

April 26, 2016



## Parker Reports Fiscal 2016 Third Quarter Results

- *Earnings per diluted share \$1.37 as reported, or \$1.51 adjusted for realignment expenses*
- *Impressive decremental margins of 17.0% as reported, 11.8% adjusted, reflect business restructuring and Simplification actions*
- *Segment operating margins 13.8% as reported, or 14.7% adjusted*
- *Company increases full year fiscal 2016 guidance*

CLEVELAND, April 26, 2016 (GLOBE NEWSWIRE) -- Parker Hannifin Corporation (NYSE:PH), the global leader in motion and control technologies, today announced results for the fiscal 2016 third quarter ended March 31, 2016. Fiscal 2016 third quarter sales decreased 11% to \$2.83 billion compared with \$3.16 billion in the same quarter a year ago. Fiscal 2016 third quarter net income was \$187.1 million compared with \$285.5 million in the third quarter of fiscal 2015. Fiscal 2016 third quarter earnings per share were \$1.37 compared with \$2.02 per share in the prior year quarter. Adjusted earnings per share were \$1.51 in the fiscal 2016 third quarter compared with \$2.06 per share in the prior year quarter. A reconciliation of as reported to adjusted earnings per diluted share and segment operating margins is included with the financial tables accompanying this news release.

Cash flow from operations for the first nine months of fiscal 2016 was \$681.5 million, or 8.1% of sales, compared with \$791.1 million, or 8.3% of sales, in the prior year period. Excluding a discretionary contribution to the company's pension plan of \$200 million, fiscal 2016 year-to-date cash flow from operations was 10.5% of sales.

"Implementation of the new Win Strategy™ has helped us achieve strong adjusted segment operating margins and impressive decremental marginal return on sales, especially given difficult macroeconomic conditions," said Tom Williams, Chairman and Chief Executive Officer. "We are on track to achieve our previously stated sales target while improving operating margins for the full fiscal year."

### **Segment Results**

*Diversified Industrial Segment:* North American third quarter sales decreased 13% to \$1.25 billion and operating income was \$202.2 million, compared with \$235.5 million in the same period a year ago. International third quarter sales decreased 11% to \$1.02 billion and operating income was \$105.2 million, compared with \$139.5 million in the same period a year ago.

*Aerospace Systems Segment:* Third quarter sales decreased 2% to \$561.0 million and operating income was \$84.2 million, compared with \$73.3 million in the same period a year ago.

## **Orders**

Parker reported a decrease of 6% in orders for the quarter ending March 31, 2016, compared with the same quarter a year ago. The company reported the following orders by business:

- Orders decreased 9% in the Diversified Industrial North America businesses;
- Orders decreased 6% in the Diversified Industrial International businesses; and
- Orders increased 1% in the Aerospace Systems segment on a rolling 12-month average basis.

## **Share Repurchases**

During the quarter, the company repurchased approximately \$50 million of Parker shares bringing the total repurchases for fiscal 2016 year-to-date to approximately \$450 million.

## **Outlook**

For the fiscal year ending June 30, 2016, the company has increased guidance for earnings from continuing operations to the range of \$5.57 to \$5.77 per share, or \$6.20 to \$6.40 per share, adjusted. Earnings guidance is adjusted for business realignment expenses of approximately \$0.63 per share, including \$0.40 per share related to Simplification initiatives.

Williams added, "We remain focused on increasing employee engagement, delivering premier customer experience, and in driving overall growth and profitability which are core tenets of the new Win Strategy that we announced six months ago. I am pleased at how far we have come in such a short period of time and continue to be excited about the opportunities that we have for the future."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2016 third quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, on the company's investor information web site at [www.phstock.com](http://www.phstock.com). To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker. A replay of the conference call will also be available at [www.phstock.com](http://www.phstock.com) for one year after the call.

With annual sales of approximately \$13 billion in fiscal year 2015, Parker Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of mobile, industrial and aerospace markets. The company has operations in 50 countries around the world. Parker has increased its annual dividends paid to shareholders for 60 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. For more information, visit the company's website at [www.parker.com](http://www.parker.com), or its investor information website at [www.phstock.com](http://www.phstock.com).

