

Parker Hannifin Corporation

Fiscal 2023 Third Quarter Earnings Presentation



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ENGINEERING YOUR SUCCESS.

May 4, 2023

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, adjusted 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. 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 Q3: Outstanding Performance

- Top quartile safety performance; 17% reduction in recordable incidents
- Record sales \$5.1B, an increase of 24% vs. prior year; organic growth 12%¹
- Strong performance driving full year guidance increase
- Increased the quarterly dividend 11%
- Meggitt integration and synergies ahead of schedule

The Win Strategy & Portfolio Changes Deliver Record Performance

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



Meggitt Integration & Synergies Ahead of Schedule

- Focusing on safety & engagement
- Key leaders & structure in place
- Win Strategy deployment underway
- Working capital opportunities
- Increasing FY23 synergies from \$60m to \$75m



Ansty Park, UK Lean Kaizen Event (Feb 2023)

Committed to \$300M of Cost Synergies by FY26



Parker Well Positioned for Long Cycle Aerospace Growth

- Significant content on premier commercial and military programs
- Long lifecycle programs with growing aftermarket annuity
- Aerospace market recovery continues
- Comprehensive offering provides a more compelling value proposition for customers
- Key electrification and low carbon technologies enabling sustainable aviation

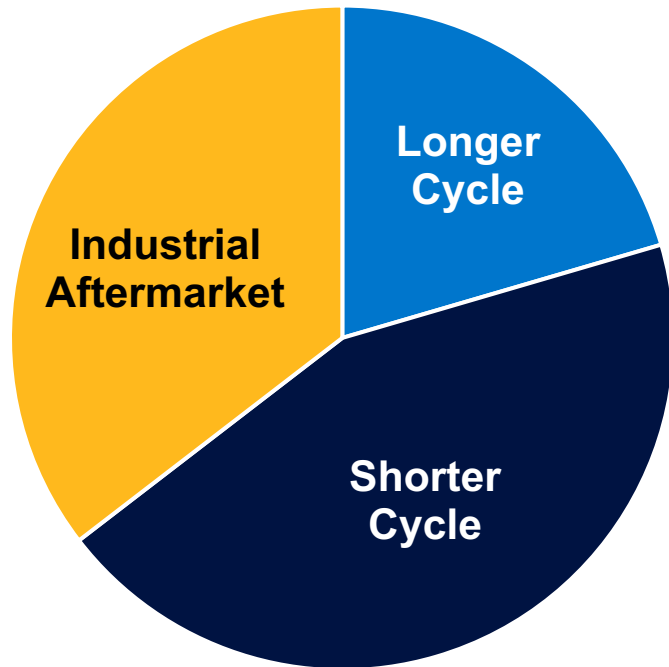
Aerospace & Defense Markets Now ~30% of Sales



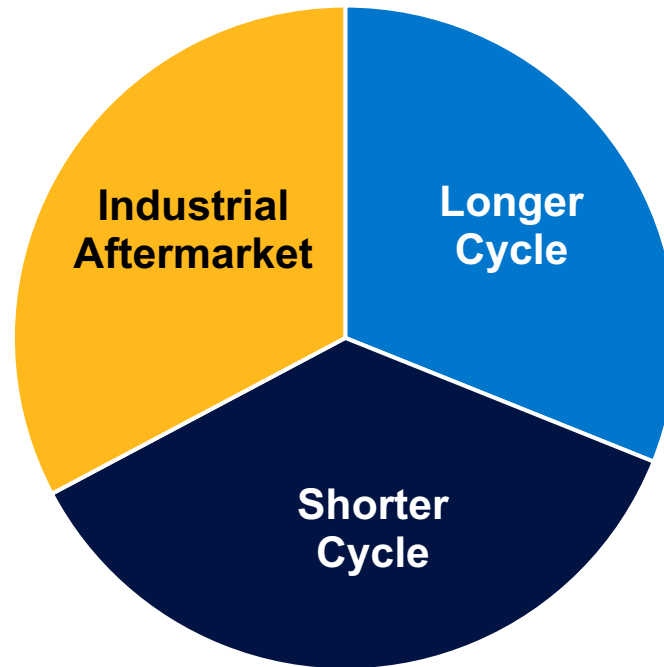
Expanding Longer Cycle and Secular Trend Exposure

