial:		
Motion Systems	\$ 828,672	\$ 657,141
Flow and Process Control	1,085,423	924,125
Filtration and Engineered Materials	1,256,056	1,076,096
Aerospace Systems	592,658	573,178
<b>Total</b>	<b>\$ 3,762,809</b>	<b>\$ 3,230,540</b>

# Reconciliation of EPS

## Fiscal Year 2022 Guidance

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2022</u>
<b>Forecasted earnings per diluted share</b>	<b>\$14.52 to \$15.22</b>
Adjustments:	
Business realignment charges	0.27
Costs to achieve	0.05
Acquisition-related intangible asset amortization expense	2.44
Acquisition-related expenses	0.40
Tax effect of adjustments <sup>1</sup>	<u>(0.73)</u>
<b>Adjusted forecasted earnings per diluted share</b>	<b><u>\$16.95 to \$17.65</u></b>

<sup>1</sup>This 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.