

# Electrical Products Group Conference

**Coral Gables, FL**



**Tom Williams**  
Chairman and CEO

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**ENGINEERING YOUR SUCCESS.**

**May 21, 2019**

# 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. 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 the U.S. Tax Cuts and Jobs Act (“U.S. Tax Reform”) on future performance and earnings projections may change based on subsequent judicial or regulatory interpretations of the Act that 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 forward-looking statements related to the proposed transaction between LORD Corporation and the company include, but are not limited to, the occurrence of any event, change or other circumstances that could delay the closing of the proposed transaction; the possibility of non-consummation of the proposed transaction and termination of the merger agreement; the failure to satisfy any of the conditions to the proposed transaction set forth in the merger agreement; the possibility that a governmental entity may prohibit the consummation of the proposed transaction or may delay or refuse to grant a necessary regulatory approval in connection with the proposed transaction, or that in order for the parties to obtain any such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the proposed transaction or cause the parties to abandon the proposed transaction; adverse effects on Parker's common stock because of the failure to complete the proposed transaction; Parker's business experiencing disruptions due to transaction-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 proposed transaction 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 proposed transaction.

Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR; 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.

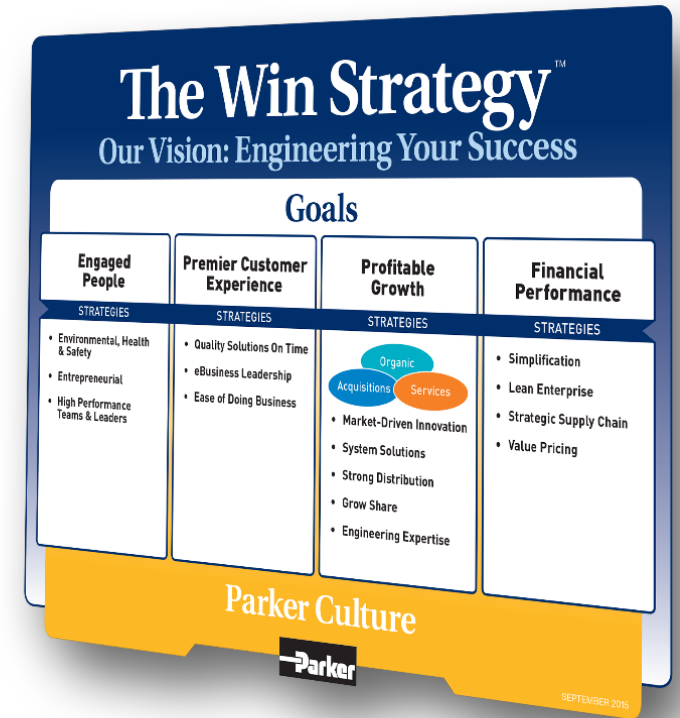
This presentation contains references to adjusted net sales, EBITDA and adjusted EBITDA. Adjusted net sales is defined as net sales with those sales attributable to portions of the business which are to be divested removed. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment, CLARCOR costs to achieve, net loss on sale and write-down of assets and non-recurring charges. Although adjusted net sales, EBITDA and adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the transaction proposed in this presentation. 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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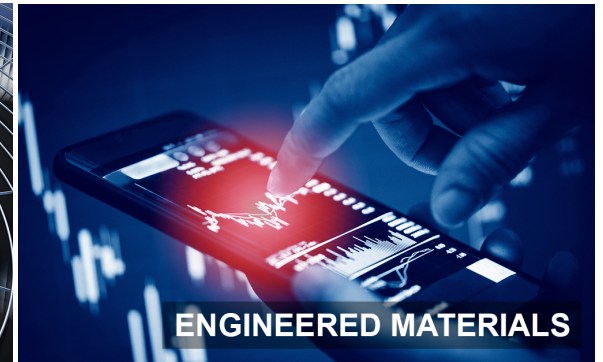
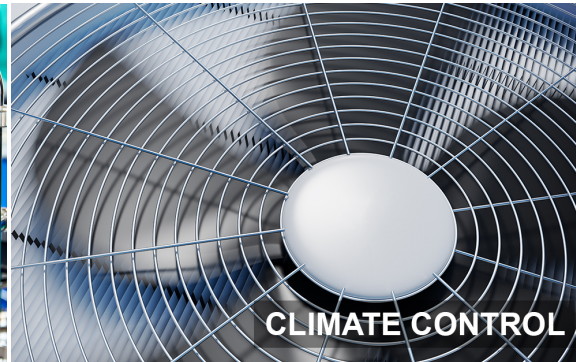
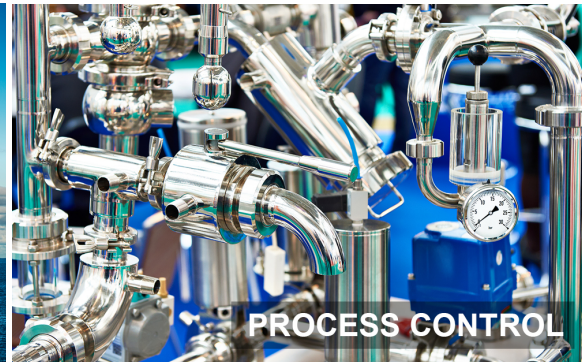