Revenue Mix Reflects Transforming Portfolio

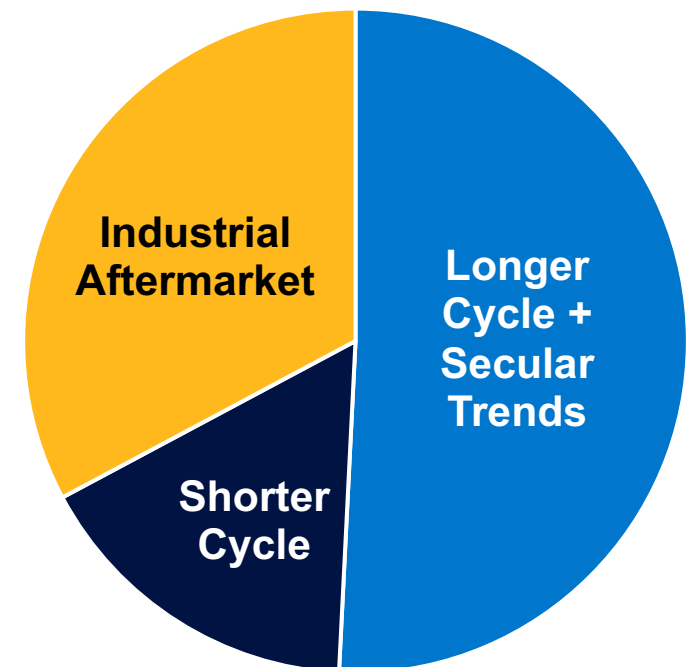
FY15



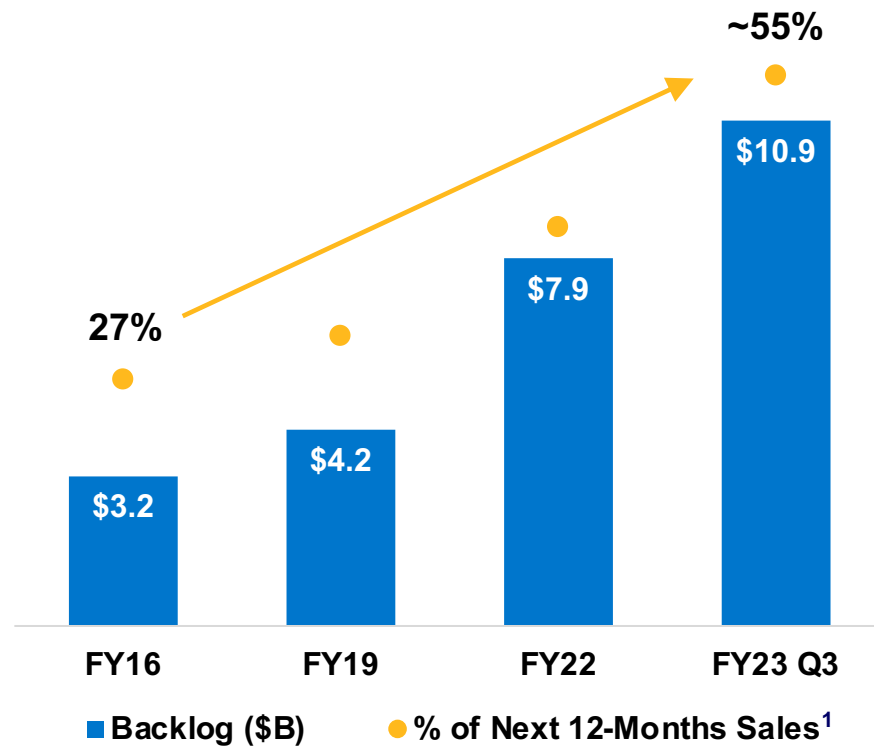
FY23E



FY27
Illustration



Portfolio Transformation Drives Record Backlog



- Q3 Backlog +3% sequentially
- ~3x increase in backlog dollars since FY16
- ~2x increase in backlog coverage since FY16
- Consistent growth over time

1. Backlog % of NTM sales is a ratio of ending backlog of the period divided by next 12-month sales. FY23 Q3 illustration based on backlog as of 3/31/23 divided by FY23 Q4 sales guidance midpoint annualized.

Built for the Present & Future

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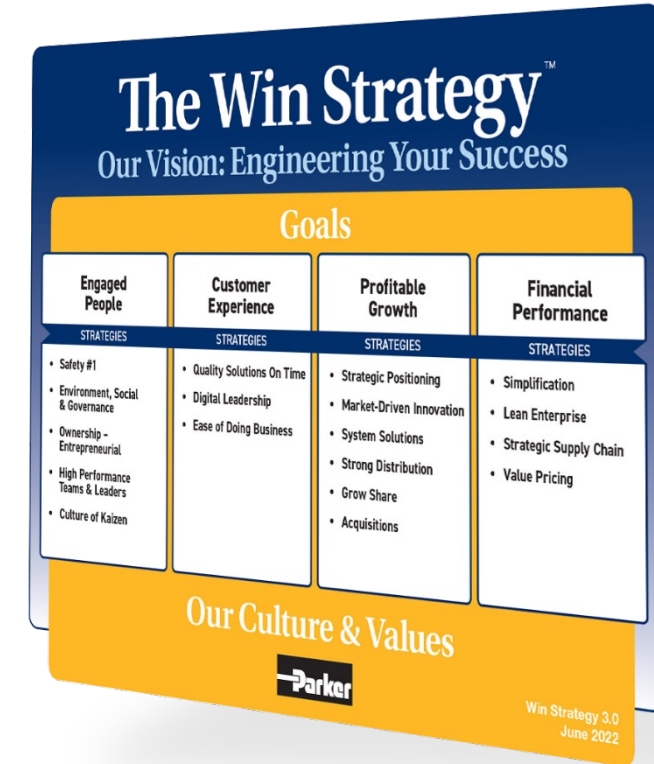
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Built to Perform

Present

- The Win Strategy™ 3.0
- Top quartile safety & engagement
- Lean, Kaizen, Supply Chain & Simplification
- ~ 30% Aerospace exposure
- Expanded international distribution 800 bps
- Innovation sales 2x previous decade
- New annual incentive plan



