

# Parker Hannifin Corporation Annual Shareholders Meeting



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**NYSE**

**Tom Williams**  
Chairman and  
Chief Executive Officer

ENGINEERING YOUR SUCCESS.

October 24, 2018

# 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,” “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. 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. 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 and earnings projections are: economic conditions within the company's key 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 the U.S. Tax Reform may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Reform that may also affect these estimates and the actual impact on the company. 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 of the company are, as applicable: 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; 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. 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 reconciles (a) sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions, divestitures and the effects of currency exchange rates, (b) operating margins reported in accordance with U.S. GAAP to operating margins without the effects of business realignment charges, CLARCOR costs to achieve and acquisition-related expenses, (c) net income, return on sales and earnings per diluted share reported in accordance with U.S. GAAP to net income, return on sales and earnings per diluted share without the effects of business realignment charges, CLARCOR costs to achieve, acquisition-related expenses, net loss on sale and write-down of assets and U.S. tax reform one-time impact, net. This presentation also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, acquisition-related expenses and net loss on sale and write-down of assets. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this fiscal year versus one year ago. The effects of acquisitions, divestitures and currency exchange rates, business realignment charges, CLARCOR costs to achieve, acquisition-related expenses, net loss on sale and write-down of assets and U.S. tax reform one-time impact, net are removed to allow investors and the company to meaningfully evaluate changes in sales, operating margins, net income, return on sales and earnings per diluted share on a comparable basis from period to period.

Please visit [www.PHstock.com](http://www.PHstock.com) for more information



# Agenda

**Key Messages**

**FY2018 Review**

**The Future**

# Key Messages

## FY2018

- All time record Sales, EPS, CFOA & Operating Margin %
- Strong Organic Growth & Performance

## FY2019

- Projecting record Sales, EPS, CFOA & Operating Margin %
- 1<sup>st</sup> Quarter Earnings Call November 1<sup>st</sup>

## Win Strategy<sup>™</sup> Execution

- Meaningful Progress but early days still
- Outlined new FY2023 Financial Objectives

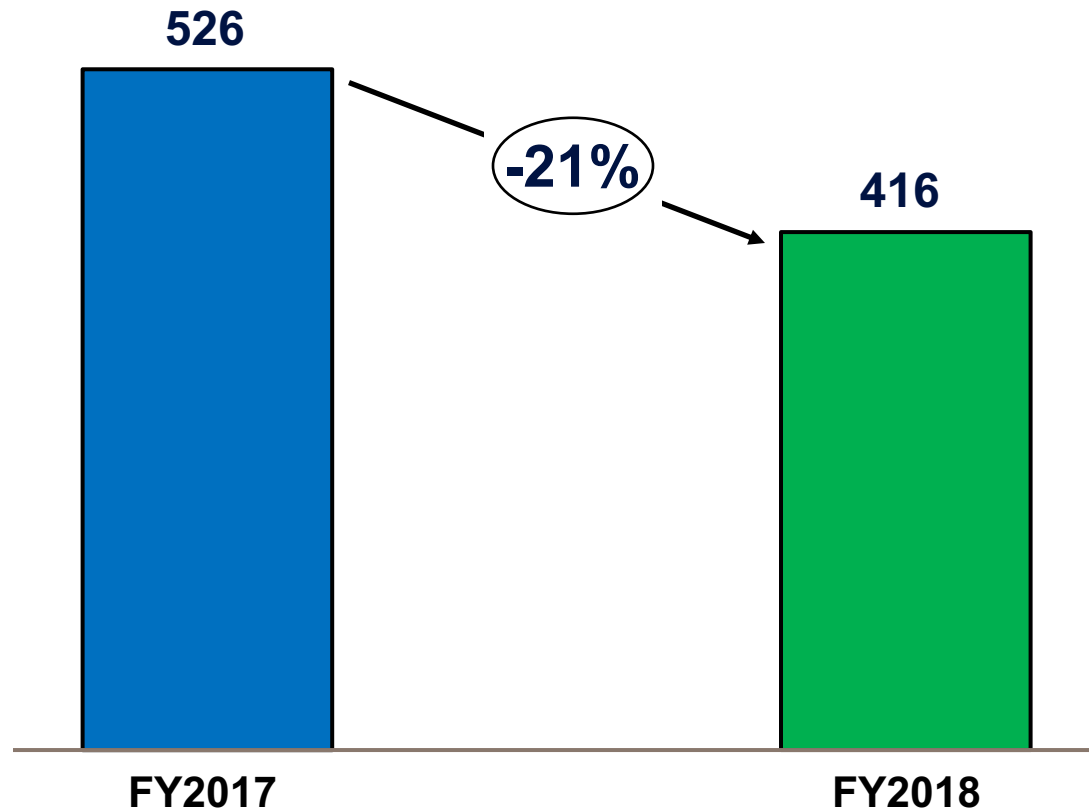


# FY2018 Results



# Safety FY2018 Comparison to FY2017

## Recordable Injuries – Rolling 12 Month Total



**Build a Zero Accident Environment**

# FY18 Full Year Results

<b>\$MM</b>	<b><u>FY17</u></b>	<b><u>FY18</u></b>	<b><u>Change</u></b>
Net Sales	\$12,029	\$14,302	19%
Operating Margin	14.9%	15.7%	+80 bps
EBITDA Margin	15.3%	16.7%	+140 bps
Net Income	\$984	\$1,061	8%
ROS	8.2%	7.4%	-80 bps
Diluted EPS	\$7.25	\$7.83	8%

# FY18 Full Year Results – Adjusted\*

<b>\$MM</b>	<b><u>FY17</u></b>	<b><u>FY18</u></b>	<b><u>Change</u></b>
Net Sales	\$12,029	\$14,302	19%
Operating Margin*	15.8%	16.2%	+40 bps
EBITDA Margin*	16.7%	17.5%	+80 bps
Net Income*	\$1,100	\$1,411	28%
ROS*	9.1%	9.9%	+80 bps
Diluted EPS*	\$8.11	\$10.42	28%

\* FY17 adjusted for business realignment & CLARCOR acquisition expenses.

FY18 adjusted for business realignment, CLARCOR costs to achieve, U.S. tax reform one-time impact, net loss on sale and write-down of assets.





# The Future



# The Future

**Top Quartile Performance  
vs. Proxy Peers**

**Great Generators and  
Deployers of Cash**

# Updated Corporate Targets

	<u>FY20 Targets</u>	<u>FY23 Targets</u>
Growth	150 bps > GIPI	150 bps > GIPI
Segment OM%	17%	19%
EBITDA Margin	-----	20%
FCF Conversion	> 100%	> 100%
EPS CAGR	8%	10%+

# Parker's Unique Competitive Advantages

**The Win Strategy™**

**Decentralized Divisional Structure**

**Global Distribution, Service and Support**

**Intellectual Property**

**Globally Balanced**

**Breadth of Technologies & System Solutions**



# The Win Strategy™

## Our Vision: Engineering Your Success

### Goals

#### Engaged People

##### STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

#### Premier Customer Experience

##### STRATEGIES

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

#### Profitable Growth

##### STRATEGIES

- 
- Market-Driven Innovation
  - System Solutions
  - Strong Distribution
  - Grow Share
  - Engineering Expertise

#### Financial Performance

##### STRATEGIES

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

## Parker Culture







# Engaged People... A cultural competitive advantage



# Engaged People – Key Strategies

- **High Performance Teams**
- **Engagement Survey – leadership linkage**
- **Focus on front line leaders**

**Building an Ownership Culture**

# 2018 Engaged People Video





# Parker's Winning Culture





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