

Parker Hannifin Corporation

**1st Quarter Fiscal Year 2020
Earnings Release**



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ENGINEERING YOUR SUCCESS.

October 31, 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 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.

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, 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 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 non-GAAP financial information for Parker, including organic sales for Parker and by segment, adjusted cash flow from operating activities, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, 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, and acquisition related expenses. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted cash flow from operating activities, 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. The presentation also references non-GAAP financial information related to Parker's acquisitions of LORD Corporation and Exotic Metals, including adjusted operating income and earnings per share. 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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Agenda

- **Chairman & CEO Comments**

- **Results & Outlook**

- **Questions & Answers**

Highlights of Quarter Results

Summary of fiscal 2020 first quarter

- Safety: 25% reduction in recordable incidents; Top Quartile safety incident rate
- Strong Q1 margins and operating cashflow; sales reflect challenging macro conditions
- EBITDA margin increased to 18.4% as reported and 19.1% adjusted
- Cash flow from operations 13.5%, a Q1 record at \$449 million; 12.0% FCF, and 118% FCF conversion

Exciting Recent Announcements

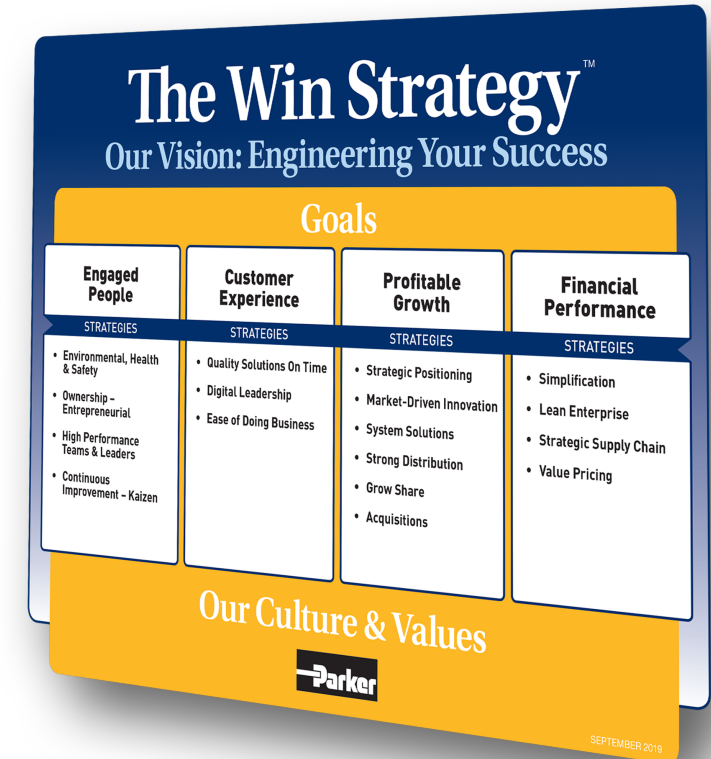
- Launched The Win Strategy™ 3.0 and Purpose Statement
- Closed both LORD Corporation and Exotic Metals Forming acquisitions

Outlook

- Revising guidance: weakened order entry from macro conditions and trade uncertainties
- Business realignment expenses increased to \$40 million
- Expect continued strong cash flow from operations
- Future outlook remains very positive