Better Top Line Resilience

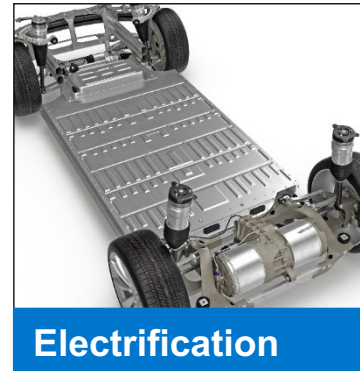


Significant Opportunities Ahead

Future

- Longer cycle & more resilient portfolio: ~85%
- Meggitt growth & synergies
- Win Strategy performance acceleration
- Supply Chain leadership
- Simple by Design™
- Zero Defects
- Mega capital projects & secular trends

Secular Trends



Drivers of Margin Expansion and Organic Growth

Summary of Fiscal 2023 3rd Quarter Highlights

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FY23 Q3 Financial Summary

\$ Millions, except per share amounts

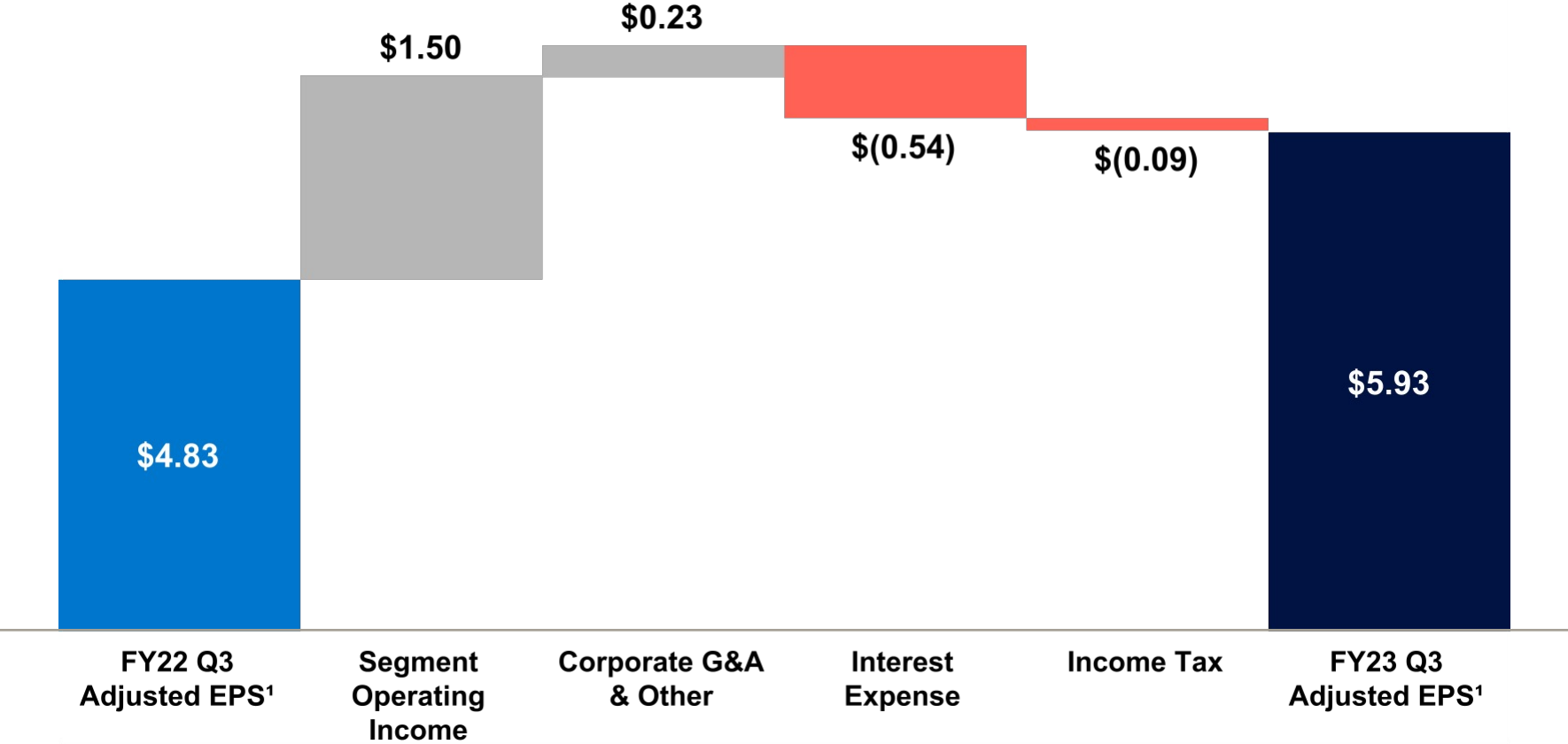
	FY23 Q3 As Reported	FY23 Q3 Adjusted ¹	FY22 Q3 Adjusted ¹	YoY Change Adjusted
Sales	\$5,062	\$5,062	\$4,086	+24%
Segment Operating Margin	18.8%	23.2%	22.7%	+50 bps
EBITDA Margin	22.4%	24.2%	22.6%	+160 bps
Net Income	\$591	\$772	\$630	+22%
EPS	\$4.54	\$5.93	\$4.83	+23%

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

Note: FY22 Q3 As Reported: Segment Operating Margin of 20.3%, EBITDA Margin of 15.7%, Net Income of \$348M, EPS of \$2.67.



