

Parker Hannifin Corporation

Fiscal 2023 First Quarter Earnings Presentation



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ENGINEERING YOUR SUCCESS.

November 3, 2022

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. Often but not always, these statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “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. Neither Parker nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. 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 past performance or current expectations.

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 Meggitt PLC; 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 business and operating initiatives, including the timing, price and execution of share repurchases and other capital initiatives; availability, cost increases of or other limitations on our access to raw materials, component products and/or commodities if associated costs cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; legal and regulatory developments and changes; compliance costs associated with environmental laws and regulations; potential supply chain and labor disruptions, including as a result of labor shortages; threats associated with international conflicts and efforts to combat terrorism and cyber security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; local and global political and 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 (including fluctuations associated with any potential credit rating decline) and credit availability; inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals; changes in consumer habits and preferences; government actions, including the impact of changes in the tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof; and large scale disasters, such as floods, earthquakes, hurricanes, industrial accidents and pandemics. 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, 2022 and other periodic filings made with the SEC.

This presentation contains references to non-GAAP financial information including organic sales for Parker and by segment, adjusted earnings per share, adjusted segment operating margin for Parker and by segment, adjusted net income, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, Gross Debt to Adjusted EBITDA, Net Debt to Adjusted EBITDA 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 other one-time items. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted earnings per share, adjusted segment operating margin for Parker and by segment, adjusted net income, 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. Comparable descriptions of record adjusted results in this presentation refer only to the period from the first quarter of FY2011 to the periods presented in this presentation. This period coincides with recast historical financial results provided in association with our FY2014 change in segment reporting. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

Effective July 1, 2022, the company began classifying certain expenses, previously classified as cost of sales, as selling, general and administrative expenses (“SG&A”) or within other (income) expense, net. During the integration of recently acquired businesses, the company has seen diversity in practice of the classifications of certain expenses, and the reclassification was made to better align the presentation of expenses on the Consolidated Statement of Income with management’s internal reporting. The expenses reclassified from cost of sales to SG&A relate to certain administrative activities conducted in production facilities and research and development. Foreign currency transaction expense was also reclassified from cost of sales to other (income) expense, net on the Consolidated Statement of Income. These reclassifications had no impact on net income, earnings per share, cash flows, segment reporting or the financial position of the Company and were retrospectively applied to all periods presented in the financial tables of this presentation.

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FY23 Q1: Impressive Performance & Meggitt Close

- Safety is our top priority, leveraging high-performance teams, lean and kaizen
 - 17% reduction in incidents vs. prior year
- Sales were \$4.2B, an increase of 12% vs. prior year; organic growth 14% vs. prior year
- Segment operating margin was 19.8% as reported, or 22.7% adjusted¹; +70 bps vs. prior year
- Completed Meggitt acquisition; Integration well underway