# Parker's Competitive Differentiators

- 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 and deployers of cash over the cycle



# Unmatched Breadth of Technologies

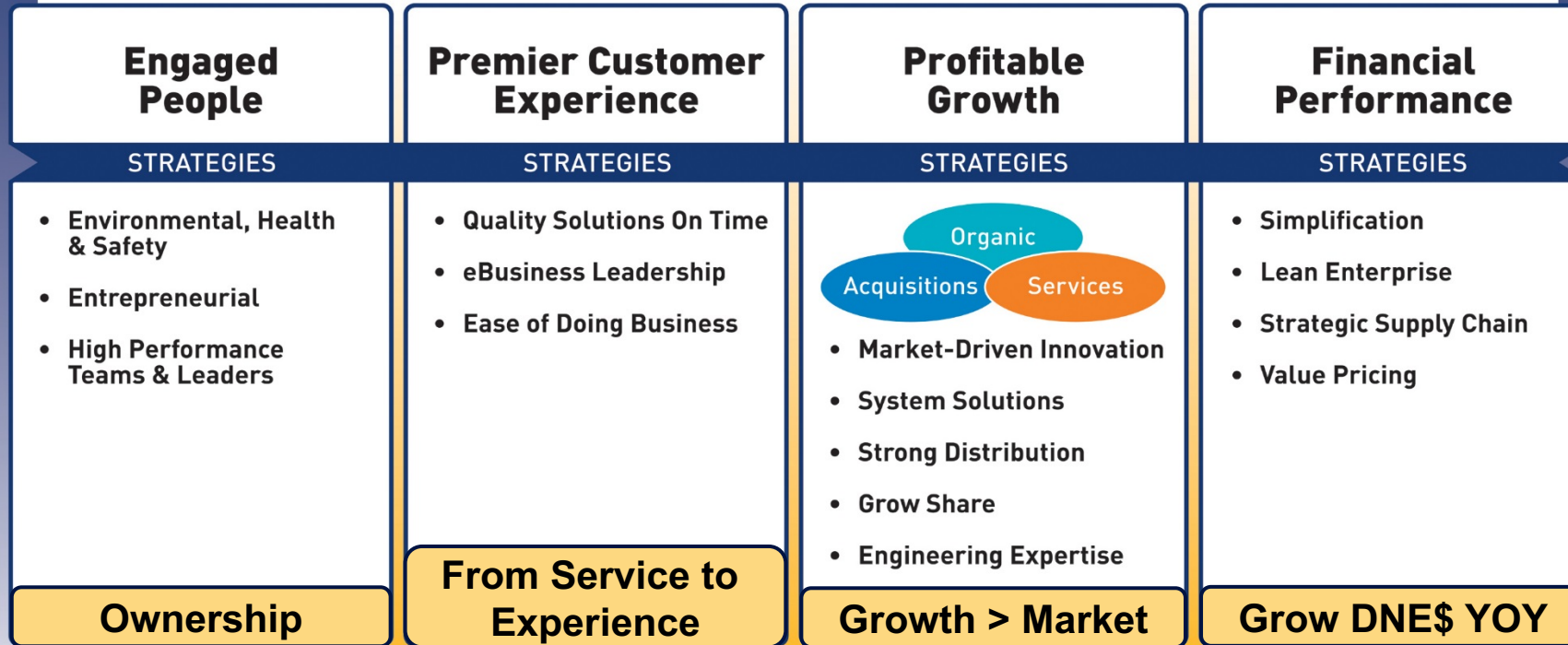




# The Win Strategy™

## Our Vision: Engineering Your Success

### Goals



Parker Culture



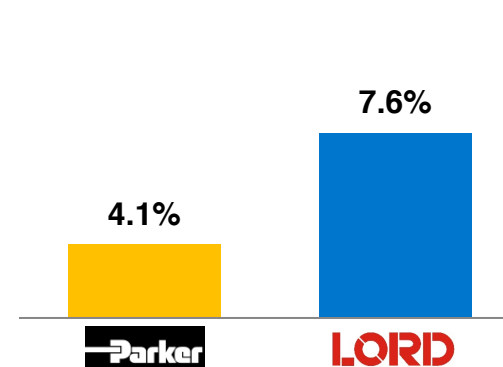
# LORD Corporation Introduction

## Leader in Materials Science and Vibration Control Technologies

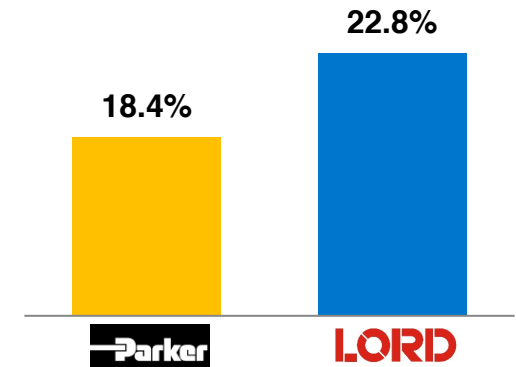
### Overview: ~\$1.1 Billion in Sales

- 95-year heritage and track record of growth and success in innovation