FY23 Q3 Adjusted Earnings per Share Bridge



1. FY22 Q3 As Reported EPS of \$2.67. FY23 Q3 As Reported EPS of \$4.54. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



FY23 Q3 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	\$2,343M +11.7% Organic	20.9%	22.9% Flat YoY	(4%)	<ul style="list-style-type: none"> • Solid broad-based growth continues • Productivity improvement and volume • Legacy businesses continue to outperform
Diversified Industrial International	\$1,525M +10.0% Organic	21.6%	23.4% +70 bps YoY	(4%)	<ul style="list-style-type: none"> • Organic growth exceeded forecast: EMEA +11%, APAC +8.5% • Margin expansion on volume leverage, productivity and cost management
Aerospace Systems	\$1,195M +14.5% Organic	11.2% ³	23.5% +160 bps YoY	+25%	<ul style="list-style-type: none"> • Mid-20% commercial organic growth • Favorable MRO sales mix • Strong Meggitt performance & synergies
Parker	\$5,062M +11.5% Organic	18.8%	23.2% +50 bps YoY	+2%	<ul style="list-style-type: none"> • Record sales & adjusted segment margin • Double digit organic growth all segments • Excellent operating execution & legacy incrementals

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

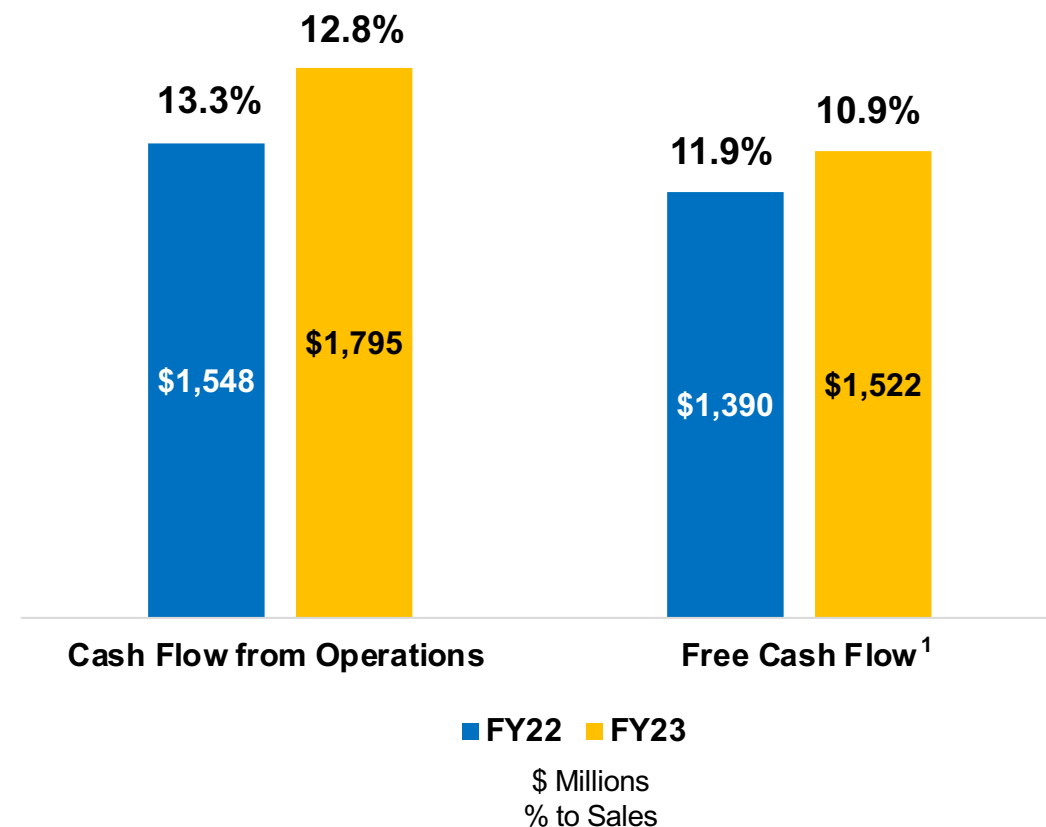
2. Diversified Industrial orders are on a 3-month average computation and Aerospace Systems are rolling 12-month average computations. Beginning Q3 FY23 orders include acquisitions and exclude divestitures and currency.

3. Aerospace as reported segment operating margin includes one-time purchase accounting related adjustments. See Appendix for additional details and reconciliations.