The Win Strategy & Portfolio Changes Deliver Record Performance

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



Parker Welcomes Meggitt: Day 1 Events



Miami, Florida



Tucson, Arizona



Shanghai, China



McMinnville, Oregon



Saltillo, Mexico



Queretaro, Mexico



Ansty Park, UK



Akron, Ohio



Archamps, France



Rockmart, Georgia



Fribourg, Switzerland



Milwaukie, Oregon

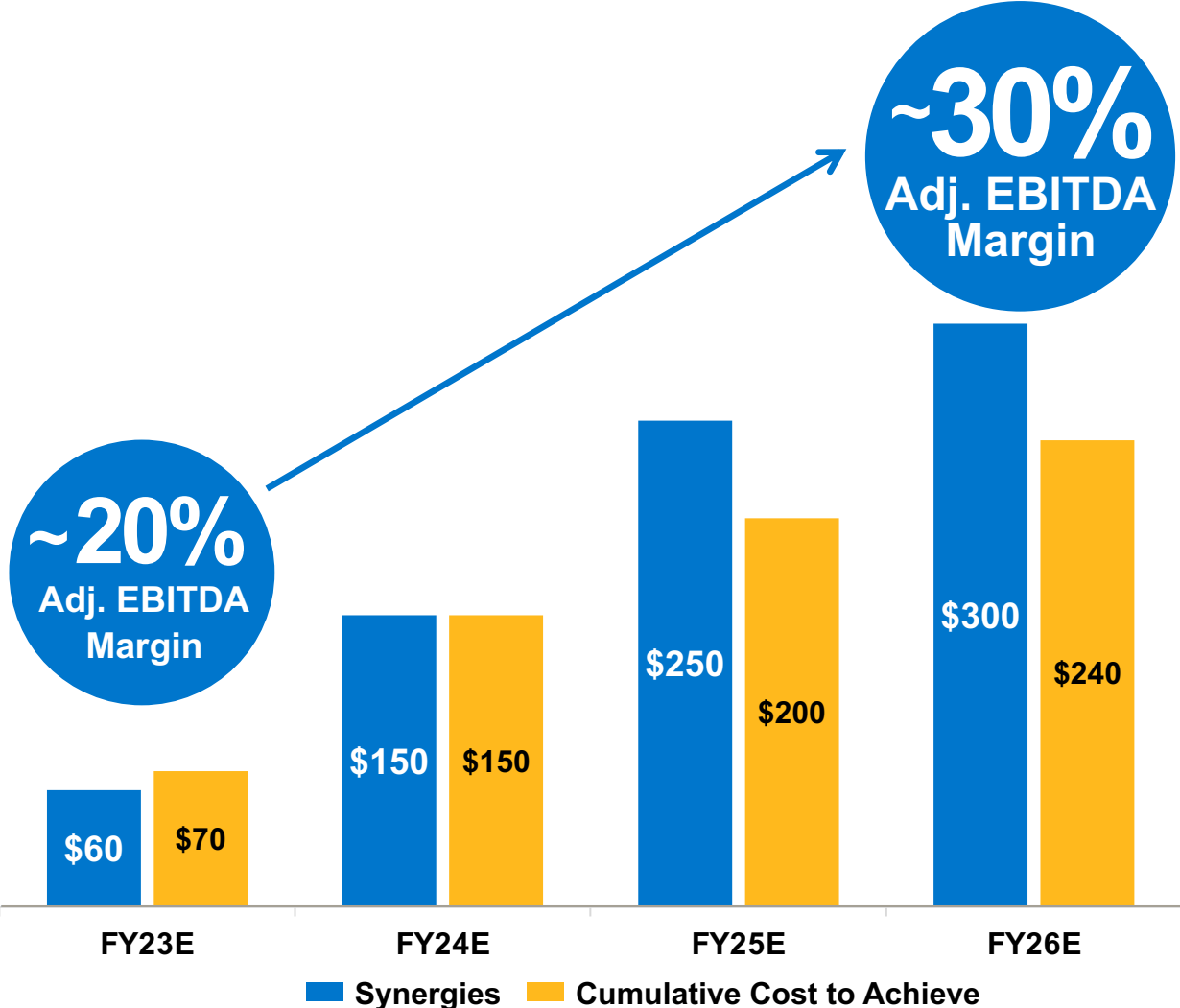


Xiamen, China



San Diego, California

Clear Path to Expand Meggitt EBITDA Margins



Synergies and Operational Excellence



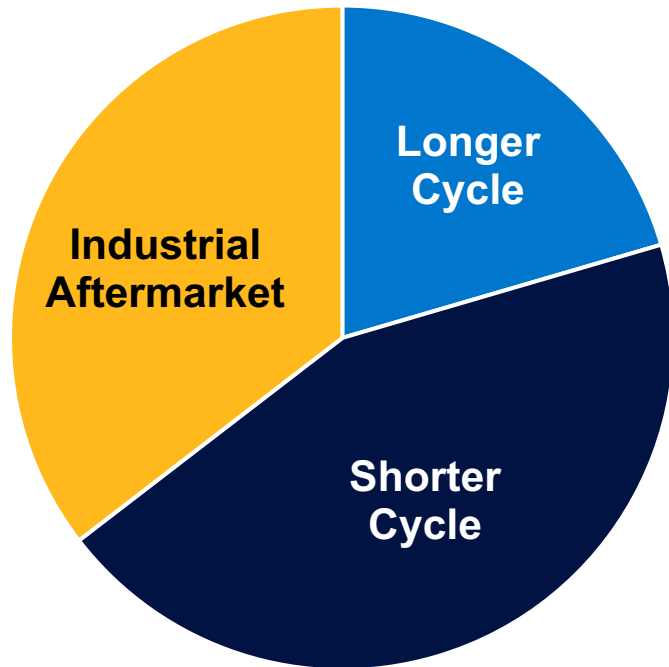
Note: Pre-tax synergy estimate. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



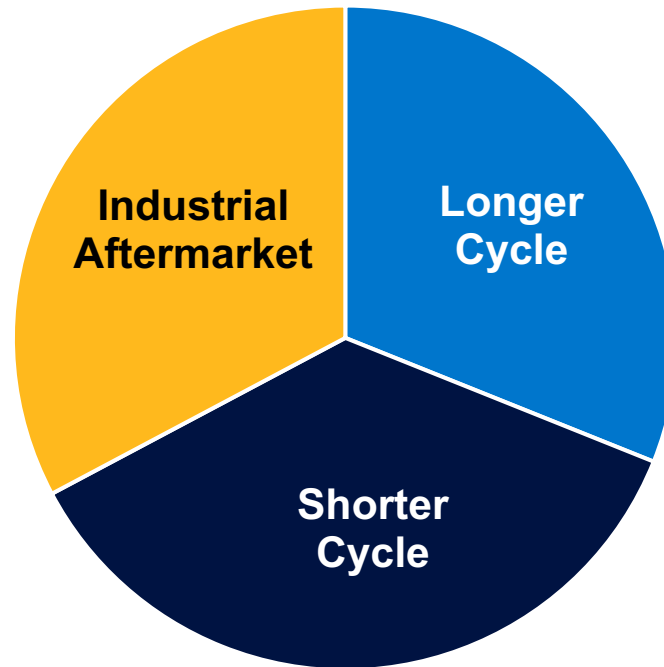
Expanding Longer Cycle and Secular Trend Exposure