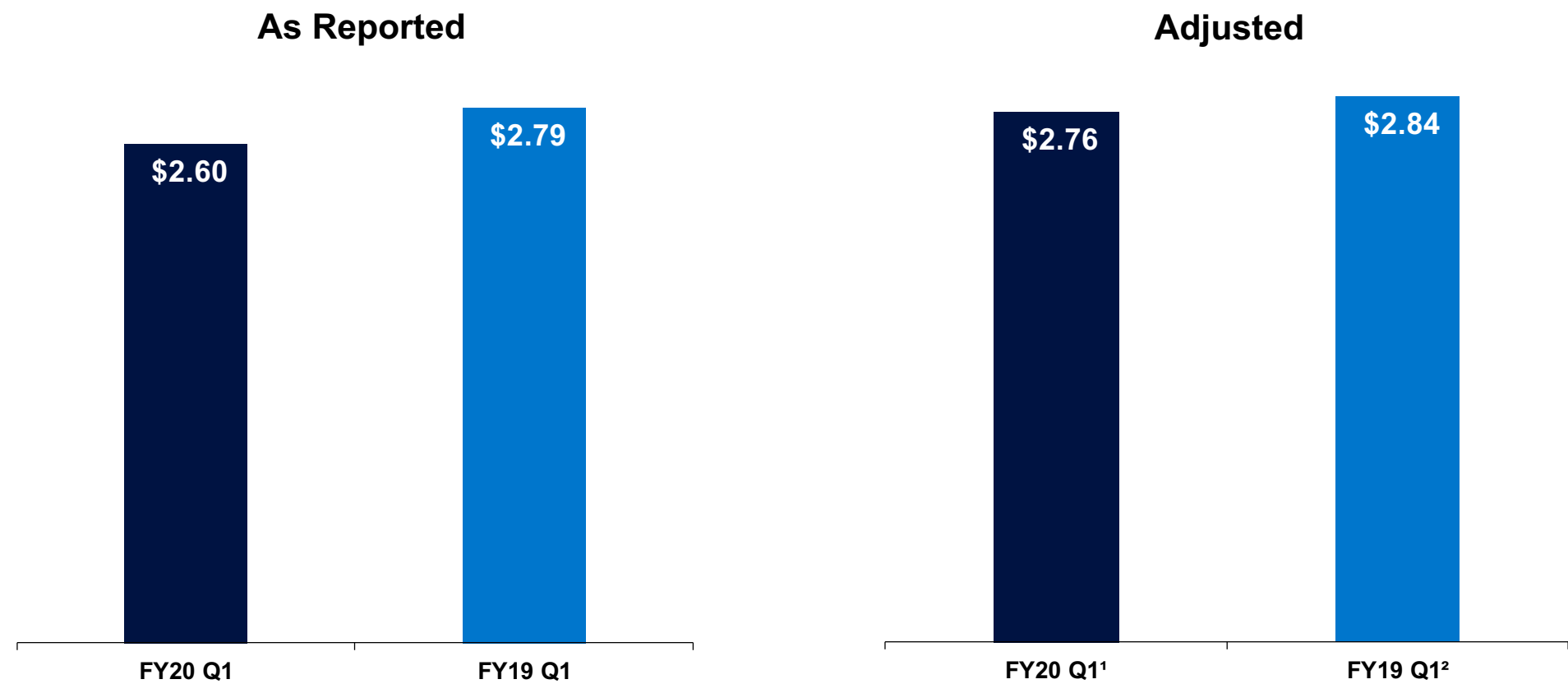
Parker's Competitive Differentiators

- 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



Diluted Earnings per Share

1st Quarter FY2020 vs. FY2019



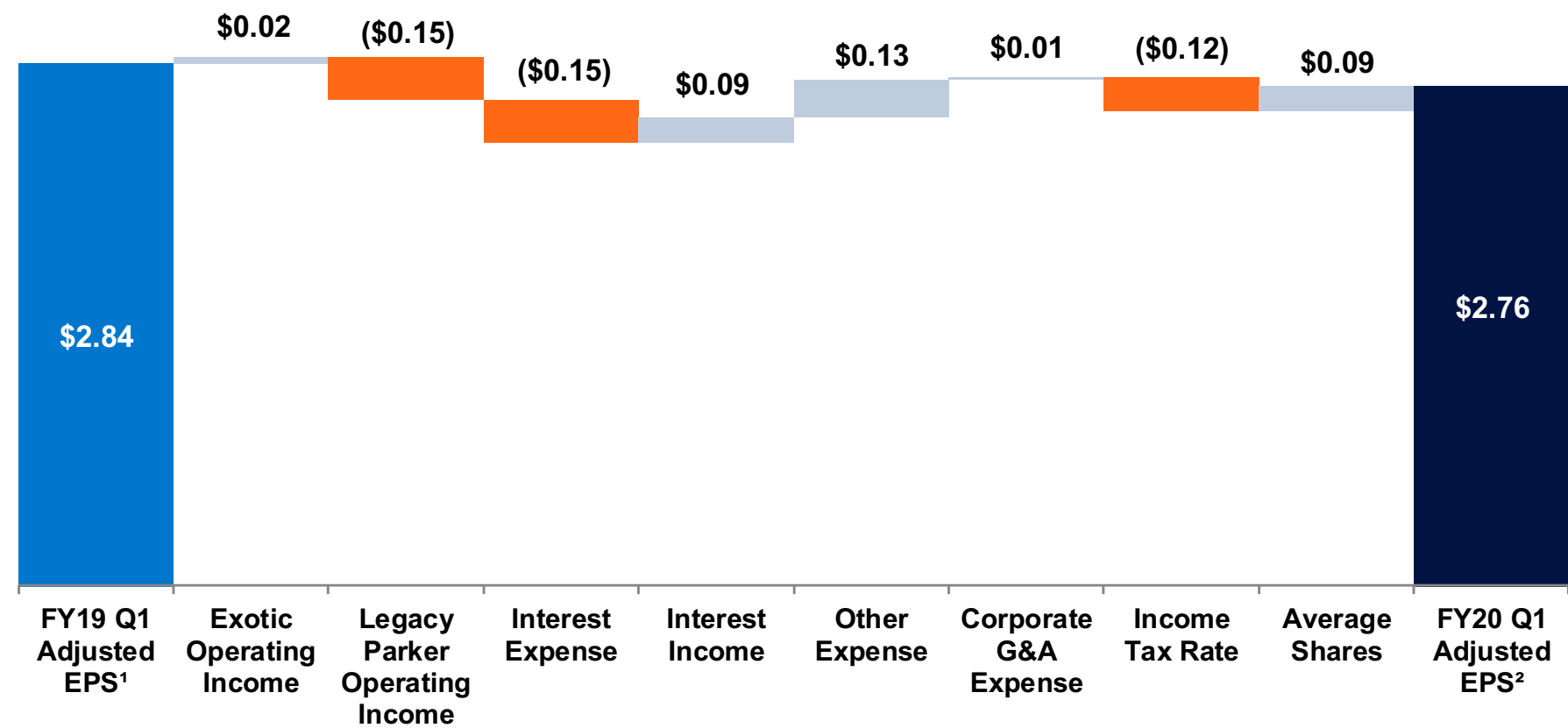
1 Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses and the tax effect of such adjustments