FY23 Q3 YTD Cash Flow Performance

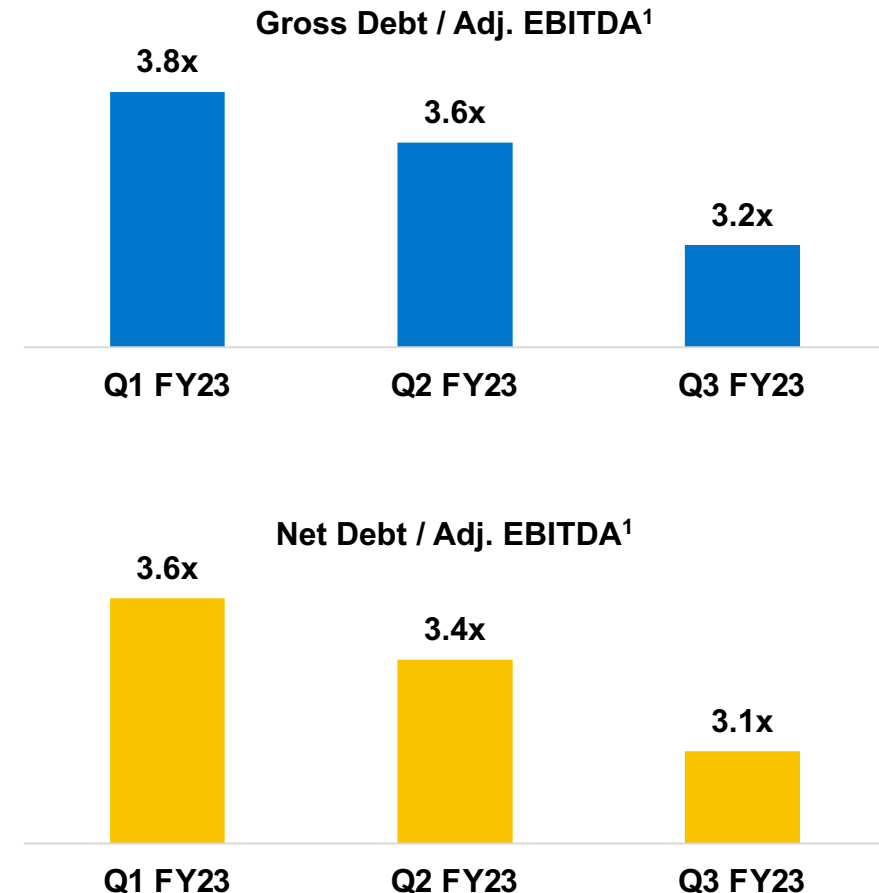
- Cash Flow from Operations of 12.8%
 - An increase of 16% YoY
- Free Cash Flow of 10.9%¹
 - Capex of 2.0% of sales
- Transaction expenses:
 - A use of cash of ~1.5% of sales
- Free Cash Flow Conversion of 111%¹



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

Capital Deployment & Leverage Highlights

- 11% quarterly dividend increase:
 - \$1.48 declared on April 27, 2023
 - **67** fiscal years of increasing annual dividends per share paid
- Leverage at FY23 Q3:
 - \$615M debt reduction during Q3
 - 3.2x Gross Debt / Adjusted EBITDA¹
 - 3.1x Net Debt / Adjusted EBITDA¹
 - Targeting 2.0x leverage during FY25



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

FY23 Adjusted Guidance Increased

EPS Midpoint: \$14.90 As Reported, \$20.75 Adjusted

	FY23 Q4	FY23
Reported Sales Growth	~18%	~19%
Organic Sales Growth ¹	~4%	~10%
Adjusted Segment Operating Margin ¹	~22.6%	~22.5%
Adjusted EPS ¹	\$5.32 (\$5.17 - \$5.47)	\$20.75 (\$20.60 - \$20.90)

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



Parker's Promising Future

- Highly engaged global team living up to our purpose
- Continue performance acceleration from The Win Strategy™ 3.0
- Strategic portfolio transformation - longer cycle & more resilient
- Committed to FY27 Targets
- Continue to be great generators and deployers of cash

Focused on Top Quartile Performance





Upcoming Event Calendar

4Q FY23 Earnings Release	August 3, 2023
Annual Meeting of Shareholders	October 25, 2023
1Q FY24 Earnings Release	November 2, 2023

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Appendix

- FY23 Guidance Details
- Reconciliation of Organic Growth
- Adjusted Amounts Reconciliation – Consolidated
- Adjusted Amounts Reconciliation – Business Segment
- 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

FY23 Adjusted Guidance Increased

EPS Midpoint: \$14.90 As Reported, \$20.75 Adjusted

Sales Growth vs. Prior Year	Reported	Organic ¹
Diversified Industrial North America	~15%	~11%
Diversified Industrial International	~3%	~9%
Aerospace Systems	~69%	~9%
Parker	~19%	~10%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	~20.5%	~22.6%
Diversified Industrial International	~21.3%	~22.9%
Aerospace Systems	~9.5%	~21.7%
Parker	~18.3%	~22.5%

Earnings Per Share	As Reported	Adjusted ¹
Range	\$14.75 - \$15.05	\$20.60 - \$20.90

Additional Items	As Reported	Adjusted ¹
Corporate G&A	\$198M	\$198M
Interest Expense	\$568M	
Other Expense	\$174M	(\$18M)
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	~\$30M	—
Integration Costs to Achieve	~\$90M	—
Net Gain on Divestitures	—	(\$362M)
Meggitt Acquisition Related Expenses	\$168M	\$164M
Meggitt Deal Contingent Forward Contracts	—	\$390M