Revenue Mix Reflects Transforming Portfolio

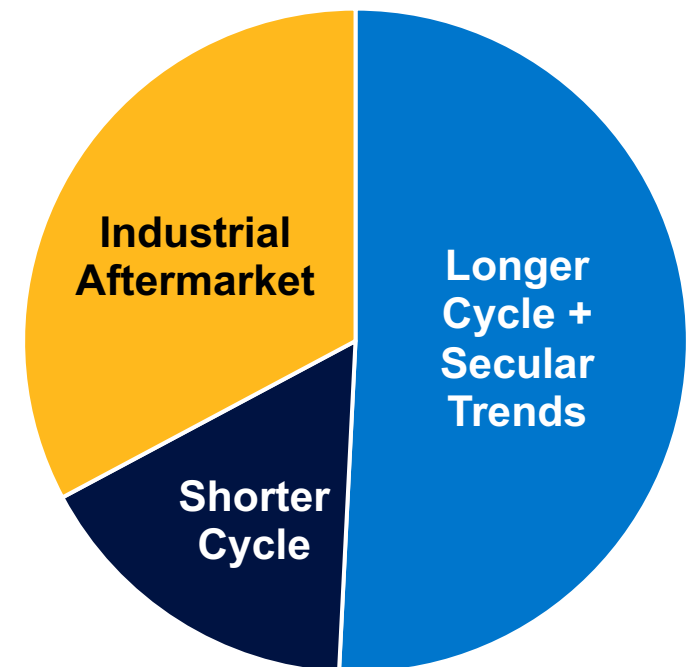
FY15



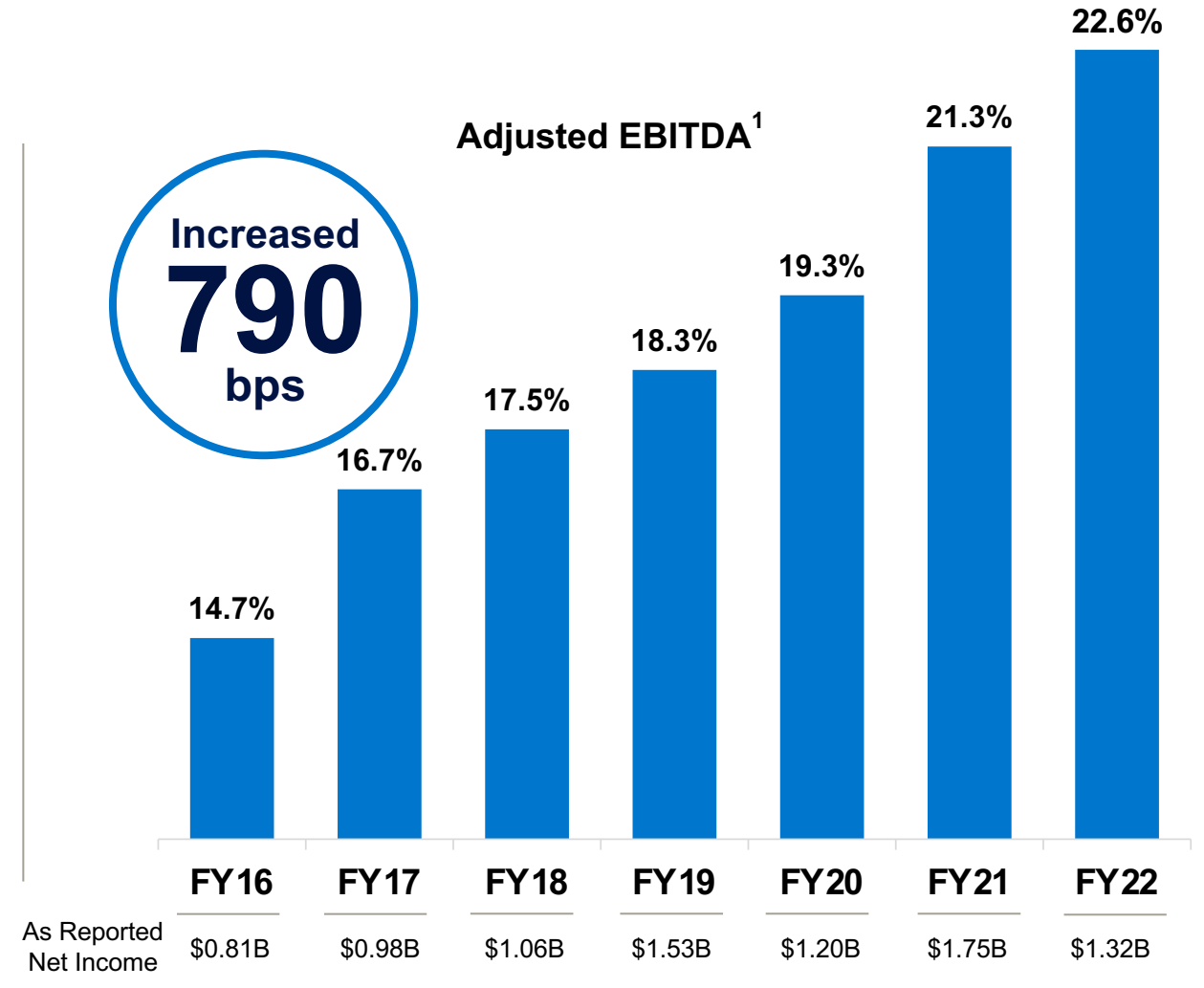
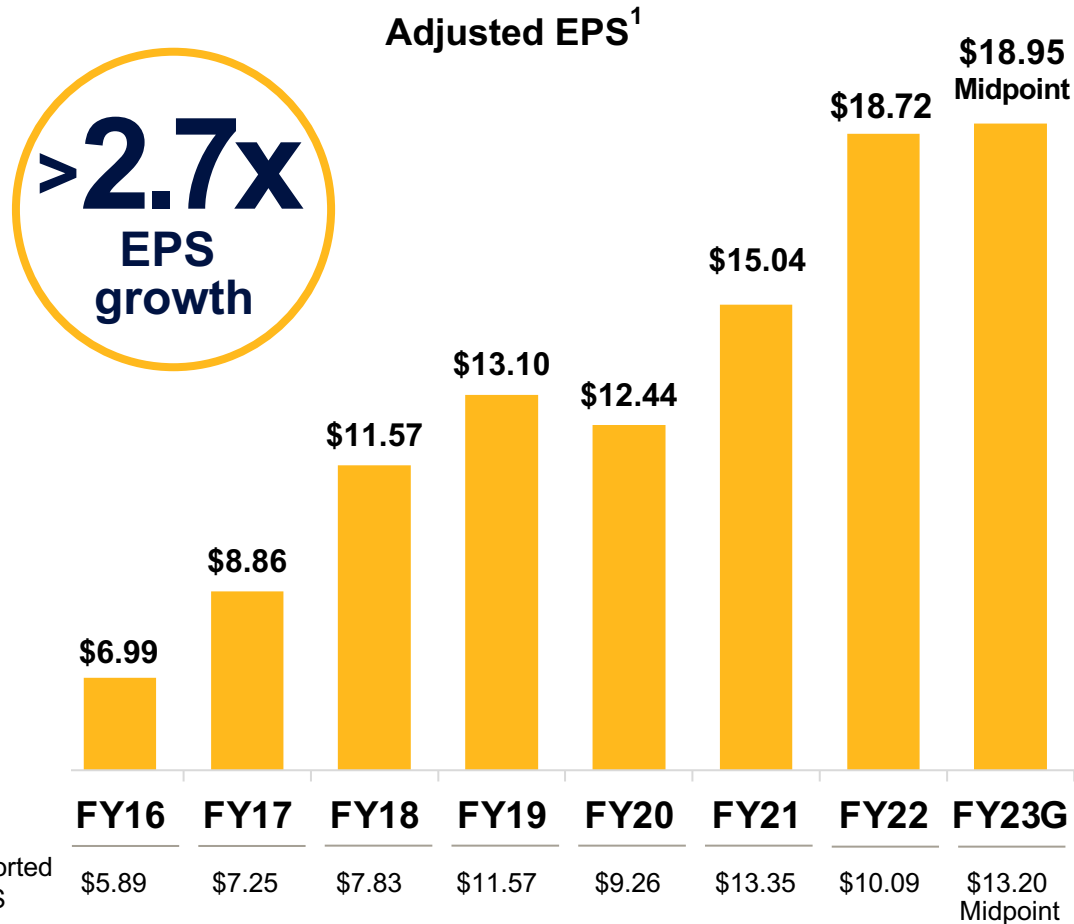
FY23E



