

# Parker Hannifin Corporation

## Fiscal 2021 Fourth Quarter & Full Year Earnings Presentation



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ENGINEERING YOUR SUCCESS.

August 5, 2021

# 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,” “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.

The risks and uncertainties in connection with such forward-looking statements related to the proposed acquisition of Meggitt include, but are not limited to, the occurrence of any event, change or other circumstances that could delay the closing of the acquisition; the possibility of nonconsummation of the acquisition; the failure to satisfy any of the conditions to the acquisition (including the satisfaction of the conditions detailed in the Rule 2.7 announcement); the possibility that a governmental entity may prohibit the consummation of the acquisition or may delay or refuse to grant a necessary regulatory approval in connection with the acquisition, or that in order for the parties to obtain any such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the acquisition or cause the parties to abandon the acquisition; adverse effects on Parker's common stock because of the failure to complete the acquisition; Parker's business experiencing disruptions due to acquisition-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 acquisition 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 acquisition. 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, 2020 and other periodic filings made with the Securities and Exchange Commission.

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 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 net income, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, adjusted 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, acquisition related expenses and gain on the sale of land. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, 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. 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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# Outstanding Performance in FY21 Q4

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- Top quartile safety performance; 29% reduction in recordable incidents
- Sales growth of 25.3% YoY; Organic growth 21.8% YoY
- Six all-time quarterly records:
  - Sales, Net income, EPS, Segment Margins for Parker, Industrial North America & International
- EBITDA margin was 21.8% as reported or 22.1% adjusted<sup>1</sup>, +190 bps vs. prior

<b><u>Parker</u></b>	<b><u>FY21 Q4</u></b>	<b><u>FY20 Q4</u></b>	<b><u>Change</u></b>
Segment Operating Margin, As Reported	20.0%	15.8%	
Segment Operating Margin, Adjusted <sup>1</sup>	22.2%	19.9%	+230 bps

# A Year of Record Performance - FY21 Highlights

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- Eight all-time fiscal year records:
  - Sales, Net income, EPS, ROS, Cash flow from operations
  - Segment Margins for Parker, Industrial North America & International
- Sales growth of 4.8% YoY; Organic sales flat YoY
- Achieved FY23 margin targets 2 years early
  - New targets to be announced at the March 2022 Investor Meeting
- Operating cash flow of \$2.6B or 17.9% of sales, FCF conversion rate of 135%
- Announced offer to acquire Meggitt PLC, greatly enhancing aerospace portfolio

# Parker's Transformation

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# Drivers of Parker's Performance

**Living Up to Our Purpose**

**Great Generators and  
Deployers of Cash**

**Top Quartile Performance  
vs. Proxy Peers**

What is Parker's purpose?