2 Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments



Influences on Adjusted Earnings per Share

1st Quarter FY2020 vs. FY2019



1 Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments

2 Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



Sales & Segment Operating Margin

Total Parker

\$ in millions	1st Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 3,335	(4.2)%	\$ 3,479	
Acquisitions ¹	21	0.6 %		
Currency	(51)	(1.5)%		
Organic Sales	\$ 3,365	(3.3)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 567	17.0 %	\$ 591	17.0 %
Business Realignment	5		3	
Integration Costs to Achieve ²	4		6	
Acquisition Related Expenses ³	2		-	
Adjusted	\$ 578	17.3 %	\$ 600	17.2 %

FY2020 Q1 Acquisitions Impact on Segment Margins

As Reported	FY19 Q1	FY20 Q1		
\$M	Total Parker	Total Parker	Exotic	Legacy Parker
Sales	\$3,479	\$3,335	\$21	\$3,313
Operating Income	\$591	\$567	\$0.2	\$567
Operating Margin	17.0%	17.0%	1.1%	17.1%

Adjusted*	FY19 Q1	FY20 Q1		
\$M	Total Parker	Total Parker	Exotic	Legacy Parker
Sales	\$3,479	\$3,335	\$21	\$3,313
Operating Income	\$600	\$578	\$3.3	\$575
Operating Margin	17.2%	17.3%	15.7%	17.3%

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	1st Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,625	(3.4)%	\$ 1,681	
Acquisitions	-	- %		
Currency	(3)	(0.2)%		
Organic Sales	\$ 1,628	(3.2)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 275	16.9 %	\$ 275	16.4 %
Business Realignment	3		1	
Integration Costs to Achieve ¹	3		4	
Adjusted	\$ 281	17.3 %	\$ 280	16.6 %

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	1st Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 1,079	(12.6)%	\$ 1,234	
Acquisitions	-	- %		
Currency	(48)	(3.9)%		
Organic Sales	\$ 1,127	(8.7)%		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 169	15.6 %	\$ 206	16.7 %
Business Realignment	2		2	
Integration Costs to Achieve ¹	0		2	
Adjusted	\$ 171	15.9 %	\$ 210	17.0 %