FY27
Illustration



Our People, Portfolio & Strategy Transform Performance



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



Summary of Fiscal 2023 1st Quarter Results

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Financial Summary

FY23 Q1 vs. FY22 Q1

\$ Millions, except per share amounts

	Q1 FY23 As Reported	Q1 FY23 Adjusted ¹	Q1 FY22 Adjusted ¹	YoY Change Adjusted
Sales	\$4,233	\$4,233	\$3,763	+12.5%
Segment Operating Margin	19.8%	22.7%	22.0%	+70 bps
EBITDA Margin	18.3%	23.3%	22.1%	+120 bps
Net Income	\$388	\$616	\$557	+11%
EPS	\$2.98	\$4.74	\$4.26	+11%

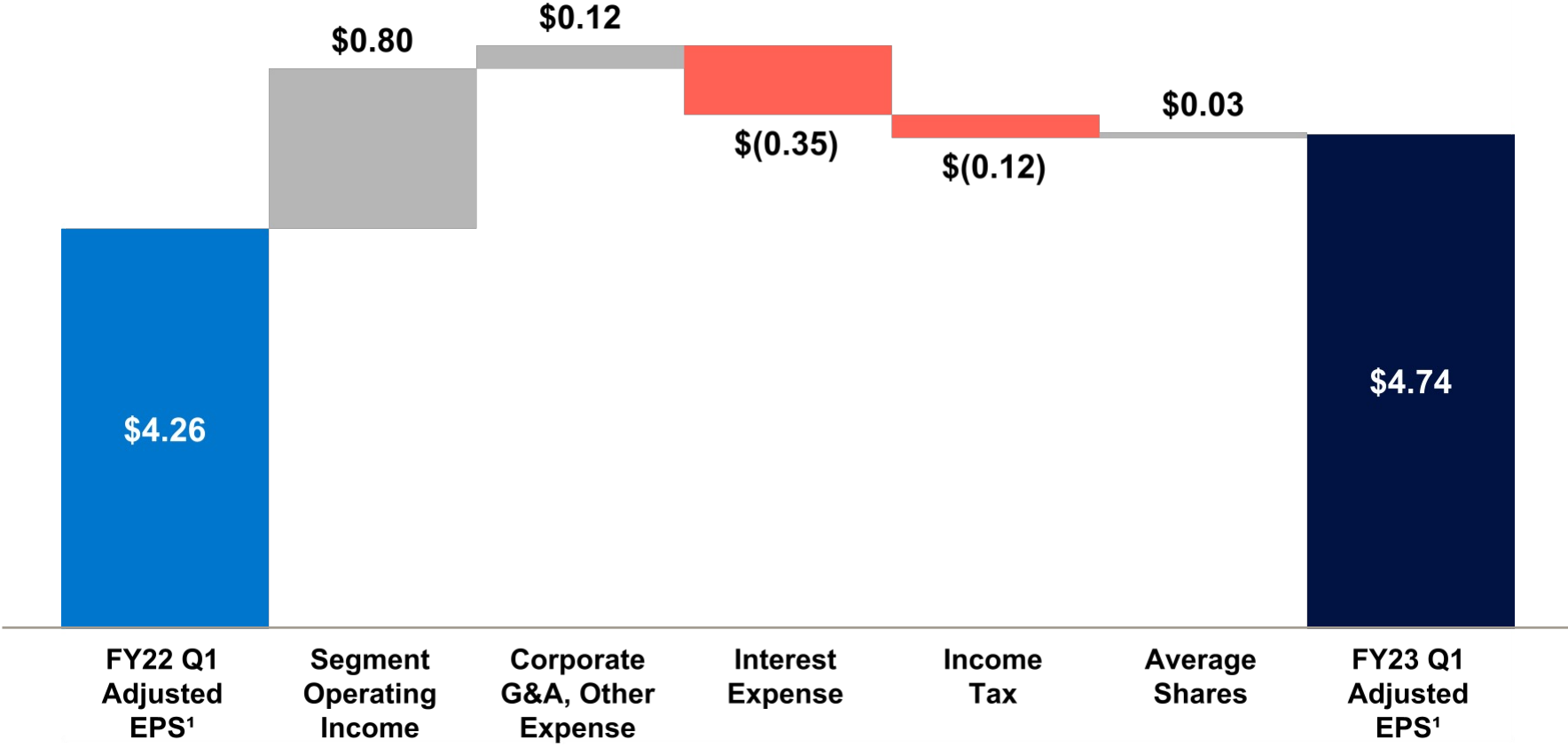
1. Sales figures As Reported. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

Note: FY22 Q1 As Reported: Segment Operating Margin of 19.7%, EBITDA Margin of 20.6%, Net Income of \$451M, EPS of \$3.45.



Adjusted Earnings per Share Bridge

FY22 Q1 to FY23 Q1



1. FY22 Q1 As Reported EPS of \$3.45. FY23 Q1 As Reported EPS of \$2.98. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



FY23 Q1 Segment Performance

	Sales As Reported \$ Organic % ¹	Segment Operating Margin As Reported	Segment Operating Margin Adjusted ¹	Order Rates ²	Commentary
Diversified Industrial North America	\$2,132M +17.9% Organic	21.2%	23.4% +210 bps YoY	+3%	<ul style="list-style-type: none"> Volume leverage on robust growth Resilient supply chain management
Diversified Industrial International	\$1,355M +12.2% Organic	21.7%	23.1% +30 bps YoY	+6%	<ul style="list-style-type: none"> Organic growth in all regions Sales recovery from Q4 COVID related shutdowns
Aerospace Systems	\$746M +7.4% Organic	12.4%	19.9% -220 bps YoY	+5%	<ul style="list-style-type: none"> Order rate +29% excluding multi-year military orders in the prior period Margins impacted by AWB divestiture, Meggitt acquisition and program timing
Parker	\$4,233M +14.2% Organic	19.8%	22.7% +70 bps YoY	+5%	<ul style="list-style-type: none"> Record sales & segment operating margin 36% incremental margin excluding acquisitions & divestitures¹