## **Note on Orders**

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The total Parker orders number is derived from a weighted

average of the year-over-year quarterly % change in orders for Diversified Industrial North America and Diversified Industrial International, and the year-over-year 12-month rolling average of orders for the Aerospace Systems segment.

### **Note on Non-GAAP Numbers**

This press release contains references to (a) segment operating margins and earnings per share without the effect of business realignment expenses; (b) the effect of business realignment expenses on forecasted earnings from continuing operations per share; and (c) cash flows from operations without the effect of a discretionary pension contribution. The effects of business realignment expenses and the discretionary pension contribution are removed to allow investors and the company to meaningfully evaluate changes in segment operating margin, earnings per share and cash flows from operations on a comparable basis from period to period.

### **Forward-Looking Statements**

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. All statements regarding future performance, earnings projections, events or developments are forward-looking 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. 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; 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 the company's capital allocation initiatives, including timing, price and execution of share repurchases; increases in raw material costs that cannot be recovered in product pricing; the company's ability to manage costs related to insurance and employee retirement and health care benefits; 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; competitive market conditions 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.

**PARKER HANNIFIN  
CORPORATION -  
MARCH 31, 2016**

**CONSOLIDATED  
STATEMENT OF  
INCOME**

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
<b>Net sales</b>	<b>\$ 2,828,665</b>	<b>\$ 3,162,311</b>	<b>\$ 8,403,603</b>	<b>\$ 9,567,236</b>
Cost of sales	<b>2,209,401</b>	2,373,016	<b>6,550,929</b>	7,234,465
Gross profit	<b>619,264</b>	789,295	<b>1,852,674</b>	2,332,771
Selling, general and administrative expenses	<b>335,908</b>	372,306	<b>1,020,788</b>	1,152,950
Interest expense	<b>33,745</b>	35,003	<b>103,802</b>	83,609
Other (income), net	<b>(23,382 )</b>	(6,380 )	<b>(50,438 )</b>	(32,055 )
Income before income taxes	<b>272,993</b>	388,366	<b>778,522</b>	1,128,267
Income taxes	<b>85,851</b>	102,904	<b>213,217</b>	295,299
Net income	<b>187,142</b>	285,462	<b>565,305</b>	832,968
Less: Noncontrolling interests	<b>58</b>	117	<b>261</b>	282
<b>Net income attributable to common shareholders</b>	<b>\$ 187,084</b>	<b>\$ 285,345</b>	<b>\$ 565,044</b>	<b>\$ 832,686</b>
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	<b>\$ 1.39</b>	\$ 2.06	<b>\$ 4.16</b>	\$ 5.77
Diluted earnings per share	<b>\$ 1.37</b>	\$ 2.02	<b>\$ 4.12</b>	\$ 5.68
Average shares outstanding during period - Basic	<b>134,809,610</b>	138,794,789	<b>135,675,823</b>	144,342,288
Average shares outstanding during period - Diluted	<b>136,552,769</b>	141,189,803	<b>137,311,848</b>	146,627,273
Cash dividends per common share	<b>\$ .63</b>	\$ .63	<b>\$ 1.89</b>	\$ 1.74

**RECONCILIATION OF NET INCOME AND EARNINGS PER DILUTED SHARE TO ADJUSTED NET  
INCOME AND EARNINGS PER DILUTED SHARE**

<b>Net income</b>	<b>\$ 187,142</b>	<b>\$ 285,462</b>	<b>\$ 565,305</b>	<b>\$ 832,968</b>
Adjustments:				
Business realignment charges	<b>19,226</b>	6,352	<b>60,241</b>	18,496

<b>Adjusted net income</b>	<b>\$</b>	<b>206,368</b>	<b>\$</b>	<b>291,814</b>	<b>\$</b>	<b>625,546</b>	<b>\$</b>	<b>851,464</b>
<b>Earnings per diluted share</b>	<b>\$</b>	<b>1.37</b>	<b>\$</b>	<b>2.02</b>	<b>\$</b>	<b>4.12</b>	<b>\$</b>	<b>5.68</b>
Adjustments:								
Business realignment charges		<b>0.14</b>		<b>0.04</b>		<b>0.44</b>		<b>0.13</b>
<b>Adjusted earnings per diluted share</b>	<b>\$</b>	<b>1.51</b>	<b>\$</b>	<b>2.06</b>	<b>\$</b>	<b>4.56</b>	<b>\$</b>	<b>5.81</b>