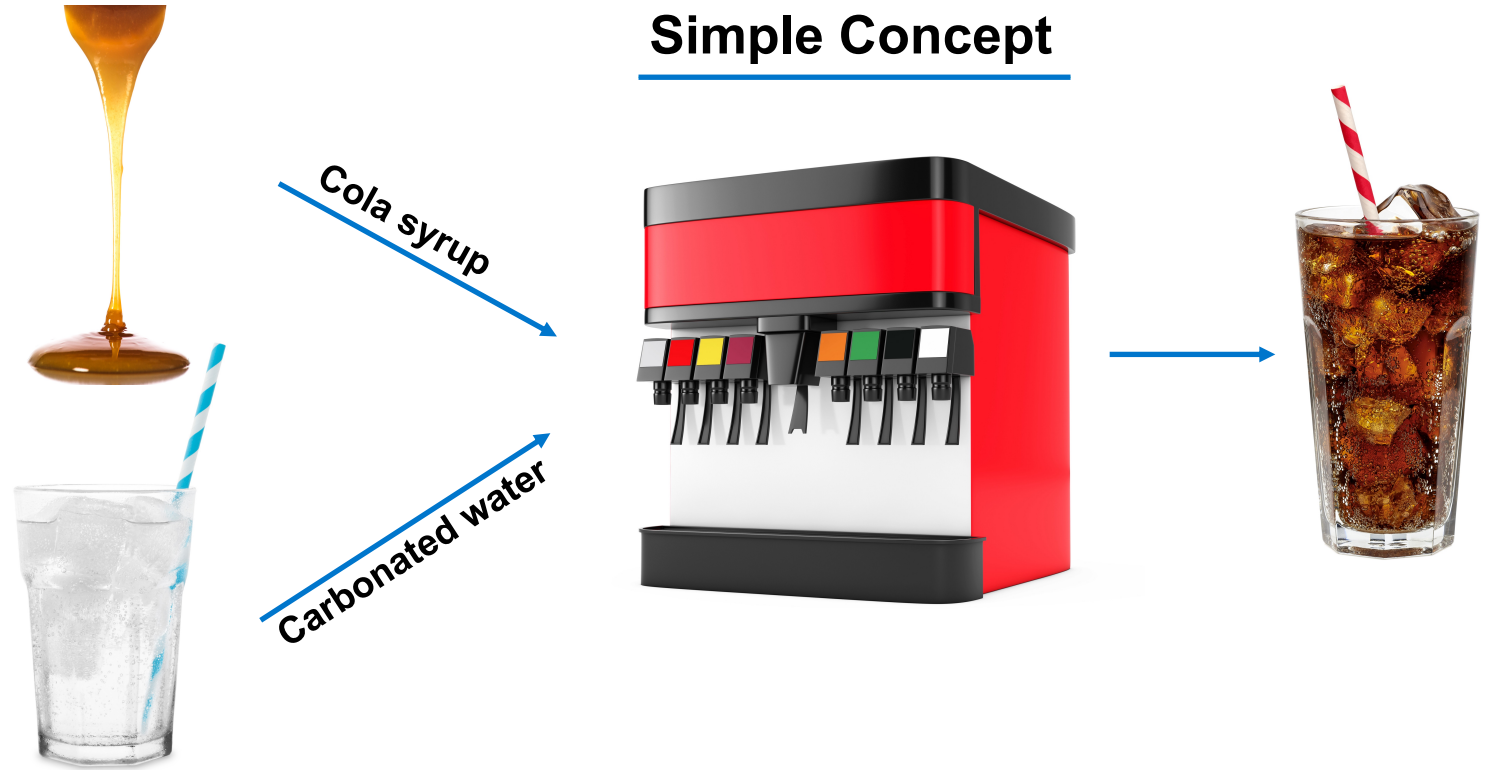


**Enabling  
Engineering  
Breakthroughs  
that Lead to  
a Better  
Tomorrow**

# Vaccine Production

## Challenges

- Long lead times
- Large space requirements
- Difficult changeovers



**Instead of Soft Drinks...Delivering Sterile Vaccine Ingredients**



# Parker's Inline Dilution System

Proprietary Point of Use Process for Combining Purified Vaccine Ingredients

- Modular, point-of-use process
- IoT two-way communication
- IP protected single use consumables
- Proprietary software and automation