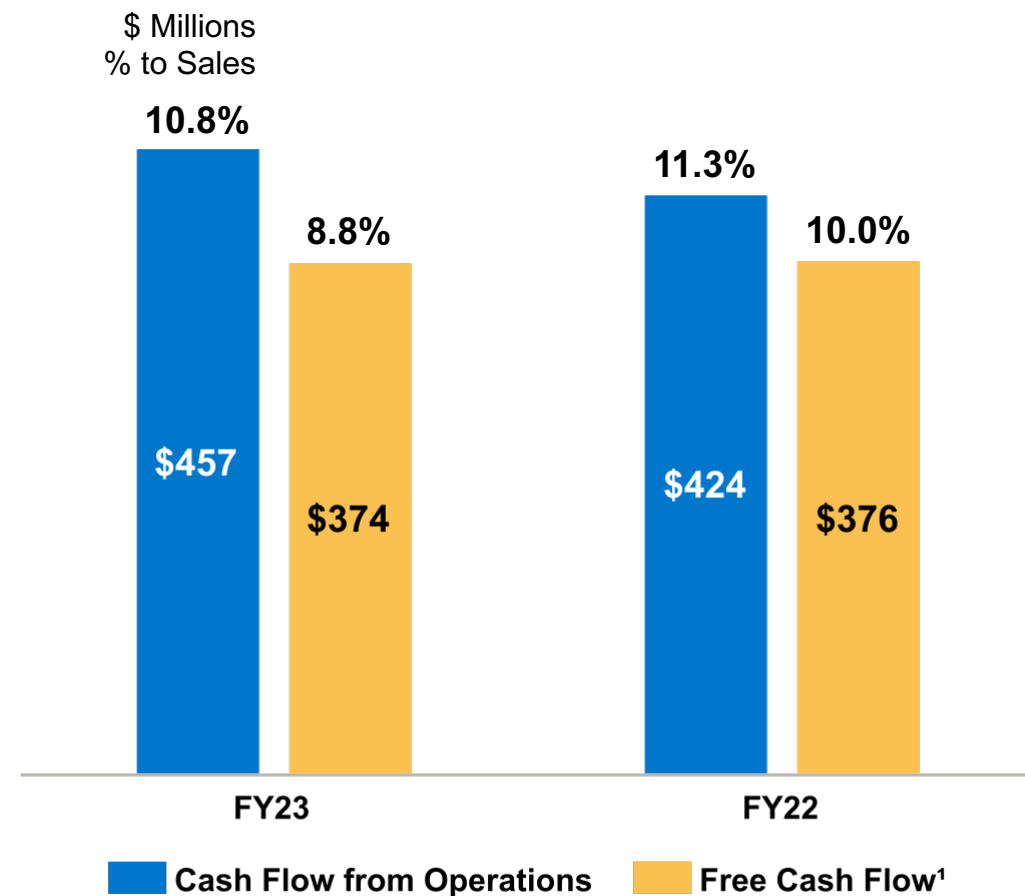
1. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

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.



FY23 Q1 YTD Cash Flow Performance

- Cash Flow from Operations of 10.8%
- Free Cash Flow of 8.8%¹
 - Capex of 2.0% of sales
- Transaction expenses:
 - A use of cash of ~4.5% of sales
- Free Cash Flow Conversion of 96%¹



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

Capital Deployment & Leverage Highlights

- Quarterly dividend of \$1.33 declared on October 26th
 - 66 consecutive years of increased dividends paid
- Leverage at FY23 Q1:
 - 3.8x Gross Debt / Adjusted EBITDA¹
 - 3.6x Net Debt / Adjusted EBITDA¹
 - Expect leverage to improve as EBITDA from Meggitt is added going forward
 - Since August 2021 announcement: \$2B of cash applied to the Meggitt transaction
- Current debt ratings maintained: Baa1 / BBB+; A2 / P2

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

FY23 Adjusted Guidance Increased

EPS Midpoint: \$13.20 As Reported, \$18.95 Adjusted

Sales Growth vs. Prior Year	Reported	Organic
Diversified Industrial North America	9% - 12%	6% - 9%
Diversified Industrial International	(9)% - (6)%	2% - 5%
Aerospace Systems	61% - 64%	5% - 8%
Parker	11% - 14%	4.5% - 7.5%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	19.7% - 20.1%	22.0% - 22.4%
Diversified Industrial International	19.9% - 20.3%	21.8% - 22.2%
Aerospace Systems	8.8% - 9.2%	21.0% - 21.4%
Parker	17.3% - 17.7%	21.7% - 22.1%