- Mission-critical products, including specialty adhesives and coatings, and vibration control technologies
- Top supplier to key OEMs for decades
- Deep active patent portfolio, plus significant trade secrets
- Top industry brands

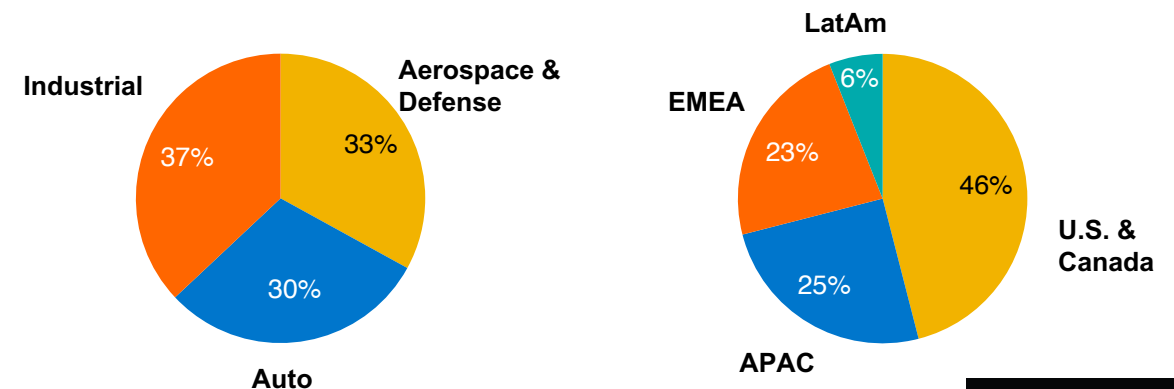
### 3 Year Sales CAGR



### Adjusted EBITDA Margin



### Sales by Market & Region



1. CY19 LORD forecast as of 3/31/19, sales adjusted for portion of business to be divested  
2. Parker financials pro forma for prior acquisitions for all years  
3. Parker FY19 Sales and adjusted EBITDA as of guidance given 1/31/19 and exclude FY19 business realignment charges, costs to achieve, and net loss on sale and write down of assets