## BUSINESS SEGMENT INFORMATION

(Unaudited)  
(Dollars in thousands)

Three Months Ended March 31,  
**2016**      2015

Nine Months Ended March 31,  
**2016**      2015

### Net sales

Diversified Industrial:

North America      **\$ 1,247,904**      \$ 1,441,625      **\$ 3,695,008**      \$ 4,302,644

International      **1,019,776**      1,148,248      **3,050,687**      3,599,145

Aerospace Systems      **560,985**      572,438      **1,657,908**      1,665,447

**Total**      **\$ 2,828,665**      \$ 3,162,311      **\$ 8,403,603**      \$ 9,567,236

### Segment operating income

Diversified Industrial:

North America      **\$ 202,180**      \$ 235,516      **\$ 568,509**      \$ 726,640

International      **105,161**      139,473      **329,823**      465,803

Aerospace Systems      **84,238**      73,334      **240,005**      205,500

**Total segment operating income**      **391,579**      448,323      **1,138,337**      1,397,943

Corporate general and administrative expenses      **42,322**      45,515      **126,583**      152,319

### Income before interest and other

**349,257**      402,808      **1,011,754**      1,245,624

Interest expense      **33,745**      35,003      **103,802**      83,609

Other expense (income)      **42,519**      (20,561 )      **129,430**      33,748

**Income before income taxes**      **\$ 272,993**      \$ 388,366      **\$ 778,522**      \$ 1,128,267

## RECONCILIATION OF SEGMENT OPERATING MARGIN TO ADJUSTED SEGMENT OPERATING MARGIN

(Unaudited)

	Three Months Ended March 31, 2016		Nine Months Ended March 31, 2016	
	Operating income	Margin	Operating income	Margin
<b>As reported segment operating income</b>	<b>\$ 391,579</b>	<b>13.8 %</b>	<b>\$ 1,138,337</b>	<b>13.5 %</b>
Adjustments:				
Business realignment charges	<b>25,030</b>		<b>81,618</b>	
<b>Adjusted segment operating income</b>	<b>\$ 416,609</b>	<b>14.7 %</b>	<b>\$ 1,219,955</b>	<b>14.5 %</b>

## CONSOLIDATED BALANCE SHEET

(Unaudited)  
(Dollars in thousands)

	March 31, 2016	June 30, 2015	March 31, 2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	<b>\$ 1,034,971</b>	<b>\$ 1,180,584</b>	<b>\$ 1,017,013</b>
Marketable securities and other investments	<b>1,069,658</b>	<b>733,490</b>	<b>1,013,692</b>
Trade accounts receivable, net	<b>1,587,785</b>	<b>1,620,194</b>	<b>1,701,017</b>
Non-trade and notes receivable	<b>245,248</b>	<b>364,534</b>	<b>324,140</b>
Inventories	<b>1,248,213</b>	<b>1,300,459</b>	<b>1,387,681</b>
Prepaid expenses	<b>124,025</b>	<b>241,684</b>	<b>188,855</b>
Deferred income taxes	<b>146,939</b>	<b>142,147</b>	<b>152,599</b>
<b>Total current assets</b>	<b>5,456,839</b>	<b>5,583,092</b>	<b>5,784,997</b>
Plant and equipment, net	<b>1,598,758</b>	<b>1,664,022</b>	<b>1,643,538</b>
Goodwill	<b>2,948,284</b>	<b>2,942,679</b>	<b>2,892,705</b>
Intangible assets, net	<b>961,206</b>	<b>1,013,439</b>	<b>1,022,425</b>
Other assets	<b>1,104,314</b>	<b>1,091,805</b>	<b>993,550</b>
<b>Total assets</b>	<b>\$ 12,069,401</b>	<b>\$ 12,295,037</b>	<b>\$ 12,337,215</b>