Sales & Segment Operating Margin

Aerospace Systems

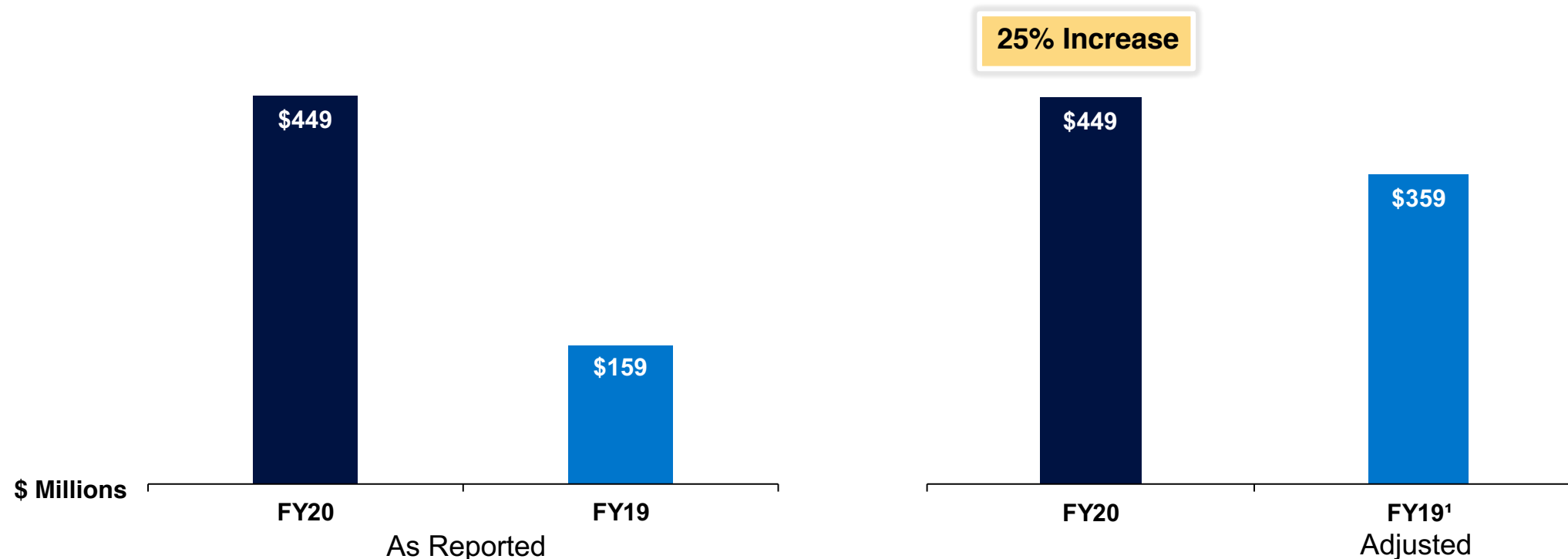
\$ in millions	1st Quarter			
	FY2020	% Change	FY2019	
Sales				
As Reported	\$ 631	11.8 %	\$ 564	
Acquisitions ¹	21	3.7 %		
Currency	(1)	(0.1)%		
Organic Sales	\$ 611	8.2 %		
	FY2020	% of Sales	FY2019	% of Sales
Segment Operating Margin				
As Reported	\$ 123	19.5 %	\$ 110	19.5 %
Business Realignment	(0)		-	
Integration Costs to Achieve ¹	1		-	
Acquisition Related Expenses ¹	2		-	
Adjusted	\$ 126	20.0 %	\$ 110	19.5 %

Cash Flow from Operating Activities

YTD FY2020 vs. FY2019

18

Consecutive
years with 10%+
CFOA margins¹



	YTD			
	FY 2020	% of Sales	FY 2019	% of Sales
As Reported Cash Flow From Operating Activities	\$ 449	13.5%	\$ 159	4.6%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 449	13.5%	\$ 359	10.3%

1: Adjusted for Discretionary Pension Plan Contributions



Order Rates

	Sep 2019	Jun 2019	Sep 2018	Jun 2018
Total Parker	(2)%	(3)%	5 %	8 %
Diversified Industrial North America	(6)%	(4)%	8 %	9 %
Diversified Industrial International	(10)%	(8)%	3 %	5 %
Aerospace Systems	22 %	10 %	3 %	10 %

Excludes Acquisitions, Divestitures & Currency
 3-month year-over-year comparisons of total dollars, except Aerospace Systems
 Aerospace Systems is calculated using a 12-month rolling average