Full Year Guidance includes impact of Meggitt acquisition and AWB divestiture

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

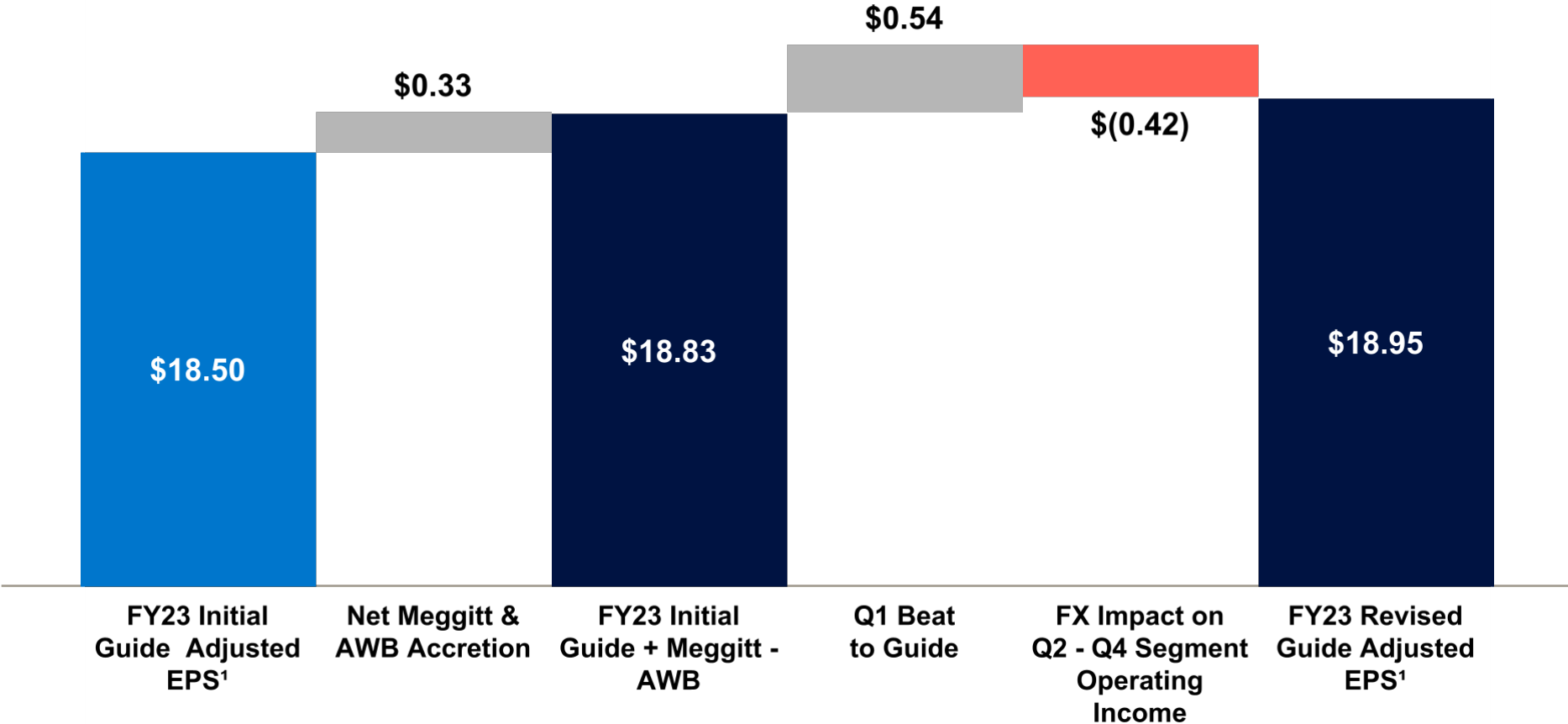
Earnings Per Share	As Reported	Adjusted ¹
Range	\$12.85 - \$13.55	\$18.60 - \$19.30

Additional Items	As Reported	Adjusted ¹
Corporate G&A	\$210M	\$207M
Interest Expense	\$510M	
Other Expense	\$156M	(\$23M)
Reported Tax Rate	~23%	
Diluted Shares Outstanding	~130M	

Detail of Pre-Tax Adjustments to:	Segment Margins	Below Segment
Acquired Intangible Asset Amortization	~\$520M	—
Business Realignment Charges	~\$32M	~\$3M
Integration Costs to Achieve	~\$70M	—
Gain on Sale of AWB Divestiture	—	(\$373M)
Meggitt Acquisition Related Expenses	~\$170M	\$160M
Meggitt Deal Contingent Forward Contracts	—	\$390M

FY23 Adjusted EPS Guidance Bridge

Reconciliation of Q1 Beat and Guidance Increase



1. FY23 As Reported midpoint guidance EPS of \$13.20. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations. AWB = Aircraft Wheel & Brake business divested September 2022.



Leadership Transition

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Jennifer A. Parmentier

Chief Executive Officer



- Currently Chief Operating Officer, will succeed Tom Williams as CEO on January 1, 2023
- Responsibility for all of Parker's operating groups as COO since 2021
- Joined Parker in 2008, with extensive strategic and financial experience across Parker's operating groups and regions
- Previously President of Parker's Engineered Materials and Motion Systems Groups



Office of the Chief Executive

Effective January 1, 2023



Jenny Parmentier

Chief Executive Officer



Lee Banks

Vice Chairman & President



Todd Leombruno

Executive Vice President &
Chief Financial Officer



Andy Ross

Chief Operating Officer

Strong Continuity & Seasoned Leadership Team



Focus on Continuity & Priorities Ahead

- Meggitt integration & delivering a record FY23
- Continue performance acceleration from The Win Strategy™ 3.0
- Bright future ahead driven by our business system The Win Strategy, a transformed portfolio, and secular growth trends
- Confident in achieving FY27 Targets

Building on Parker's Transformation and Promising Future





Upcoming Event Calendar

2Q FY23 Earnings	February 2, 2023
3Q FY23 Earnings	May 4, 2023
4Q FY23 Earnings	August 3, 2023

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Appendix

- 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 Gross and Net Debt 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
	As Reported September 30, 2022	Currency	Divestitures	Acquisitions	Organic September 30, 2022	
Net Sales						
Diversified Industrial:						
North America	\$ 2,131,760	\$ 4,064	\$ —	\$ (20,952)	\$ 2,114,872	\$ 1,793,715
International	1,355,013	195,777	—	(6,334)	1,544,456	1,376,436
Total Diversified Industrial	3,486,773	199,841	—	(27,286)	3,659,328	3,170,151
Aerospace Systems	746,002	3,087	3,032	(115,347)	636,774	592,658
Total Parker Hannifin	\$ 4,232,775	\$ 202,928	\$ 3,032	\$ (142,633)	\$ 4,296,102	\$ 3,762,809
	As reported	Currency	Divestitures	Acquisitions	Organic	
Diversified Industrial:						
North America	18.8 %	(0.3)%	— %	1.2 %	17.9 %	
International	(1.6)%	(14.3)%	— %	0.5 %	12.2 %	
Total Diversified Industrial	10.0 %	(6.3)%	— %	0.9 %	15.4 %	
Aerospace Systems	25.9 %	(0.5)%	(0.5)%	19.5 %	7.4 %	
Total Parker Hannifin	12.5 %	(5.4)%	(0.1)%	3.8 %	14.2 %	



Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2023										
	As Reported September 30, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Loss on Deal- Contingent Forward Contracts	Gain on Aircraft Wheel & Brake Divestiture	Amortization of Inventory Step-up to FV	Adjusted September 30, 2022	% of Sales
Net Sales	\$ 4,232,775	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,232,775	100.0 %
Cost of Sales	2,795,456	66.0 %	18,632	2,499	627	—	—	18,358	2,755,340	65.1 %	
Selling, general, and admin. expenses	835,804	19.7 %	68,382	1,362	11,364	108,568	—	—	646,128	15.3 %	
Interest expense	117,794	2.8 %	—	—	—	—	—	—	117,794	2.8 %	
Other expense (income), net	(19,624)	(0.5)%	—	—	—	51,690	389,992	(372,930)	(88,376)	(2.1)%	
Income before income taxes	503,345	11.9 %	(87,014)	(3,861)	(11,991)	(160,258)	(389,992)	372,930	801,889	18.9 %	
Income taxes	115,308	2.7 %	20,622	915	2,842	37,982	94,713	(90,570)	186,163	4.4 %	
Net Income	388,037	9.2 %	(66,392)	(2,946)	(9,149)	(122,276)	(295,279)	282,360	615,726	14.5 %	
Less: Noncontrollable interests	183	0.0 %	—	—	—	—	—	—	183	0.0 %	
Net Income - common shareholders	\$ 387,854	9.2 %	\$ (66,392)	\$ (2,946)	\$ (9,149)	\$ (122,276)	\$ (295,279)	\$ 282,360	\$ (14,007)	\$ 615,543	14.5 %
Diluted earnings per share	\$ 2.98		\$ (0.52)	\$ (0.02)	\$ (0.07)	\$ (0.94)	\$ (2.27)	\$ 2.17	\$ (0.11)	\$ 4.74	



Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

Quarter-to-Date FY 2022

	As Reported		Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Acquisition Related Expenses	Adjusted	
	September 30, 2021	% of Sales					September 30, 2021	% of Sales
Net sales	\$ 3,762,809	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ 3,762,809	100.0 %
Cost of sales ¹	2,504,382	66.6 %	15,561	187	65	—	2,488,569	66.1 %
Selling, general and admin. expenses ¹	626,749	16.7 %	64,210	2,827	1,137	12,998	545,577	14.5 %
Interest expense	59,350	1.6 %	—	—	—	—	59,350	1.6 %
Other (income) expense, net ¹	583	0.0 %	—	—	—	39,201	(38,618)	(1.0)%
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: Noncontrolling interests	306	0.0 %	—	—	—	—	306	0.0 %
Net income - common shareholders	\$ 451,157	12.0 %	\$ (61,823)	\$ (2,336)	\$ (932)	\$ (40,454)	\$ 556,702	14.8 %
Diluted earnings per share	\$ 3.45		\$ (0.47)	\$ (0.02)	\$ (0.01)	\$ (0.31)	\$ 4.26	

¹Amounts have been reclassified to reflect the income statement reclassification



Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2023										
	As Reported September 30, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Loss on Deal- Contingent Forward Contracts	Gain on Aircraft Wheel & Brake Divestiture	Amortization of Inventory Step-up to FV	Adjusted September 30, 2022	% of Sales ²
Diversified Industrial											
North America ¹	\$ 452,986	21.2 %	\$ 46,274	\$ 133	\$ 47	\$ —	\$ —	\$ —	\$ —	\$ 499,440	23.4 %
International ¹	293,940	21.7 %	16,805	1,879	139	—	—	—	—	312,763	23.1 %
Aerospace Systems ¹	92,151	12.4 %	23,935	1,849	11,805	—	—	—	18,358	148,098	19.9 %
Total segment operating income	839,077	19.8 %	(87,014)	(3,861)	(11,991)	—	—	—	(18,358)	960,301	22.7 %
Corporate administration	51,660	1.2 %	—	—	—	—	—	—	—	51,660	1.2 %
Income before interest and other	787,417	18.6 %	(87,014)	(3,861)	(11,991)	—	—	—	(18,358)	908,641	21.5 %
Interest expense	117,794	2.8 %	—	—	—	—	—	—	—	117,794	2.8 %
Other (income) expense	166,278	3.9 %	—	—	—	160,258	389,992	(372,930)	—	(11,042)	(0.3)%
Income before income taxes	\$ 503,345	11.9 %	\$ (87,014)	\$ (3,861)	\$ (11,991)	\$ (160,258)	\$ (389,992)	\$ 372,930	\$ (18,358)	\$ 801,889	18.9 %

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.



Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2022								
	As Reported		Acquired	Business	Lord	Acquisition	Adjusted		% of Sales ²
	September 30, 2021	% of Sales	Intangible Asset Amortization	Realignment Charges	Costs to Achieve	Related Expenses	September 30, 2021	% of Sales ²	
Diversified Industrial:									
North America ¹	\$ 333,702	18.6%	\$ 47,263	\$ 953	\$ 331	\$ -	\$ 382,249	21.3%	
International ¹	291,176	21.2%	19,742	2,064	871	-	313,853	22.8%	
Total Diversified Industrial ¹	624,878	19.7%	67,005	3,017	1,202	-	696,102	22.0%	
Aerospace Systems ¹	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%	

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

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



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

(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	12 Months ended 6/30/22
Earnings per diluted share	\$ 5.89	\$ 7.25	\$ 7.83	\$ 11.57	\$ 9.26	\$ 13.35	\$ 10.09
Adjustments:							
Acquisition-related intangible asset amortization expense	0.74	1.02	1.59	1.51	2.19	2.49	2.41
Business realignment charges	0.80	0.42	0.34	0.12	0.59	0.36	0.11
Acquisition-related expenses & Costs to achieve	-	0.76	0.27	0.23	1.62	0.11	0.78
(Gain) / loss on sale and writedown of assets or land	-	-	0.24	-	-	(0.77)	-
Loss on deal-contingent forward contracts	-	-	-	-	-	-	7.79
Russia liquidation	-	-	-	-	-	-	0.15
Tax effect of adjustments ¹	(0.44)	(0.59)	(0.42)	(0.44)	(1.03)	(0.50)	(2.61)
Favorable tax settlement	-	-	-	-	(0.19)	-	-
Tax expense related to U.S. Tax Reform	-	-	1.72	0.11	-	-	-
Adjusted earnings per diluted share	\$ 6.99	\$ 8.86	\$ 11.57	\$ 13.10	\$ 12.44	\$ 15.04	\$ 18.72

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.