**Life Saving  
Vaccines**

# Sustainability Targets Announced July 2021

## REDUCE EMISSIONS

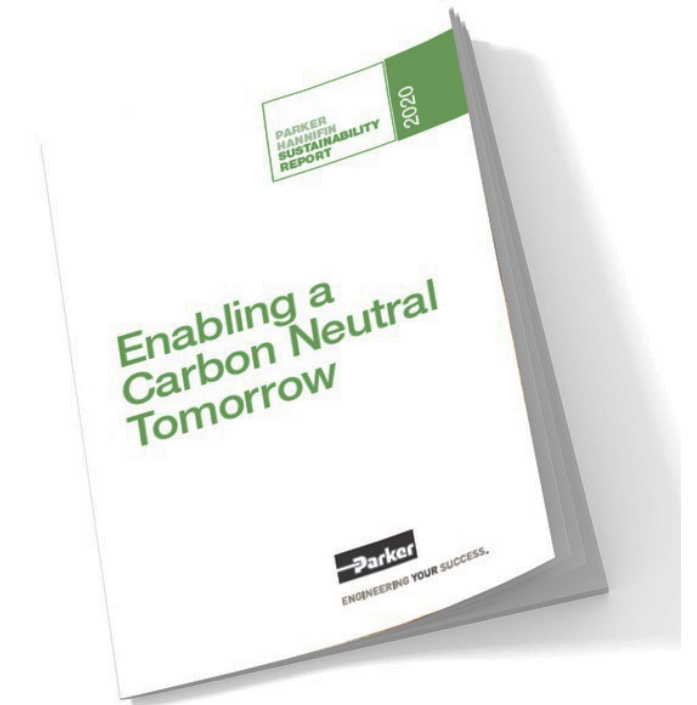
directly from Parker's operations

**50%**  
by  
**2030**

## ACHIEVE

**carbon  
neutral**

operations by  
**2040**



**Enabling a More Sustainable Future**



# Technologies Enabling a Sustainable Future



HYDRAULICS



PNEUMATICS



ELECTRO-  
MECHANICAL



FILTRATION



FLUID & GAS  
HANDLING



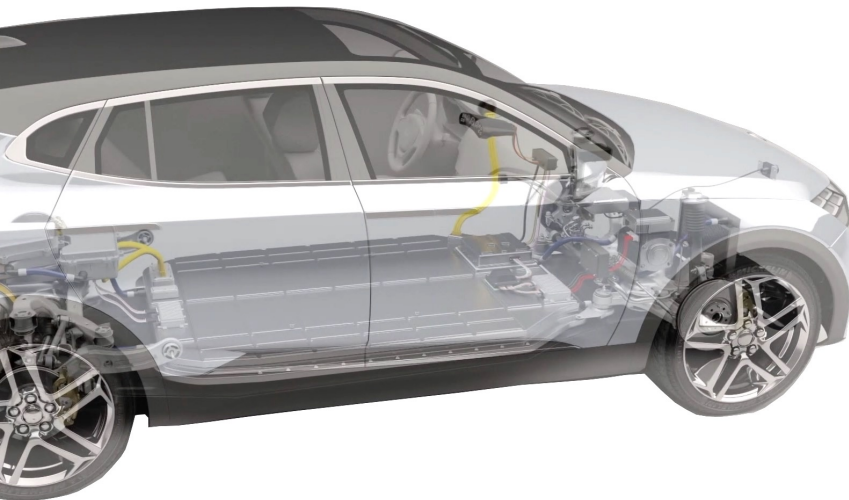
PROCESS  
CONTROL



ENGINEERED  
MATERIALS

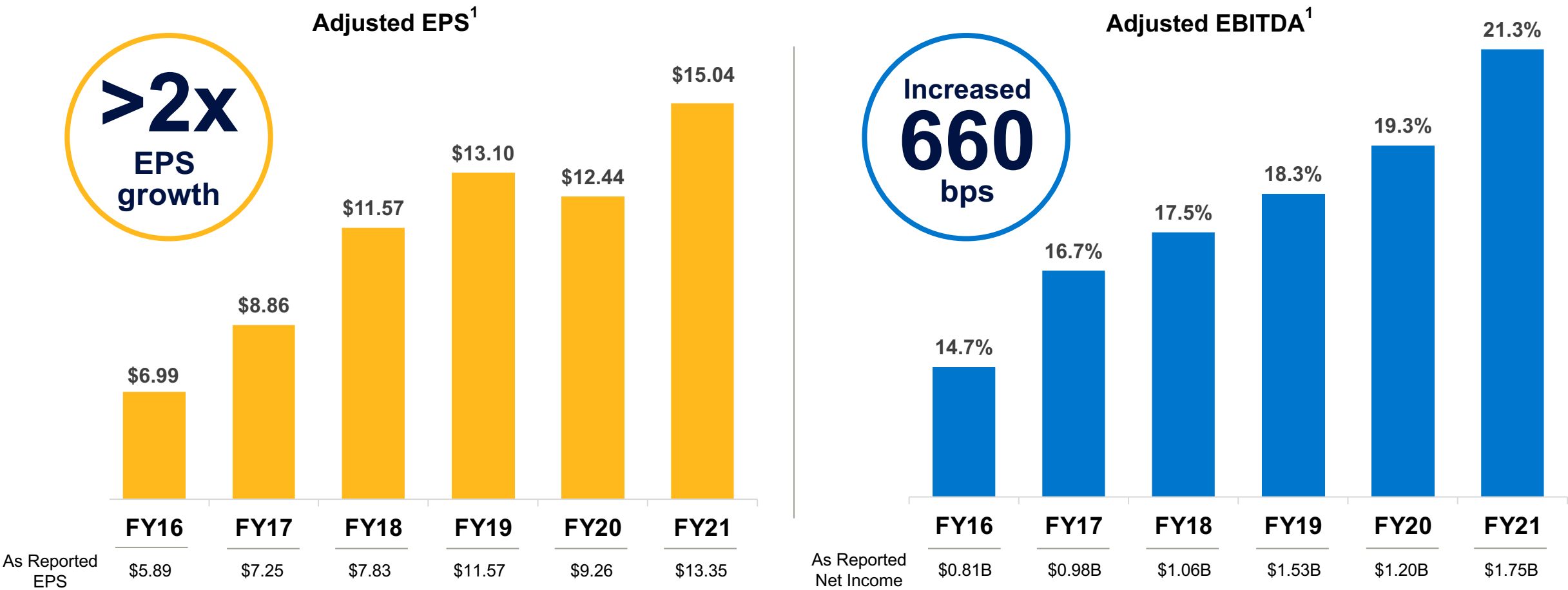


CLIMATE  
CONTROL



- ~2/3's of portfolio enables clean technologies
- Exciting bill of material expansion opportunities
- On-board and infrastructure growth potential

# Our People, Portfolio & Strategy Transform Performance



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



# Compelling Strategic Aerospace Combination



MEGGITT

- ▶ **Nearly doubles the size of Aerospace Systems Segment with complementary technologies**
- ▶ **70% sole-source with proprietary products that expand system and component capabilities**
- ▶ **Strong recurring revenue – adds 500 bps to Aerospace aftermarket mix**
- ▶ **Strong growth potential driven by commercial aerospace recovery and synergies**
- ▶ **Accretive to organic sales growth, margin, EPS and cash flow<sup>1</sup>**