FY2020 Guidance Including Acquisitions

EPS Midpoint: \$8.93 As Reported, \$10.50 Adjusted

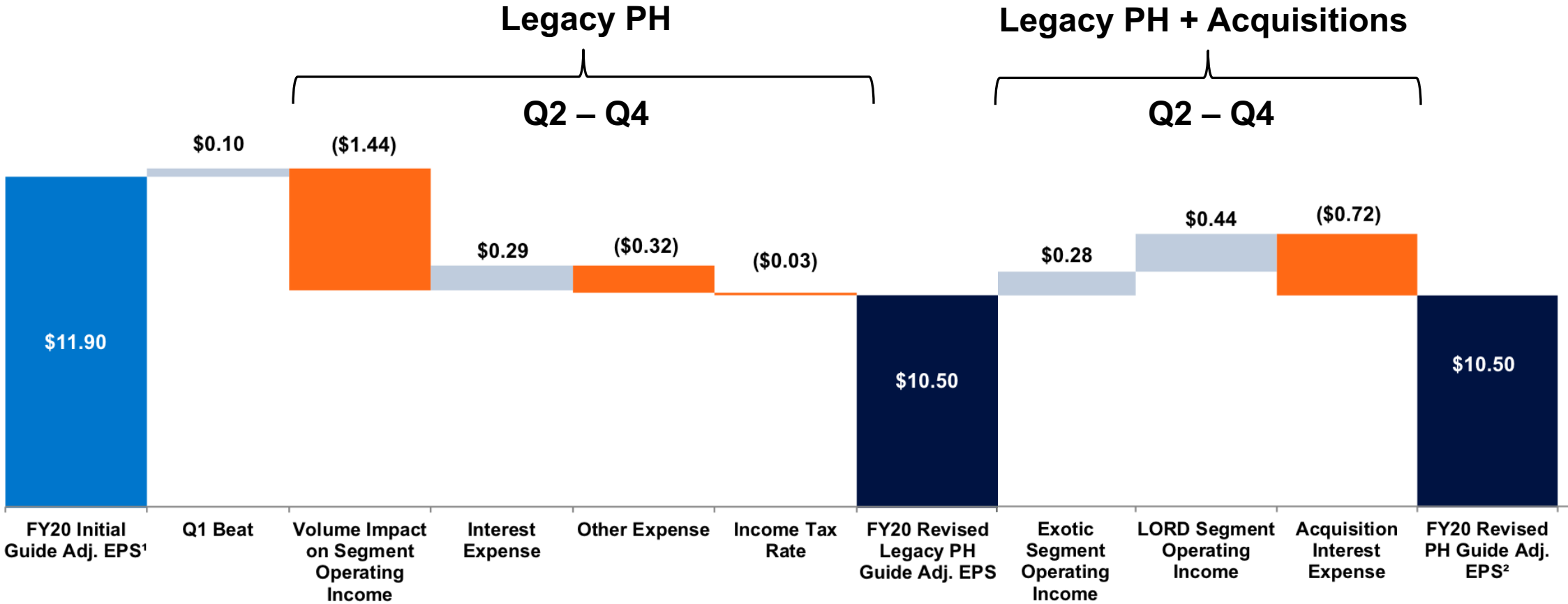
Sales Growth vs. Prior Year		
Diversified Industrial North America		(1.2)% - 1.8%
Diversified Industrial International		(11.2)% - (8.2)%
Aerospace Systems		18.2% - 21.2%
Total Parker		(1.3)% - 1.7%
Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	14.8% - 15.4%	15.8% - 16.4%
Diversified Industrial International	12.6% - 13.2%	13.9% - 14.3%
Aerospace Systems	18.8% - 19.4%	19.7% - 20.1%
Total Parker	15.0% - 15.5%	16.0% - 16.5%
Below the Line Items		As Reported
Corporate General & Administrative Expense, Interest and Other		\$ 677 M
Tax Rate		As Reported
Full Year		23%
Shares		
Diluted Shares Outstanding		130.3 M
Earnings Per Share	As Reported	Adjusted ¹
Range	\$8.53 - \$9.33	\$10.10 - \$10.90

1: Expected FY20 Adjusted Segment Operating Margins and Expected Adjusted Earnings Per Share exclude FY20 Business Realignment Charges of \$40M, Costs to Achieve of \$27M, and one-time Acquisition Related Expenses of \$200M.



FY2020 Guidance

Reconciliation of Q1 Beat and Updated Guidance



1 Adjusted for Business Realignment Charges and the tax effect of such adjustments
 2 Adjusted for Business Realignment Charges, Integration Costs to Achieve, and Acquisition Related Expenses and the tax effect of such adjustments
 Note: Segment Operating Income includes FY20 Amortization expense estimated at \$38M for Exotic and \$65M for LORD.



Impact of Acquisitions

As Reported	FY19	FY20 Q1	FY20		
\$M	Total Parker	Total Parker	Total Parker	Exotic + LORD	Legacy Parker
Sales	\$14,320	\$3,335	\$14,348	\$1,057	\$13,291
Operating Income	\$2,431	\$567	\$2,187	\$21	\$2,166
Operating Margin	17.0%	17.0%	15.2%	2.0%	16.3%
EBITDA Margin	17.9%	18.4%	16.8%	3.7%	17.9%
Adjusted	FY19	FY20 Q1	FY20		
\$M	Total Parker	Total Parker	Total Parker	Exotic + LORD	Legacy Parker
Sales	\$14,320	\$3,335	\$14,348	\$1,057	\$13,291
Operating Income	\$2,460	\$578	\$2,335	\$127	\$2,209
Operating Margin	17.2%	17.3%	16.3%	12.0%	16.6%
EBITDA Margin	18.2%	19.1%	18.7%	24.8%	18.2%

Key Messages

- Pleased with continued progress
- Cash flow and operating margin resilience
- Parker's transformation continues
- Well on our way to best-in-class company
- Confidence in reaching our FY'23 5-year targets

Thanks again to our Global Team Members



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Appendix

- Acquisitions Impact on FY2020 Guidance
- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Free Cash Flow Conversion
- Reconciliation of Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms

Acquisitions Impact on FY2020 Guidance

Acquisitions EPS Impact – FY2020 Guide

\$M	Q1 A Exotic	Q2 G Exotic	2H G Exotic	FY20 Exotic	Q2 G LORD	2H G LORD	FY20 LORD	Combined Exotic + LORD
Sales	\$21	\$107	\$227	\$355	\$181	\$521	\$702	\$1,057
Operating Income (As Reported)	\$0	\$0	\$33	\$33	(\$29)	\$17	(\$12)	\$21
Operating Income (Adjusted) ¹	\$3	\$14	\$34	\$51	\$21	\$55	\$76	\$127
Incremental Interest Expense	\$3	\$13	\$26	\$42	\$21	\$63	\$83	\$126
Incremental Pre-tax Income (Adjusted)*	\$0	\$1	\$8	\$9	(\$0)	(\$8)	(\$8)	\$1
EPS Accretion	\$0.00	\$0.00	\$0.04	\$0.05	\$(0.00)	\$(0.05)	\$(0.05)	\$0.00