1. Adjusted numbers include certain non-GAAP financial measures.

Reconciliation of Organic Growth

(Dollars in thousands)
(Unaudited)

	Quarter-to-Date					
	As Reported	Currency	Divestitures	Acquisitions	Adjusted	As Reported
	March 31, 2023				March 31, 2023	March 31, 2022
Net Sales						
Diversified Industrial:						
North America	\$ 2,342,590	\$ (590)	\$ -	\$ (92,415)	\$ 2,249,585	\$ 2,014,715
<u>International</u>						
Europe	880,962	51,074	-	(34,205)	897,831	807,298
Asia Pacific	567,954	42,315	-	(3,993)	606,276	558,823
Latin America	75,599	3,181	-	-	78,780	73,236
International	1,524,515	96,570	-	(38,198)	1,582,887	1,439,357
Total Diversified Industrial	3,867,105	95,980	-	(130,613)	3,832,472	3,454,072
Aerospace Systems	1,194,560	783	21,995	(493,584)	723,754	632,315
Total Parker Hannifin	\$ 5,061,665	\$ 96,763	\$ 21,995	\$ (624,197)	\$ 4,556,226	\$ 4,086,387
	As reported	Currency	Divestitures	Acquisitions	Organic	
Diversified Industrial:						
North America	16.3 %	0.0 %	0.0 %	4.6 %	11.7 %	
<u>International</u>						
Europe	9.1 %	(6.3)%	0.0 %	4.2 %	11.2 %	
Asia Pacific	1.6 %	(7.6)%	0.0 %	0.7 %	8.5 %	
Latin America	3.2 %	(4.4)%	0.0 %	0.0 %	7.6 %	
International	5.9 %	(6.8)%	0.0 %	2.7 %	10.0 %	
Total Diversified Industrial	12.0 %	(2.8)%	0.0 %	3.8 %	11.0 %	
Aerospace Systems	88.9 %	(0.2)%	(3.5)%	78.1 %	14.5 %	
Total Parker Hannifin	23.9 %	(2.4)%	(0.5)%	15.3 %	11.5 %	



Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)
(Unaudited)

Quarter-to-Date FY 2023										
	As Reported March 31, 2023	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Meggitt Costs to Achieve	Acquisition Related Expenses	Amortization of Inventory Step-Up to FV	Net Loss on Divestitures	Adjusted March 31, 2023	% of Sales
Net sales	\$ 5,061,665	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,061,665	100.0 %
Cost of sales	3,340,764	66.0 %	15,345	5,033	3,575	-	37,642	-	3,279,169	64.8 %
Selling, general and admin. expenses	868,393	17.2 %	129,802	3,208	27,669	1,299	-	-	706,415	14.0 %
Interest expense	151,993	3.0 %	-	-	-	-	-	-	151,993	3.0 %
Other (income) expense, net	(55,866)	(1.1)%	-	-	-	-	-	10,927	(66,793)	(1.3)%
Income before income taxes	756,381	14.9 %	(145,147)	(8,241)	(31,244)	(1,299)	(37,642)	(10,927)	990,881	19.6 %
Income taxes	165,421	3.3 %	34,980	1,986	7,530	313	9,072	(361)	218,941	4.3 %
Net income	590,960	11.7 %	(110,167)	(6,255)	(23,714)	(986)	(28,570)	(11,288)	771,940	15.3 %
Less: Noncontrolling interests	71	0.0 %	-	-	-	-	-	-	71	0.0 %
Net income - common shareholders	\$ 590,889	11.7 %	\$ (110,167)	\$ (6,255)	\$ (23,714)	\$ (986)	\$ (28,570)	\$ (11,288)	\$ 771,869	15.2 %
Diluted earnings per share	\$ 4.54		\$ (0.84)	\$ (0.05)	\$ (0.18)	\$ (0.01)	\$ (0.22)	\$ (0.09)	\$ 5.93	



Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)
(Unaudited)

	Quarter-to-Date FY 2022									
	As Reported March 31, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Acquisition Related Expenses	Loss on Deal-Contingent Forward Contracts	Russia Liquidation	Adjusted March 31, 2022	% of Sales
Net sales	\$ 4,086,387	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,086,387	100.0 %
Cost of sales*	2,709,407	66.3 %	15,429	1,178	42	-	-	9,493	2,683,265	65.7 %
Selling, general and admin. expenses*	640,498	15.7 %	63,436	1,911	891	11,657	-	2,847	559,756	13.7 %
Interest expense	63,272	1.5 %	-	-	-	-	-	-	63,272	1.5 %
Other (income) expense, net*	239,221	5.9 %	-	63	-	1,067	246,983	7,717	(16,609)	(0.4)%
Income before income taxes	433,989	10.6 %	(78,865)	(3,152)	(933)	(12,724)	(246,983)	(20,057)	796,703	19.5 %
Income taxes	85,901	2.1 %	18,060	722	214	2,913	56,559	2,089	166,458	4.1 %
Net income	348,088	8.5 %	(60,805)	(2,430)	(719)	(9,811)	(190,424)	(17,968)	630,245	15.4 %
Less: Noncontrolling interests	71	0.0 %	-	-	-	-	-	-	71	0.0 %
Net income - common shareholders	\$ 348,017	8.5 %	\$ (60,805)	\$ (2,430)	\$ (719)	\$ (9,811)	\$ (190,424)	\$ (17,968)	\$ 630,174	15.4 %
Diluted earnings per share	\$ 2.67		\$ (0.47)	\$ (0.02)	\$ (0.01)	\$ (0.07)	\$ (1.46)	\$ (0.13)	\$ 4.83	

*Prior period amounts have been recast to reflect the income statement reclassification.



Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

Quarter-to-Date FY 2023										
	As Reported March 31, 2023	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Meggitt Costs to Achieve	Acquisition Related Expenses	Amortization of Inventory Step-Up to FV	Net Loss on Divestitures	Adjusted March 31, 2023	% of Sales ²
Diversified Industrial:										
North America ¹	\$ 489,349	20.9%	\$ 44,184	\$ 761	\$ 2,442	\$ -	\$ -	\$ -	\$ 536,736	22.9%
International ¹	329,498	21.6%	17,266	7,314	2,953	-	-	-	357,031	23.4%
Total Diversified Industrial ¹	818,847	21.2%	61,450	8,075	5,395	-	-	-	893,767	23.1%
Aerospace Systems ¹	133,905	11.2%	83,697	166	25,849	-	37,642	-	281,259	23.5%
Total segment operating income	952,752	18.8%	(145,147)	(8,241)	(31,244)	-	(37,642)	-	1,175,026	23.2%
Corporate administration	45,780	0.9%	-	-	-	-	-	-	45,780	0.9%
Income before interest and other	906,972	17.9%	(145,147)	(8,241)	(31,244)	-	(37,642)	-	1,129,246	22.3%
Interest expense	151,993	3.0%	-	-	-	-	-	-	151,993	3.0%
Other (income) expense	(1,402)	0.0%	-	-	-	1,299	-	10,927	(13,628)	-0.3%
Income before income taxes	\$ 756,381	14.9%	\$ (145,147)	\$ (8,241)	\$ (31,244)	\$ (1,299)	\$ (37,642)	\$ (10,927)	\$ 990,881	19.6%

1. Segment operating income as a percent of sales is calculated on segment sales.
2. Adjusted amounts as a percent of sales are calculated on as reported sales.



Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

		Quarter-to-Date FY 2022								
	As Reported March 31, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Acquisition Related Expenses	Loss on Deal-Contingent Forward Contracts	Russia Liquidation	Adjusted March 31, 2022	% of Sales ²
Diversified Industrial:										
North America ¹	\$ 413,998	20.5%	\$ 47,408	\$ 355	\$ 297	\$ -	\$ -	\$ -	\$ 462,058	22.9%
International ¹	298,475	20.7%	18,704	2,416	636	-	-	6,257	326,488	22.7%
Total Diversified Industrial ¹	712,473	20.6%	66,112	2,771	933	-	-	6,257	788,546	22.8%
Aerospace Systems ¹	119,016	18.8%	12,753	318	-	-	-	6,570	138,657	21.9%
Total segment operating income	831,489	20.3%	(78,865)	(3,089)	(933)	-	-	(12,827)	927,203	22.7%
Corporate administration	57,405	1.4%	-	-	-	-	-	-	57,405	1.4%
Income before interest and other	774,084	18.9%	(78,865)	(3,089)	(933)	-	-	(12,827)	869,798	21.3%
Interest expense	63,272	1.5%	-	-	-	-	-	-	63,272	1.5%
Other (income) expense	276,823	6.8%	-	63	-	12,724	246,983	7,230	9,823	0.2%
Income before income taxes	\$ 433,989	10.6%	\$ (78,865)	\$ (3,152)	\$ (933)	\$ (12,724)	\$ (246,983)	\$ (20,057)	\$ 796,703	19.5%

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

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



Reconciliation of EBITDA to Adjusted EBITDA

(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,			
	2023	% of Sales	2022	% of Sales
Net sales	\$ 5,061,665	100.0%	\$ 4,086,387	100.0%
Net income	\$ 590,960	11.7%	\$ 348,088	8.5%
Income taxes	165,421	3.3%	85,901	2.1%
Depreciation	80,194	1.6%	63,832	1.6%
Amortization	145,147	2.9%	78,865	1.9%
Interest expense	151,993	3.0%	63,272	1.5%
EBITDA	1,133,715	22.4%	639,958	15.7%
Adjustments:				
Business realignment charges	8,241	0.2%	3,152	0.1%
Meggitt costs to achieve	31,244	0.6%	-	0.0%
Lord costs to achieve	-	0.0%	933	0.0%
Acquisition-related expenses	1,299	0.0%	12,724	0.3%
Loss on deal-contingent forward contracts	-	0.0%	246,983	6.0%
Amortization of inventory step-up to FV	37,642	0.7%	-	0.0%
Net loss on divestitures	10,927	0.2%	-	0.0%
Russia Liquidation	-	0.0%	20,057	0.5%
EBITDA - Adjusted	\$ 1,223,068	24.2%	\$ 923,807	22.6%
EBITDA margin	22.4 %		15.7 %	
EBITDA margin - Adjusted	24.2 %		22.6 %	