# Summary of Fiscal 2021 4th Quarter Results

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# Financial Summary

## FY21 Q4 vs. FY20 Q4

\$ Millions, except per share amounts

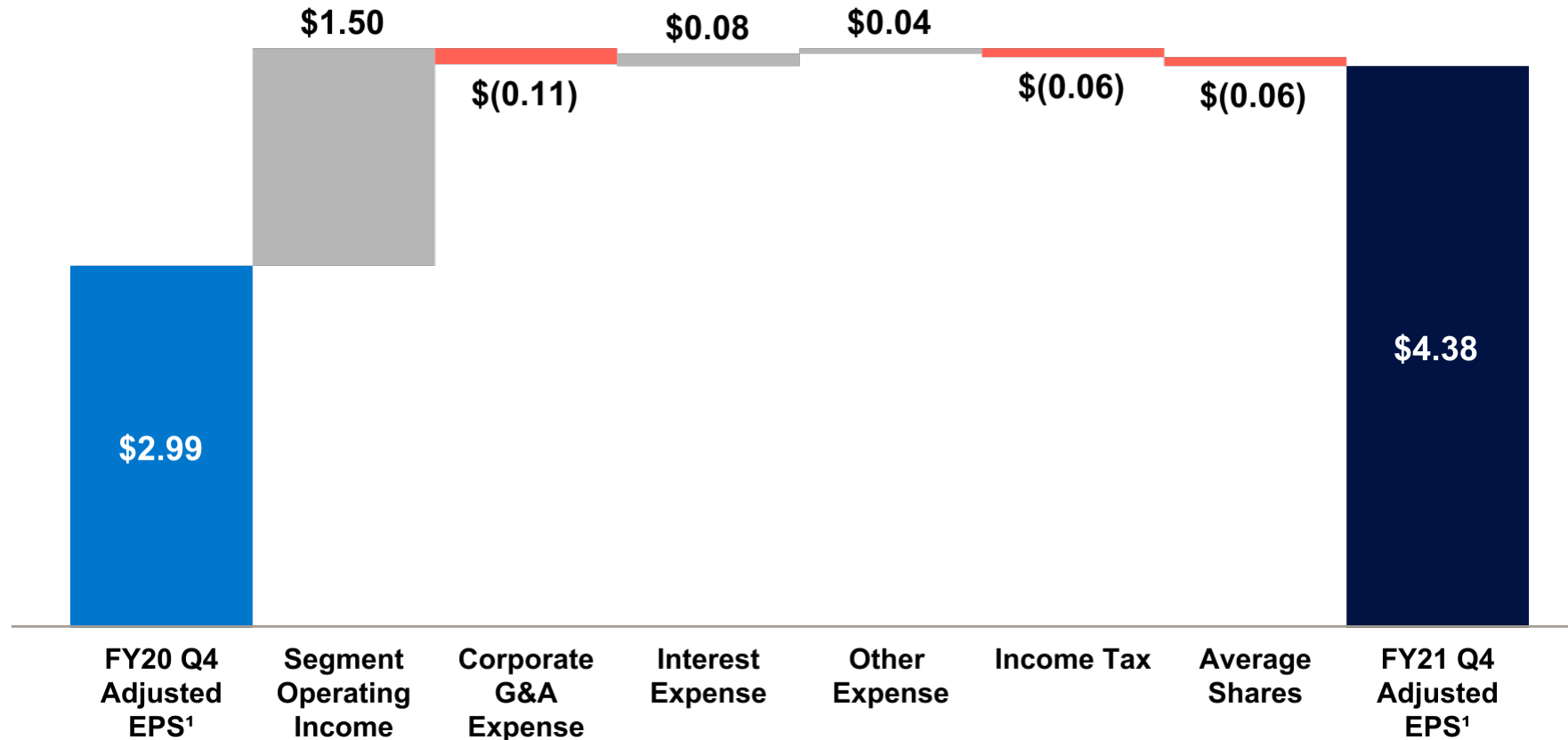
	Q4 FY21 As Reported	Q4 FY21 Adjusted <sup>1</sup>	Q4 FY20 Adjusted <sup>1</sup>	YoY Change Adjusted
Sales	\$3,959	<b>\$3,959</b>	\$3,161	+25.2%
Segment Operating Margin	20.0%	<b>22.2%</b>	19.9%	+230 bps
EBITDA Margin	21.8%	<b>22.1%</b>	20.2%	+190 bps
Net Income	\$505	<b>\$577</b>	\$387	+49%
EPS	\$3.84	<b>\$4.38</b>	\$2.99	+46%

1. Sales figures As Reported. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.  
 Note: FY20 Q4 As Reported: Segment Operating Margin of 15.8%, EBITDA Margin of 18.5%, Net Income of \$289M, EPS of \$2.23.