*Acquisition Related Expenses
& Integration Costs to Achieve

Adjustments to Operating Income	\$3	\$14	\$1	\$18	\$50	\$38	\$88	\$106
Adjustments below Operating Income	\$14	-	-	\$14	\$104	-	\$104	\$118

Consolidated Statement of Income

(Unaudited)

(Dollars in thousands except per share amounts)

Three Months Ended September 30,

	2019	2018
Net sales	\$ 3,334,511	\$ 3,479,294
Cost of sales	2,479,741	2,594,823
Selling, general and administrative expenses	399,179	394,322
Interest expense	69,956	44,339
Other (income) expense, net	(47,521)	(13,913)
Income before income taxes	433,156	459,723
Income taxes	94,115	83,824
Net income	339,041	375,899
Less: Noncontrolling interests	143	188
Net income attributable to common shareholders	\$ 338,898	\$ 375,711

Earnings per share attributable to common shareholders:

Basic earnings per share	\$ 2.64	\$ 2.84
Diluted earnings per share	\$ 2.60	\$ 2.79

Average shares outstanding during period - Basic 128,463,992 132,361,654

Average shares outstanding during period - Diluted 130,130,076 134,664,496

CASH DIVIDENDS PER COMMON SHARE

(Unaudited)

(Amounts in dollars)

Three Months Ended September 30,

	2019	2018
Cash dividends per common share	\$ 0.88	\$ 0.76

Adjusted Amounts Reconciliation

(Dollars in thousands, except per share data)

(Unaudited)

	Year-to-Date FY 2020							
	As Reported September 30, 2019	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted September 30, 2019	% of Sales
Net sales	\$ 3,334,511	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ 3,334,511	100.0 %
Cost of sales	2,479,741	74.4 %	3,345	-	-	2,519	2,473,877	74.2 %
Selling, general and admin. expenses	399,179	12.0 %	1,378	3,414	595	14,930	378,862	11.4 %
Interest expense	69,956	2.1 %	-	-	-	-	69,956	2.1 %
Other (income) expense, net	(47,521)	(1.4)%	-	-	-	-	(47,521)	(1.4)%
Income before income taxes	433,156	13.0 %	(4,723)	(3,414)	(595)	(17,449)	459,337	13.8 %
Income taxes	94,115	2.8 %	1,100	795	139	4,066	100,215	3.0 %
Net income	339,041	10.2 %	(3,623)	(2,619)	(456)	(13,383)	359,122	10.8 %
Less: Noncontrolling interests	143	0.0 %	-	-	-	-	143	0.0 %
Net income - common shareholders	\$ 338,898	10.2 %	\$ (3,623)	\$ (2,619)	\$ (456)	\$ (13,383)	\$ 358,979	10.8 %
Diluted earnings per share	\$ 2.60		\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ 2.76	

Adjusted Amounts Reconciliation

(Dollars in thousands)
(Unaudited)

	Year-to-Date FY 2020							
	As Reported September 30, 2019	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted September 30, 2019	% of Sales ²
Diversified Industrial:								
North America ¹	\$ 275,192	16.9%	\$ 2,278	\$ 3,038	\$ -	\$ -	\$ 280,508	17.3%
International ¹	168,573	15.6%	2,447	376	-	-	171,396	15.9%
Aerospace Systems ¹	122,980	19.5%	(7)	-	595	2,519	126,087	20.0%
Total segment operating income	566,745	17.0%	(4,718)	(3,414)	(595)	(2,519)	577,991	17.3%
Corporate administration	48,902	1.5%	5	-	-	-	48,897	1.5%
Interest expense	69,956	2.1%	-	-	-	-	69,956	2.1%
Other (income) expense	14,731	0.4%	-	-	-	14,930	(199)	0.0%
Income before income taxes	\$ 433,156	13.0%	\$ (4,723)	\$ (3,414)	\$ (595)	\$ (17,449)	\$ 459,337	13.8%

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)	Three Months Ended September 30,			
(Amounts in dollars)	2019		2018	
Earnings per diluted share	\$	2.60	\$	2.79
Adjustments:				
Business realignment charges		0.04		0.02
Clarcor costs to achieve		-		0.05
Lord costs to achieve		0.03		-
Exotic costs to achieve		0.01		-
Acquisition-related expenses		0.14		-
Tax effect of adjustments ¹		(0.06)		(0.02)
Adjusted earnings per diluted share	\$	2.76	\$	2.84

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.