# Compelling Strategic & Financial Benefits

**Strategic Portfolio Acquisition - Greatly Expands Engineered Materials Business**

**Complementary Products, Markets & Geographies - Aligned to Key Mega Trends**

**Culturally Aligned with Rich History of Innovation and Product Reliability**

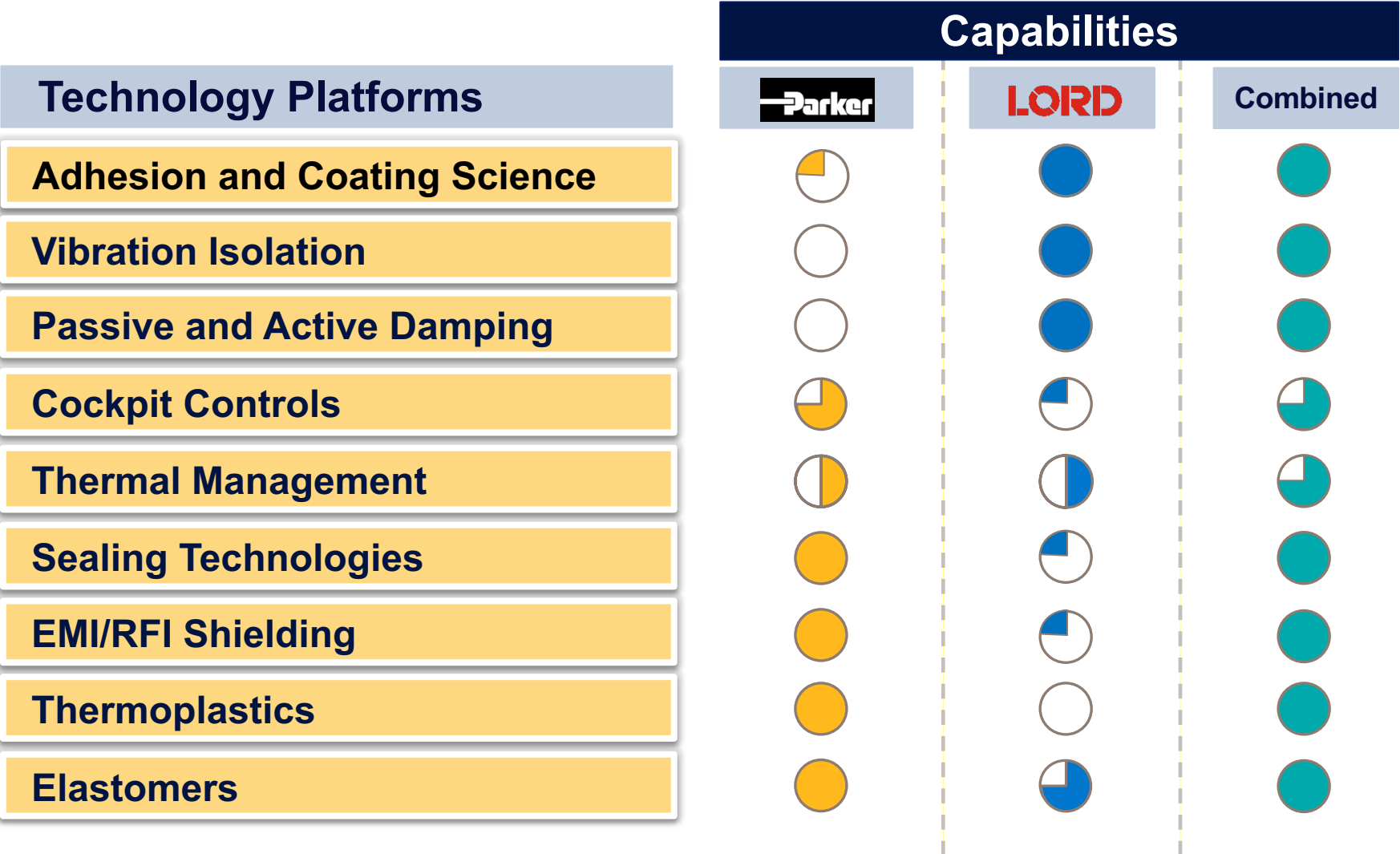
**Strong Global Brands and Longstanding Blue-Chip Customer Relationships**