# Adjusted Earnings per Share Bridge

## FY20 Q4 to FY21 Q4



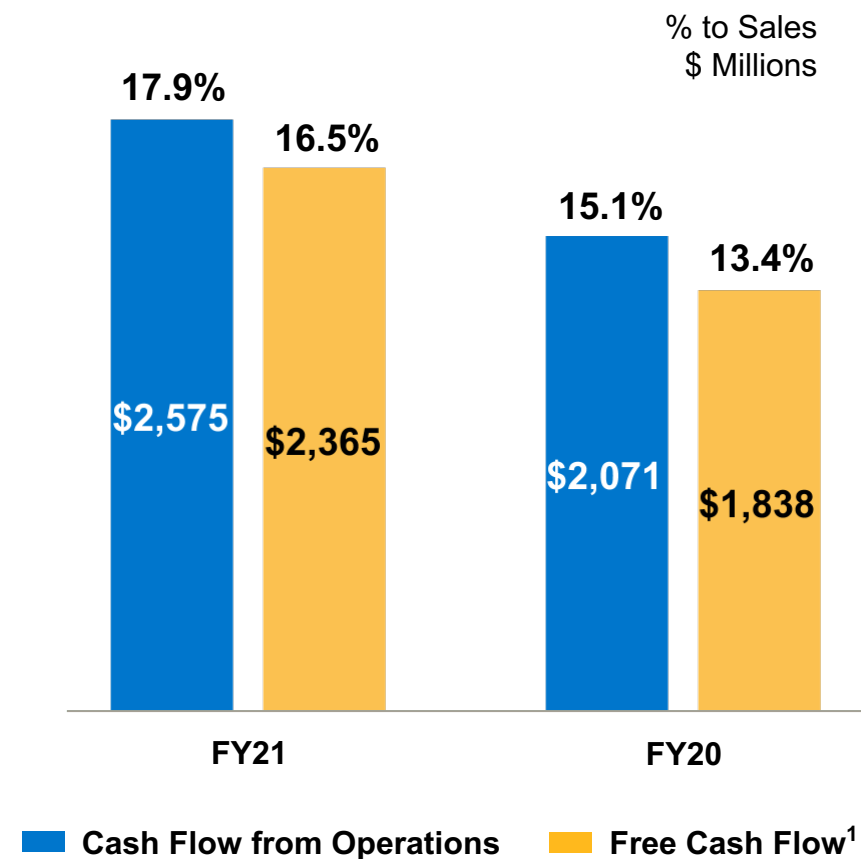


# FY21 Q4 Segment Performance

	Sales As Reported \$ Organic % <sup>1</sup>	Segment Operating Margin As Reported	Segment Operating Margin Adjusted <sup>1</sup>	Order Rates <sup>2</sup>	Commentary
Diversified Industrial North America	<b>\$1,823M</b> <b>+25.8% Organic</b>	19.8%	<b>22.5%</b> <b>+300 bps YoY</b>	+56%	<ul style="list-style-type: none"> <li>Strong organic growth</li> <li>Record segment operating margin</li> <li>Portfolio enhancements</li> </ul>
Diversified Industrial International	<b>\$1,506M</b> <b>+28.5% Organic</b>	20.4%	<b>22.1%</b> <b>+300 bps YoY</b>	+58%	<ul style="list-style-type: none"> <li>Strong organic growth</li> <li>Record segment operating margin</li> <li>Portfolio enhancements</li> </ul>
Aerospace Systems	<b>\$630M</b> <b>+0.7% Organic</b>	19.5%	<b>21.6%</b> <b>-80 bps YoY</b>	(7)%	<ul style="list-style-type: none"> <li>Strong sequential aftermarket growth</li> <li>Narrow body &amp; business jet rate increases</li> <li>Lower R&amp;D expense</li> </ul>
Parker	<b>\$3,959M</b> <b>+21.8% Organic</b>	20.0%	<b>22.2%</b> <b>+230 bps YoY</b>	+43%	<ul style="list-style-type: none"> <li>Achieved FY23 margin targets</li> <li>Industrial segment sales &gt; pre-Covid</li> <li>31% incrementals</li> </ul>

# FY21 Cash Flow Performance

- Cash Flow from Operations of 17.9%
- Free Cash Flow of 16.5%
- Free Cash Flow Conversion of 135%
- All serviceable debt repaid, as of June 30th
- ~\$3.4 billion debt reduction in last 20 months
- Gross debt to EBITDA of 2.1x; Net debt to EBITDA of 1.9x



# FY22 Guidance Issued

**EPS Midpoint: \$14.48 As Reported, \$16.60 Adjusted**

Sales Growth vs. Prior Year	
Diversified Industrial North America	~ 6% - 10%
Diversified Industrial International	~ 5% - 9%
Aerospace Systems	~ 2% - 6%
<b>Parker</b>	<b>~ 5% - 9%</b>

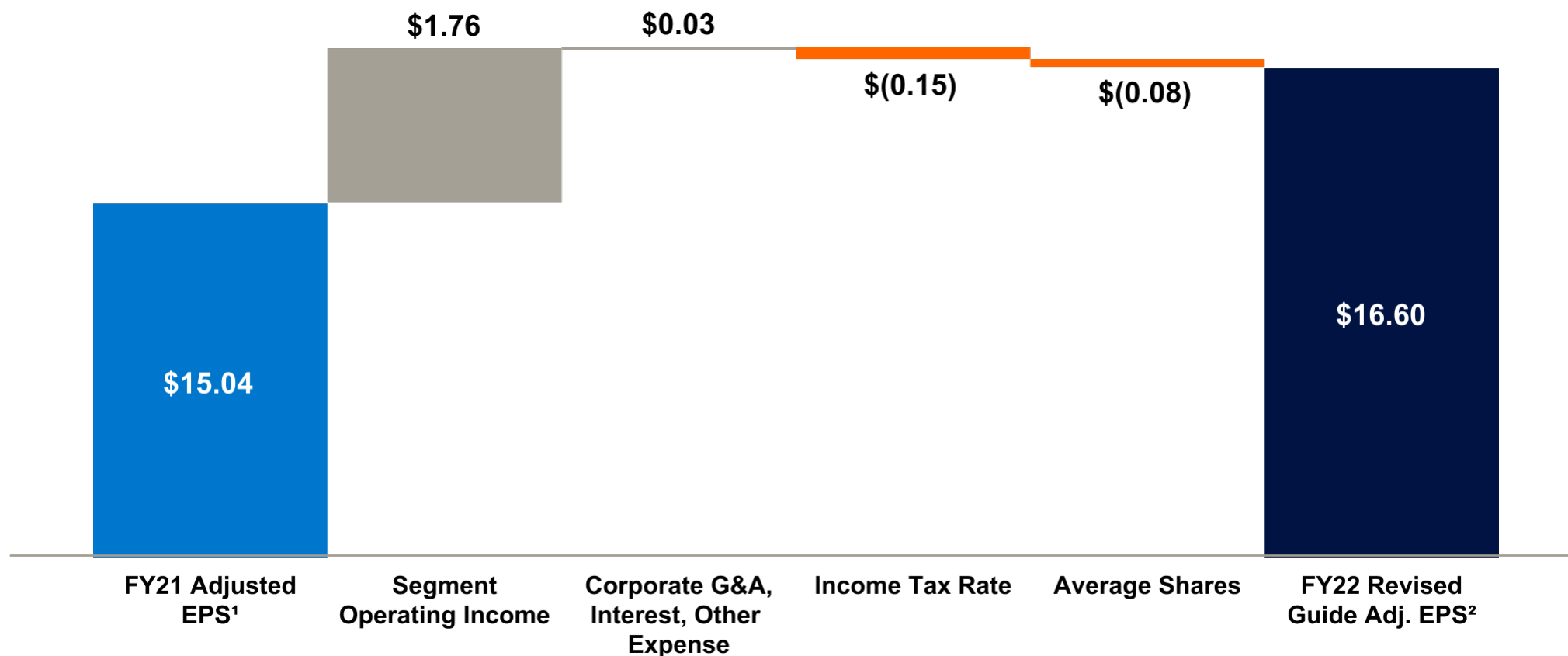
Segment Operating Margins	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	19.3% - 19.7%	22.1% - 22.5%
Diversified Industrial International	19.4% - 19.8%	21.3% - 21.7%
Aerospace Systems	17.6% - 18.0%	19.7% - 20.1%
<b>Parker</b>	<b>19.1% - 19.5%</b>	<b>21.4% - 21.8%</b>