Business Segment Information

(Unaudited)

(Dollars in thousands)

Net sales

Diversified Industrial:

North America

International

Aerospace Systems

Total net sales

Segment operating income

Diversified Industrial:

North America

International

Aerospace Systems

Total segment operating income

Corporate general and administrative expenses

Income before interest expense and other expense

Interest expense

Other expense

Income before income taxes

Three Months Ended September 30,

2019

2018

\$	1,624,605	\$	1,681,044
	1,078,850		1,233,766
	631,056		564,484
\$	3,334,511	\$	3,479,294
\$	275,192	\$	275,111
	168,573		206,094
	122,980		109,855
	566,745		591,060
	48,902		50,325
	517,843		540,735
	69,956		44,339
	14,731		36,673
\$	433,156	\$	459,723

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

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 566,745	17.0 %	\$ 591,060	17.0 %
Adjustments:				
Business realignment charges	4,718		2,403	
Clarcor costs to achieve	-		6,155	
Lord costs to achieve	3,414		-	
Exotic costs to achieve	595		-	
Acquisition-related expenses	2,519		-	
Adjusted total segment operating income	\$ 577,991	17.3 %	\$ 599,618	17.2 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)	Three Months Ended September 30,			
(Dollars in thousands)	2019		2018	
Net sales	\$	3,334,511	\$	3,479,294
Net income	\$	339,041	\$	375,899
Income taxes		94,115		83,824
Depreciation and amortization		109,071		112,491
Interest expense		69,956		44,339
EBITDA		612,183		616,553
Adjustments:				
Business realignment charges		4,723		2,403
Clarcor costs to achieve		-		6,210
Lord costs to achieve		3414		-
Exotic costs to achieve		595		-
Acquisition-related expenses		17,449		-
Adjusted EBITDA	\$	638,364	\$	625,166
EBITDA margin		18.4 %		17.7 %
Adjusted EBITDA margin		19.1 %		18.0 %

Reconciliation of EBITDA to Adjusted EBITDA

RECONCILIATION OF TOTAL SEGMENT OPERATING MARGIN TO ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(Unaudited)

(Dollars in thousands)

	Twelve Months Ended	
	June 30, 2019	
	Operating income	Operating margin
Total segment operating income	\$ 2,431,233	17.0 %
Adjustments:		
Business realignment charges	15,503	
Clarcor costs to achieve	12,327	
LORD acquisition and integration costs	912	
Adjusted total segment operating income	<u>\$ 2,459,975</u>	<u>17.2 %</u>

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)

(Dollars in thousands)

	Twelve Months Ended	
	June 30, 2019	
Net sales	\$ 14,320,324	
Net income	1,512,931	
Income taxes	420,494	
Depreciation and amortization	436,189	
Interest expense	<u>190,138</u>	
EBITDA	<u>2,559,752</u>	
Adjustments:		
Business realignment charges	15,677	
Clarcor costs to achieve	12,458	
Lord acquisition and integration costs	<u>17,146</u>	
Adjusted EBITDA	<u>\$ 2,605,033</u>	
EBITDA margin	17.9 %	
Adjusted EBITDA margin	18.2 %	

Reconciliation of Forecasted FY2020 Total Segment Operating Margin to Adjusted Total Segment Operating Margin and EBITDA to Adjusted EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker		LORD & Exotic		Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 2,187	15.2 %	\$ 21	2.0 %	\$ 2,166	16.3 %
Adjustments:						
Business realignment charges	40		-		40	
Costs to achieve	27		24		3	
One-time acquisition expenses	82		82		-	
Adjusted total segment operating income	\$ 2,335	16.3 %	\$ 127	12.0 %	\$ 2,209	16.6 %

RECONCILIATION OF FORECASTED FISCAL 2020 EBITDA TO FORECASTED FISCAL 2020 ADJUSTED EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker	LORD & Exotic	Legacy Parker
Net sales	\$ 14,348	\$ 1,057	\$ 13,291
Net income	1,165	(172)	1,337
Income taxes	345	(54)	399
Depreciation and amortization	576	140	436
Interest expense	328	126	202
EBITDA	2,414	39	2,374
Adjustments:			
Business realignment charges	40	-	40
Costs to achieve	27	24	3
One-time acquisition expenses	200	200	-
Adjusted EBITDA	\$ 2,681	\$ 263	\$ 2,417
EBITDA margin	16.8 %	3.7 %	17.9 %
Adjusted EBITDA margin	18.7 %	24.8 %	18.2 %

Consolidated Balance Sheet

(Unaudited)

(Dollars in thousands)

Assets

Current assets:

	September 30, 2019	June 30, 2019	September 30, 2018
Cash and cash equivalents	\$ 3,627,393	\$ 3,219,767	\$ 952,122
Marketable securities and other investments	282,102	150,931	40,787
Trade accounts receivable, net	1,983,242	2,131,054	2,065,158
Non-trade and notes receivable	288,762	310,708	312,162
Inventories	1,790,044	1,678,132	1,762,640
Prepaid expenses and other	166,536	182,494	165,213
Total current assets	8,138,079	7,673,086	5,298,082
Plant and equipment, net	1,880,157	1,768,287	1,828,034
Deferred income taxes	145,476	150,462	99,886
Goodwill	5,818,613	5,453,805	5,485,144
Intangible assets, net	2,693,756	1,783,277	1,956,101
Investments and other assets	892,508	747,773	757,795
Total assets	\$ 19,568,589	\$ 17,576,690	\$ 15,425,042

Liabilities and equity

Current liabilities:

Notes payable	\$ 1,736,779	\$ 587,014	\$ 796,861
Accounts payable	1,287,420	1,413,155	1,404,716
Accrued payrolls and other compensation	310,417	426,285	318,730
Accrued domestic and foreign taxes	188,571	167,312	238,423
Other accrued liabilities	634,141	558,007	549,791
Total current liabilities	4,157,328	3,151,773	3,308,521
Long-term debt	7,366,912	6,520,831	4,313,221
Pensions and other postretirement benefits	1,261,493	1,304,379	958,937
Deferred income taxes	178,454	193,066	265,418
Other liabilities	501,610	438,489	471,839
Shareholders' equity	6,096,616	5,961,969	6,101,380
Noncontrolling interests	6,176	6,183	5,726
Total liabilities and equity	\$ 19,568,589	\$ 17,576,690	\$ 15,425,042



Consolidated Statement of Cash Flows

(Unaudited)

(Dollars in thousands)

Three Months Ended September 30,

Cash flows from operating activities:

	2019	2018
Net income	\$ 339,041	\$ 375,899
Depreciation and amortization	109,071	112,491
Stock incentive plan compensation	52,633	42,941
Loss on sale of businesses	-	3,029
Gain on plant and equipment and intangible assets	(10,269)	(3,826)
Loss (gain) on marketable securities	201	(3,204)
Gain on investments	(498)	(2,536)
Net change in receivables, inventories and trade payables	53,526	(70,973)
Net change in other assets and liabilities	(77,794)	(329,726)
Other, net	(16,780)	35,293
Net cash provided by operating activities	449,131	159,388

Cash flows from investing activities:

Acquisitions (net of cash of \$8,179 in 2019 and \$690 in 2018)	(1,696,456)	(2,042)
Capital expenditures	(50,345)	(42,106)
Proceeds from sale of plant and equipment	19,284	10,969
Proceeds from sale of businesses	-	4,515
Purchases of marketable securities and other investments	(159,984)	(2,844)
Maturities and sales of marketable securities and other investments	26,477	14,127
Other	8,070	2,318
Net cash used in investing activities	(1,852,954)	(15,063)

Cash flows from financing activities:

Net payments for common stock activity	(71,985)	(64,855)
Net proceeds from debt	2,023,714	158,477
Dividends	(113,352)	(100,869)
Net cash provided by (used in) financing activities	1,838,377	(7,247)
Effect of exchange rate changes on cash	(26,928)	(7,093)
Net increase in cash and cash equivalents	407,626	129,985
Cash and cash equivalents at beginning of period	3,219,767	822,137
Cash and cash equivalents at end of period	\$ 3,627,393	\$ 952,122



Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations

(Unaudited)

(Dollars in thousands)

As reported cash flow from operations

Discretionary pension contribution

Adjusted cash flow from operations

Three Months Ended			Three Months Ended		
September 30, 2019		Percent of sales	September 30, 2018		Percent of sales
\$	449,131	13.5 %	\$	159,388	4.6 %
	-			200,000	
\$	449,131	13.5 %	\$	359,388	10.3 %

Reconciliation of Free Cash Flow Conversion

(Unaudited)	
(Dollars in thousands)	
Net income	Three Months Ended September 30, 2019
	\$ 339,041
Cash flow from operations	\$ 449,131
Capital Expenditures	(50,345)
Free cash flow	\$ 398,786
Free cash flow conversion (free cash flow / net income)	118 %

Reconciliation of EPS

Fiscal Year 2020 Guidance

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019

RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED

(Unaudited)

(Amounts in dollars)

Forecasted earnings per diluted share

Fiscal Year 2020

\$8.53 - \$9.33

Adjustments:

Business realignment charges

0.30

Costs to achieve

0.20

One-time acquisition expenses

1.54

Tax effect of adjustments¹

(0.47)

Adjusted forecasted earnings per diluted share

\$10.10 - \$10.90

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.

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2019	2018
Net sales		
Diversified Industrial:		
Motion Systems	\$ 766,815	\$ 859,573
Flow and Process Control	1,011,354	1,061,064
Filtration and Engineered Material	925,286	994,173
Aerospace Systems	631,056	564,484
Total	\$ 3,334,511	\$ 3,479,294