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



Reconciliation of Forecasted Adjusted EBITDA

(Unaudited) (Dollars in millions)	~9 Months FY23 ¹ Acquisition of Meggitt
Forecasted Net Sales	\$ 1,800
Forecasted net income	\$ (305)
Income taxes	(91)
Depreciation	70
Amortization	218
Interest Expense	237
Forecasted EBITDA	129
Estimated Adjustments:	
Amortization of inventory step-up to fair value	170
Integration costs to achieve	70
Forecasted Adjusted EBITDA	\$ 369
Forecasted Adjusted EBITDA margin	~20%

1: Meggitt forecast September 12, 2022 to June 30, 2023.

*Totals may not foot due to rounding



Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2022	2021
Net sales	\$ 4,232,775	\$ 3,762,809
Net income	\$ 388,037	\$ 451,463
Income taxes	115,308	120,282
Depreciation	66,967	65,751
Amortization	87,014	79,771
Interest expense	117,794	59,350
EBITDA	775,120	776,617
Adjustments:		
Business realignment charges	3,861	3,014
Integration costs to achieve	11,991	1,202
Acquisition-related expenses	160,258	52,199
Loss on deal-contingent forward contracts	389,992	—
Gain on sale of Aircraft Wheel and Brake divestiture	(372,930)	—
Amortization of inventory step-up to fair value	18,358	—
Adjusted EBITDA	\$ 986,650	\$ 833,032
EBITDA margin	18.3 %	20.6 %
Adjusted EBITDA margin	23.3 %	22.1 %



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 ¹	12 Months ended 6/30/20 ¹	12 Months ended 6/30/21	12 Months ended 6/30/22
Net sales	\$ 11,361	\$ 12,029	\$ 14,302	\$ 14,320	\$ 13,696	\$ 14,348	\$ 15,862
Net income	807	984	1,061	1,525	1,202	1,747	1,316
Income taxes	308	345	641	424	305	500	298
Depreciation and Amortization	307	355	466	436	538	595	572
Interest Expense	137	162	214	190	308	250	255
EBITDA*	\$ 1,558	\$ 1,846	\$ 2,382	\$ 2,576	\$ 2,353	\$ 3,092	\$ 2,441
Adjustments:							
Business realignment charges	109	56	46	16	76	48	15
Acquisition-related expenses & Costs to Achieve	-	103	37	30	211	15	100
Loss on deal-contingent forward contracts	-	-	-	-	-	-	1,015
(Gain) / Loss on Sale and Writedown of Assets or land	-	-	32	-	-	(101)	-
Russia liquidation	-	-	-	-	-	-	20
Adjusted EBITDA*	\$ 1,667	\$ 2,006	\$ 2,497	\$ 2,621	\$ 2,639	\$ 3,055	\$ 3,592
EBITDA margin	13.7%	15.3%	16.7%	18.0%	17.2%	21.6%	15.4%
Adjusted EBITDA margin	14.7%	16.7%	17.5%	18.3%	19.3%	21.3%	22.6%

¹Amounts have been adjusted to reflect the change in inventory accounting method.

*Totals may not foot due to rounding



Reconciliation of Gross and Net Debt / Adjusted EBITDA

(Unaudited) (Dollars in thousands)	<u>September 30, 2022</u>
Notes payable and long-term debt payable within one year	\$ 1,725,077
Long-term debt	12,238,900
Add: Deferred debt issuance costs	87,934
Total gross debt	<u>\$ 14,051,911</u>
Cash and cash equivalents	\$ 502,307
Marketable securities and other investments	19,504
Total cash	<u>\$ 521,811</u>
Net debt (Gross debt less total cash)	<u>\$ 13,530,100</u>
TTM Net Sales	\$ 16,331,574
Net income	\$ 1,252,760
Income tax	293,066
Depreciation	258,530
Amortization	321,693
Interest Expense	313,696
TTM EBITDA	<u>\$ 2,439,745</u>
Adjustments:	
Business realignment charges	15,604
Costs to achieve	15,555
Acquisition-related costs	203,786
Loss on deal-contingent forward contracts	1,405,418
Gain on Aircraft Wheel & Brake divestiture	(372,930)
Amortization of inventory step-up to FV	18,358
Russia liquidation	20,057
TTM Adjusted EBITDA	<u>\$ 3,745,593</u>
Gross Debt/TTM Adjusted EBITDA	3.8
Net Debt/TTM Adjusted EBITDA	3.6



Reconciliation of Free Cash Flow Conversion

(Unaudited)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
(Dollars in thousands)		
Net income	\$ 388,037	\$ 451,463
Cash flow from operations	\$ 457,358	\$ 424,359
Capital Expenditures	(83,555)	(48,203)
Free cash flow	\$ 373,803	\$ 376,156
Free cash flow conversion (free cash flow / net income)	96 %	83%

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2022	2021
Net sales		
Diversified Industrial:		
Motion Systems	\$ 906,014	\$ 828,672
Flow and Process Control	1,204,464	1,085,423
Filtration and Engineered Materials	1,376,295	1,256,056
Aerospace Systems	746,002	592,658
Total	\$ 4,232,775	\$ 3,762,809

Reconciliation of EPS

FY23 Initial Guidance Issued August 2022

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2023</u>
Forecasted earnings per diluted share	\$16.13 to \$16.93
Adjustments:	
Business realignment charges	0.26
Acquisition-related intangible asset amortization expense	2.30
Tax effect of adjustments ¹	<u>(0.59)</u>
Adjusted forecasted earnings per diluted share	<u>\$18.10 to \$18.90</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.

Reconciliation of EPS

FY23 Revised Guidance Issued November 2022

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2023</u>
Forecasted earnings per diluted share	\$12.85 to \$13.55
Adjustments:	
Business realignment charges	0.27
Costs to achieve	0.54
Acquisition-related intangible asset amortization expense	4.00
Acquisition-related expenses	2.54
Loss on deal-contingent forward contracts	3.00
Gain on Aircraft Wheel & Brake divestiture	(2.87)
Tax effect of adjustments ¹	<u>(1.73)</u>
Adjusted forecasted earnings per diluted share	<u><u>\$18.60 to \$19.30</u></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.