Earnings Per Share	As Reported	Adjusted <sup>1</sup>
Range	<b>\$14.08 - \$14.88</b>	<b>\$16.20 - \$17.00</b>

Additional Items	As Reported	Adjusted <sup>1</sup>
Corporate G&A, Interest and Other	<b>\$480M</b>	<b>\$480M</b>
Full Year Reported Tax Rate	<b>~23%</b>	
Diluted Shares Outstanding	<b>131.5M</b>	

# Adjusted Earnings per Share Bridge

## FY21 Actual vs. FY22 Guidance



1: Adjusted for acquired intangible asset amortization, business realignment charges, integration costs to achieve, acquisition-related expenses, gain on sale of land, and the tax effect of such adjustments

2: Adjusted for acquired intangible asset amortization, business realignment charges, integration costs to achieve, and the tax effect of such adjustments



# FY22 Capital Deployment Strategies

- ▶ Dividends: Maintain annual increase record
  - Target 5-year average payout 30-35% of net income
- ▶ Fund organic growth and productivity
  - Target capital expenditures 2% of sales
- ▶ Offset share dilution through 10b5-1 share repurchase program
- ▶ Accumulation of cash in preparation for Meggitt close

# Key Messages

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- Highly engaged global team
- Living up to our Purpose
- Top quartile performance
- Achieved FY23 margin targets 2 years early
- Strategic portfolio transformation

**The Win Strategy 3.0 & Capital Deployment Accelerate Performance**



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# Appendix

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- 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 Free Cash Flow Conversion
- Supplemental Sales Information – Global Technology Platforms
- Reconciliation of Forecasted EPS



# Reconciliation of Organic Growth

(Dollars in thousands)  
(Unaudited)

Net Sales	Quarter-to-Date			
	As Reported June 30, 2021	Currency	Organic June 30, 2021	As Reported June 30, 2020
Diversified Industrial:				
North America	\$ 1,823,078	\$ (11,821)	\$ 1,811,257	\$ 1,440,263
International	1,505,835	(97,107)	1,408,728	1,096,380
Total Diversified Industrial	3,328,913	(108,928)	3,219,985	2,536,643
Aerospace Systems	629,956	(1,650)	628,306	623,960
Total Parker Hannifin	\$ 3,958,869	\$ (110,578)	\$ 3,848,291	\$ 3,160,603
	As reported	Currency	Organic	
Diversified Industrial:				
North America	26.6 %	0.8 %	25.8 %	
International	37.3 %	8.8 %	28.5 %	
Total Diversified Industrial	31.2 %	4.3 %	26.9 %	
Aerospace Systems	1.0 %	0.3 %	0.7 %	
Total Parker Hannifin	25.3 %	3.5 %	21.8 %	

# Reconciliation of Organic Growth

(Dollars in thousands)  
(Unaudited)

	Year-to-Date				As Reported 6/30/2020
	As Reported June 30, 2021	Currency	Acquisitions	Adjusted June 30, 2021	
Net Sales					
Diversified Industrial:					
North America	\$ 6,676,449	\$ (7,624)	\$ (187,531)	\$ 6,481,294	\$ 6,456,298
International	5,283,710	(243,669)	(135,576)	4,904,465	4,504,587
Total Diversified Industrial	11,960,159	(251,293)	(323,107)	11,385,759	10,960,885
Aerospace Systems	2,387,481	(5,376)	(70,953)	2,311,152	2,734,635
Total Parker Hannifin	\$ 14,347,640	\$ (256,669)	\$ (394,060)	\$ 13,696,911	\$ 13,695,520
	As reported	Currency	Acquisitions	Organic	
Diversified Industrial:					
North America	3.4 %	0.1 %	2.9 %	0.4 %	
International	17.3 %	5.4 %	3.0 %	8.9 %	
Total Diversified Industrial	9.1 %	2.3 %	2.9 %	3.9 %	
Aerospace Systems	(12.7)%	0.2 %	2.6 %	(15.5)%	
Total Parker Hannifin	4.8 %	1.9 %	2.9 %	— %	

# Adjusted Amounts Reconciliation

## Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2021								
	As Reported June 30, 2021	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted June 30, 2021	% of Sales
<b>Net Sales</b>	\$ 3,958,869	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,958,869	100.0 %
Cost of Sales	2,832,281	71.5 %	—	4,357	425	—	—	2,827,499	71.4 %
Selling, general, and admin. expenses	414,048	10.5 %	81,254	3,435	1,302	20	3,549	324,488	8.2 %
Interest expense	60,258	1.5 %	—	—	—	—	—	60,258	1.5 %
Other (income), net	(4,269)	(0.1)%	—	—	—	—	—	(4,269)	(0.1)%
Income before income taxes	656,551	16.6 %	(81,254)	(7,792)	(1,727)	(20)	(3,549)	750,893	19.0 %
Income taxes	151,582	3.8 %	19,338	1,854	411	5	845	174,035	4.4 %
Net Income	504,969	12.8 %	(61,916)	(5,938)	(1,316)	(15)	(2,704)	576,858	14.6 %
Less: Noncontrollable interests	176	0.0 %	—	—	—	—	—	176	0.0 %
<b>Net Income - common shareholders</b>	\$ 504,793	12.8 %	\$ (61,916)	\$ (5,938)	\$ (1,316)	\$ (15)	\$ (2,704)	\$ 576,682	14.6 %
<b>Diluted earnings per share</b>	\$ 3.84		\$ (0.47)	\$ (0.04)	\$ (0.01)	\$ —	\$ (0.02)	\$ 4.38	

# Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2020									
	As Reported June 30, 2020*	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Favorable Tax Settlement	Adjusted June 30, 2020*	% of Sales
Net sales	\$ 3,160,603	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,160,603	100.0 %
Cost of sales	2,365,531	74.8 %	-	37,566	324	-	-	-	2,327,641	73.6 %
Selling, general and admin. expenses	352,793	11.2 %	80,737	10,035	1,842	338	4,437	-	255,404	8.1 %
Interest expense	74,549	2.4 %	-	-	-	-	-	-	74,549	2.4 %
Other (income) expense, net	5,374	0.2 %	-	-	-	-	-	-	5,374	0.2 %
Income before income taxes	362,356	11.5 %	(80,737)	(47,601)	(2,166)	(338)	(4,437)	-	497,635	15.7 %
Income taxes	72,879	2.3 %	18,812	11,091	505	79	1,034	6,039	110,439	3.5 %
Net income	289,477	9.2 %	(61,925)	(36,510)	(1,661)	(259)	(3,403)	6,039	387,196	12.3 %
Less: Noncontrolling interests	(21)	(0.0)%	-	-	-	-	-	-	(21)	(0.0)%
<b>Net income - common shareholders</b>	<b>\$ 289,498</b>	<b>9.2 %</b>	<b>\$ (61,925)</b>	<b>\$ (36,510)</b>	<b>\$ (1,661)</b>	<b>\$ (259)</b>	<b>\$ (3,403)</b>	<b>\$ 6,039</b>	<b>\$ 387,217</b>	<b>12.3 %</b>
<b>Diluted earnings per share</b>	<b>\$ 2.23</b>		<b>\$ (0.48)</b>	<b>\$ (0.28)</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.03)</b>	<b>\$ 0.05</b>	<b>\$ 2.99</b>	

\*Prior periods have been adjusted to reflect the change in inventory accounting method

# Adjusted Amounts Reconciliation

## Business Segment Information

(Dollars in thousands)

(Unaudited)

Quarter-to-Date FY 2021									
	As Reported June 30, 2021	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted June 30, 2021	% of Sales <sup>2</sup>
Diversified Industrial									
North America <sup>1</sup>	\$ 360,378	19.8 %	\$ 47,497	\$ 2,130	\$ 889	\$ —	\$ —	\$ 410,894	22.5 %
International <sup>1</sup>	306,513	20.4 %	20,988	5,180	838	—	—	333,519	22.1 %
Aerospace Systems <sup>1</sup>	123,097	19.5 %	12,769	37	—	20	—	135,923	21.6 %
Total segment operating income	789,988	20.0 %	(81,254)	(7,347)	(1,727)	(20)	—	880,336	22.2 %
Corporate administration	54,883	1.4 %	—	445	—	—	—	54,438	1.4 %
Income before interest and other	735,105	18.6 %	(81,254)	(7,792)	(1,727)	(20)	—	825,898	20.9 %
Interest expense	60,258	1.5 %	—	—	—	—	—	60,258	1.5 %
Other (income) expense	18,296	0.5 %	—	—	—	—	3,549	14,747	0.4 %
Income before income taxes	\$ 656,551	16.6 %	\$ (81,254)	\$ (7,792)	\$ (1,727)	\$ (20)	\$ (3,549)	\$ 750,893	19.0 %

<sup>1</sup>Segment operating income as a percent of sales is calculated on as reported segment sales.

<sup>2</sup>Adjusted amounts as a percent of sales are calculated on as reported segment sales.

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

(Unaudited)		Three Months Ended June 30,	
(Amounts in dollars)		2021	2020*
<b>Earnings per diluted share</b>	<b>\$</b>	<b>3.84</b>	<b>\$ 2.23</b>
Adjustments:			
Acquired intangible asset amortization expense		0.62	0.62
Business realignment charges		0.06	0.37
Lord costs to achieve		0.01	0.02
Acquisition-related expenses		0.03	0.03
Tax effect of adjustments <sup>1</sup>		(0.18)	(0.23)
Favorable tax settlement		—	(0.05)
<b>Adjusted earnings per diluted share</b>	<b>\$</b>	<b>4.38</b>	<b>\$ 2.99</b>

<sup>1</sup>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.

\*Prior periods have been adjusted to reflect the change in inventory accounting method

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

## RECONCILIATION OF EPS TO ADJUSTED EPS

(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
<b>Earnings per diluted share</b>	<b>\$ 5.89</b>	<b>\$ 7.25</b>	<b>\$ 7.83</b>	<b>\$ 11.57</b>	<b>\$ 9.26</b>	<b>\$ 13.35</b>
Adjustments:						
Acquisition-related intangible asset amortization expense	0.74	1.02	1.59	1.51	2.19	2.49
Business realignment charges	0.80	0.42	0.34	0.12	0.59	0.36
Acquisition-related expenses & Costs to achieve		0.76	0.27	0.23	1.62	0.11
(Gain) / loss on sale and writedown of assets or land			0.24			(0.77)
Tax effect of adjustments <sup>1</sup>	(0.44)	(0.59)	(0.42)	(0.44)	(1.03)	(0.50)
Favorable tax settlement					(0.19)	
Tax expense related to U.S. Tax Reform			1.72	0.11		
<b>Adjusted earnings per diluted share</b>	<b>\$ 6.99</b>	<b>\$ 8.86</b>	<b>\$ 11.57</b>	<b>\$ 13.10</b>	<b>\$ 12.44</b>	<b>\$ 15.04</b>

<sup>1</sup>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.