Reconciliation of Gross and Net Debt / Adjusted EBITDA

(Unaudited)

(Dollars in thousands)

	March 31, 2023
Notes payable and long-term debt payable within one year	\$ 1,992,919
Long-term debt	11,412,304
Add: Deferred debt issuance costs	79,018
Total gross debt	<u>\$ 13,484,241</u>
Cash and cash equivalents	\$ 534,831
Marketable securities and other investments	23,466
Total cash	<u>\$ 558,297</u>
Net debt (Gross debt less total cash)	<u>\$ 12,925,944</u>
TTM Net Sales	\$ 18,157,083
Net income	\$ 1,503,364
Income tax	391,273
Depreciation	297,018
Amortization	451,490
Interest Expense	487,988
TTM EBITDA	<u>\$ 3,131,133</u>
Adjustments:	
Business realignment charges	22,426
Costs to achieve	78,477
Acquisition-related costs	175,202
Loss on deal-contingent forward contracts	1,009,053
Gain on Aircraft Wheel & Brake divestiture	(372,930)
Amortization of inventory step-up to FV	167,973
Net loss on divestitures	10,927
TTM Adjusted EBITDA	<u>\$ 4,222,261</u>
Gross Debt/TTM Adjusted EBITDA	3.2
Net Debt/TTM Adjusted EBITDA	3.1



Reconciliation of Gross and Net Debt / Adjusted EBITDA

(Unaudited)
(Dollars in thousands)

	<u>December 31, 2022</u>
Notes payable and long-term debt payable within one year	\$ 1,994,333
Long-term debt	12,025,860
Add: Deferred debt issuance costs	83,758
Total gross debt	<u>\$ 14,103,951</u>
Cash and cash equivalents	\$ 756,055
Marketable securities and other investments	21,611
Total cash	<u>\$ 777,666</u>
Net debt (Gross debt less total cash)	<u><u>\$ 13,326,285</u></u>
TTM Net Sales	\$ 17,181,805
Net income	\$ 1,260,492
Income tax	311,753
Depreciation	280,656
Amortization	385,208
Interest Expense	399,267
TTM EBITDA	<u>\$ 2,637,376</u>
Adjustments:	
Business realignment charges	17,337
Costs to achieve	48,166
Acquisition-related costs	186,627
Loss on deal-contingent forward contracts	1,256,036
Gain on Aircraft Wheel & Brake divestiture	(372,930)
Amortization of inventory step-up to FV	130,331
Russia liquidation	20,057
TTM Adjusted EBITDA	<u><u>\$ 3,923,000</u></u>
Gross Debt/TTM Adjusted EBITDA	3.6
Net Debt/TTM Adjusted EBITDA	3.4



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><u>\$ 13,530,100</u></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><u>\$ 3,745,593</u></u>
Gross Debt/TTM Adjusted EBITDA	3.8
Net Debt/TTM Adjusted EBITDA	3.6



Reconciliation of Free Cash Flow Conversion

(Unaudited)	Nine Months Ended
(Dollars in thousands)	March 31, 2023
Net Income	\$ 1,374,458
Cash Flow from Operations	\$ 1,794,894
Capital Expenditures	(272,603)
Free Cash Flow	\$ 1,522,291
Free Cash Flow Conversion (Free Cash Flow / Net Income)	111%

(Unaudited)	Nine Months Ended
(Dollars in thousands)	March 31, 2022
Net Income	\$ 1,187,280
Cash Flow from Operations	\$ 1,548,438
Capital Expenditures	(158,864)
Free Cash Flow	\$ 1,389,574
Free Cash Flow Conversion (Free Cash Flow / Net Income)	117%



Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended March 31,	
	2023	2022
Net sales		
Diversified Industrial:		
Motion Systems	\$ 1,017,974	\$ 895,839
Flow and Process Control	1,298,204	1,197,590
Filtration and Engineered Materials	1,550,927	1,360,643
Aerospace Systems	1,194,560	632,315
Total	\$ 5,061,665	\$ 4,086,387

Reconciliation of EPS

Q4 Fiscal Year 2023 Guidance

(Unaudited)	
(Amounts in dollars)	
	Q4 Fiscal Year 2023
Forecasted earnings per diluted share	\$4.18 to \$4.48
Adjustments:	
Business realignment charges	0.08
Costs to achieve	0.10
Acquisition-related intangible asset amortization expense	1.12
Tax effect of adjustments ¹	(0.31)
Adjusted forecasted earnings per diluted share	\$5.17 to \$5.47

1. 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.



Reconciliation of EPS

Fiscal Year 2023 Guidance

(Unaudited)	
(Amounts in dollars)	
Forecasted earnings per diluted share	Fiscal Year 2023
	\$14.75 to \$15.05
Adjustments:	
Business realignment charges	0.23
Costs to achieve	0.69
Acquisition-related intangible asset amortization expense	4.00
Acquisition-related expenses	2.55
Loss on deal-contingent forward contracts	3.00
Net gain on divestitures	(2.78)
Tax effect of adjustments ¹	(1.84)
Adjusted forecasted earnings per diluted share	\$20.60 to \$20.90

1. 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.