**Strengthens Materials Science, Electrification, Lightweighting and Aerospace Offerings**

**Expected to be Accretive to Organic Growth, EBITDA Margin, Cash Flow & EPS<sup>1</sup>**

1: Excludes one-time costs and deal-related amortization

# Materials Science Technology Expansion



Note: Different but complementary product offerings in represented industries





# Key Messages

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- Record-setting performance in FY'18 and FY'19 YTD
- Parker's Competitive Differentiators
- Announced transformative LORD acquisition
- FY'23 5-year targets - Performance bars raised
- Capital allocation – Great generator and deployer of cash
- New Win Strategy™ is working...plenty of runway



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# Appendix

# GAAP to Non-GAAP Reconciliations

## Reconciliation of Net Sales to Adjusted Net Sales and EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in millions)	Fiscal Year Ended June 30, 2018 Parker Hannifin	Fiscal Year Ended December 31, 2018 LORD	Illustrative Combined (1)
<b>Net sales</b>	\$ 14,302	\$ 1,025	\$ 15,327
Portion of business to be divested	-	(16)	(16)
<b>Adjusted net sales</b>	\$ 14,302	\$ 1,009	\$ 15,311
Earnings before income taxes	\$ 1,702	\$ 154	\$ 1,856
Depreciation and amortization	466	36	502
Interest expense (2)	214	10	224
<b>EBITDA</b>	2,382	200	2,582
Business realignment charges	46	-	46
Clarcor costs to achieve	37	-	37
Net loss on sale and write-down of assets	32	-	32
Non-recurring charges (3)	-	23	23
<b>Adjusted EBITDA (without synergies)</b>	\$ 2,497	\$ 223	\$ 2,720
<b>Synergies (4)</b>	-	125	125
<b>Adjusted EBITDA (with synergies)</b>	\$ 2,497	\$ 348	\$ 2,845
Adjusted EBITDA margin (without synergies)	17.5%	22.1%	17.8%

(1) - Parker results for fiscal year ended June 30, 2018. LORD results for calendar year ended ended December 31, 2018. Combined for illustrative purposes only. Pro forma results in accordance with Article 11 of Regulation S-X would differ.

(2) - LORD results nets \$1 of interest income against interest expense.

(3) - LORD results adjusted for non-recurring charges including divestiture transaction expenses of \$6, business realignment charges of \$5, discretionary bonus costs of \$4 and other costs of \$8.

(4) - Synergies run-rate by Fiscal Year 2023.



# GAAP to Non-GAAP Reconciliations

## Reconciliation of Forecasted Net Sales to Adjusted Net Sales and EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in millions)	Forecasted Fiscal Year Ended June 30, 2019 Parker Hannifin	Forecasted Fiscal Year Ended December 31, 2019 LORD	Illustrative Combined (1)
<b>Forecasted net sales</b>	\$ 14,414	\$ 1,088	\$ 15,502
Portion of business to be divested	-	(18)	(18)
<b>Forecasted adjusted net sales</b>	\$ 14,414	\$ 1,070	\$ 15,484
Forecasted earnings before income taxes	\$ 1,951	\$ 188	\$ 2,139
Depreciation and amortization	487	36	523
Interest expense (2)	186	10	196
<b>Forecasted EBITDA</b>	2,624	234	2,858
Business realignment charges	19	-	19
Clarcor costs to achieve	16	-	16
Non-recurring charges	-	10	10
<b>Forecasted adjusted EBITDA (without synergies)</b>	\$ 2,659	\$ 244	\$ 2,903
<b>Synergies (3)</b>	-	125	125
<b>Forecasted adjusted EBITDA (with synergies)</b>	\$ 2,659	\$ 369	\$ 3,028
Forecasted EBITDA margin	18.2%	21.5%	18.4%
Forecasted adjusted EBITDA margin (without synergies)	18.4%	22.8%	18.7%

(1) - Parker expected results for fiscal year ended June 30, 2019 as of guidance provided January 31, 2019. LORD expected results for calendar year ended December 31, 2019 as of March 31, 2019. Combined for illustrative purposes only. Pro forma results in accordance with Article 11 of Regulation S-X would differ.

(2) - LORD results nets \$1 of interest income against interest expense.

(3) - Synergies run-rate by Fiscal Year 2023.