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



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

(Unaudited) (Dollars in thousands)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 789,988	20.0 %	\$ 500,646	15.8 %
Adjustments:				
Acquired intangible asset amortization expense	81,254		80,737	
Business realignment charges	7,347		46,619	
Lord costs to achieve	1,727		2,166	
Exotic costs to achieve	20		338	
<b>Adjusted total segment operating income</b>	\$ 880,336	22.2 %	\$ 630,506	19.9 %



# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)	Three Months Ended June 30,	
(Dollars in thousands)	2021	2020*
<b>Net sales</b>	<b>\$ 3,958,869</b>	<b>\$ 3,160,603</b>
Net income	<b>\$ 504,969</b>	<b>\$ 289,477</b>
Income taxes	<b>151,582</b>	<b>72,879</b>
Depreciation and amortization	<b>146,582</b>	<b>146,582</b>
Interest expense	<b>60,258</b>	<b>74,549</b>
<b>EBITDA</b>	<b>863,391</b>	<b>583,487</b>
Adjustments:		
Business realignment charges	<b>7,792</b>	<b>47,601</b>
Lord costs to achieve	<b>1,727</b>	<b>2,166</b>
Exotic costs to achieve	<b>20</b>	<b>338</b>
Acquisition-related expenses	<b>3,549</b>	<b>4,437</b>
<b>Adjusted EBITDA</b>	<b>\$ 876,479</b>	<b>\$ 638,029</b>
<b>EBITDA margin</b>	<b>21.8 %</b>	<b>18.5 %</b>
<b>Adjusted EBITDA margin</b>	<b>22.1 %</b>	<b>20.2 %</b>

\*Prior periods have been adjusted to reflect the change in inventory accounting method

# 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 <sup>1</sup>	12 Months ended 6/30/20 <sup>1</sup>	12 Months ended 6/30/21
<b>Net sales</b>	<b>\$ 11,361</b>	<b>\$ 12,029</b>	<b>\$ 14,302</b>	<b>\$ 14,320</b>	<b>\$ 13,696</b>	<b>\$ 14,348</b>
Net income	807	984	1,061	1,525	1,202	1,747
Income taxes	308	345	641	424	305	500
Depreciation and Amortization	307	355	466	436	538	595
Interest Expense	137	162	214	190	308	250
<b>EBITDA*</b>	<b>\$ 1,558</b>	<b>\$ 1,846</b>	<b>\$ 2,382</b>	<b>\$ 2,576</b>	<b>\$ 2,353</b>	<b>\$ 3,092</b>
Adjustments:						
Voluntary retirement expense	12					
Business realignment charges	97	56	46	16	76	48
Acquisition-related expenses & Costs to Achieve		103	37	30	211	15
(Gain) / Loss on Sale and Writedown of Assets or land			32			(101)
<b>Adjusted EBITDA*</b>	<b>\$ 1,667</b>	<b>\$ 2,006</b>	<b>\$ 2,497</b>	<b>\$ 2,621</b>	<b>\$ 2,639</b>	<b>\$ 3,055</b>
<b>EBITDA margin</b>	<b>13.7%</b>	<b>15.3%</b>	<b>16.7%</b>	<b>18.0%</b>	<b>17.2%</b>	<b>21.6%</b>
<b>Adjusted EBITDA margin</b>	<b>14.7%</b>	<b>16.7%</b>	<b>17.5%</b>	<b>18.3%</b>	<b>19.3%</b>	<b>21.3%</b>

<sup>1</sup>Amounts have been adjusted to reflect the change in inventory accounting method.

\*Totals may not foot due to rounding



# Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Twelve Months Ended June 30, 2021	Twelve Months Ended June 30, 2020
<b>Net income</b>	<b>\$ 1,746,861</b>	<b>\$ 1,202,332</b>
Cash flow from operations	\$ 2,575,001	\$ 2,070,949
Capital Expenditures	(209,957)	(232,591)
<b>Free cash flow</b>	<b>\$ 2,365,044</b>	<b>\$ 1,838,358</b>
<b>Free cash flow conversion (free cash flow / net income)</b>	<b>135 %</b>	<b>153 %</b>

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited)	<b>Three Months Ended June 30,</b>		<b>Twelve Months Ended June 30,</b>	
(Dollars in thousands)	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Net sales</b>				
Diversified Industrial:				
Motion Systems	\$ 883,395	\$ 698,684	\$ 3,081,366	\$ 2,996,645
Flow and Process Control	1,152,437	826,919	4,108,080	3,795,952
Filtration and Engineered Materials	1,293,081	1,011,040	4,770,713	4,168,288
Aerospace Systems	629,956	623,960	2,387,481	2,734,635
<b>Total</b>	<b>\$ 3,958,869</b>	<b>\$ 3,160,603</b>	<b>\$ 14,347,640</b>	<b>\$ 13,695,520</b>

# Reconciliation of EPS

## Fiscal Year 2022 Guidance

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2022</u>
<b>Forecasted earnings per diluted share</b>	<b>\$14.08 to \$14.88</b>
Adjustments:	
Business realignment charges	0.27
Costs to achieve	0.05
Acquisition-related intangible asset amortization expense	2.43
Tax effect of adjustments <sup>1</sup>	<u>(0.63)</u>
<b>Adjusted forecasted earnings per diluted share</b>	<b><u>\$16.20 to \$17.00</u></b>

<sup>1</sup>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.