## Liabilities and equity

### Current liabilities:

Notes payable	<b>\$ 576,621</b>	<b>\$ 223,142</b>	<b>\$ 665,123</b>
Accounts payable	<b>999,159</b>	<b>1,092,138</b>	<b>1,138,163</b>
Accrued liabilities	<b>801,716</b>	<b>894,555</b>	<b>822,385</b>
Accrued domestic and foreign taxes	<b>123,123</b>	<b>140,295</b>	<b>141,653</b>
<b>Total current liabilities</b>	<b>2,500,619</b>	<b>2,350,130</b>	<b>2,767,324</b>
Long-term debt	<b>2,675,000</b>	<b>2,723,960</b>	<b>2,724,943</b>
Pensions and other postretirement benefits	<b>1,483,641</b>	<b>1,699,197</b>	<b>1,288,166</b>
Deferred income taxes	<b>80,452</b>	<b>77,967</b>	<b>78,276</b>
Other liabilities	<b>302,706</b>	<b>336,214</b>	<b>323,567</b>
Shareholders' equity	<b>5,023,612</b>	<b>5,104,287</b>	<b>5,151,715</b>
Noncontrolling interests	<b>3,371</b>	<b>3,282</b>	<b>3,224</b>

<b>Total liabilities and equity</b>	<b>\$ 12,069,401</b>	<b>\$ 12,295,037</b>	<b>\$ 12,337,215</b>
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## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Nine Months Ended March 31,

(Dollars in thousands)

**2016**

**2015**

### Cash flows from operating activities:

Net income	<b>\$ 565,305</b>	<b>\$ 832,968</b>
Depreciation and amortization	<b>231,777</b>	<b>237,232</b>
Stock incentive plan compensation	<b>53,735</b>	<b>74,830</b>
Gain on sale of businesses	<b>(10,668 )</b>	<b>(4,732 )</b>
Loss on disposal of assets	<b>76</b>	<b>10,248</b>
Gain on sale of marketable securities	<b>(535 )</b>	<b>-</b>
Net change in receivables, inventories, and trade payables	<b>(19,661 )</b>	<b>(132,515 )</b>
Net change in other assets and liabilities	<b>(138,268 )</b>	<b>(118,047 )</b>
Other, net	<b>(262 )</b>	<b>(108,934 )</b>
<b>Net cash provided by operating activities</b>	<b>681,499</b>	<b>791,050</b>

### Cash flows from investing activities:

Acquisitions (net of cash of \$3,814 in 2016 and \$3,979 in 2015)	<b>(67,552 )</b>	<b>(18,640 )</b>
	<b>(110,804 )</b>	<b>(157,418 )</b>
Capital expenditures		
Proceeds from sale of plant and equipment	<b>14,112</b>	<b>15,525</b>
Proceeds from sale of businesses	<b>24,325</b>	<b>35,577</b>
Purchases of marketable securities and other investments	<b>(1,188,594 )</b>	<b>(1,456,410 )</b>
Maturities and sales of marketable securities and other investments	<b>974,417</b>	<b>828,653</b>
Other, net	<b>(40,364 )</b>	<b>(44,726 )</b>
<b>Net cash (used in) investing activities</b>	<b>(394,460 )</b>	<b>(797,439 )</b>

### Cash flows from financing activities:

Net payments for common stock activity	<b>(441,300 )</b>	<b>(1,326,521 )</b>
Net proceeds from debt	<b>305,555</b>	<b>1,117,343</b>
Dividends	<b>(256,890 )</b>	<b>(252,745 )</b>
<b>Net cash (used in) financing activities</b>	<b>(392,635 )</b>	<b>(461,923 )</b>
Effect of exchange rate changes on cash	<b>(40,017 )</b>	<b>(128,230 )</b>
Net (decrease) in cash and cash equivalents	<b>(145,613 )</b>	<b>(596,542 )</b>
Cash and cash equivalents at beginning of period	<b>1,180,584</b>	<b>1,613,555</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,034,971</b>	<b>\$ 1,017,013</b>

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

(Unaudited)  
(Amounts in dollars)

	Fiscal Year 2016
Forecasted earnings per diluted share	\$5.57 to \$5.77
Adjustments:	
Business realignment charges	.63
Adjusted forecasted earnings per diluted share	\$6.20 to \$6.40

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Source: Parker Hannifin Corporation