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Parker Reviews Win Strategy™ Successes and Announces New Financial Targets at New York Investor Meeting

Company Sets New Target of 19% Segment Operating Margins by 2023; CLARCOR Synergy Targets Increased

NEW YORK, March 07, 2018 (GLOBE NEWSWIRE) -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reviewed progress being made under the new Win Strategy™ and provided an update to its five-year financial performance targets at an investor meeting in New York. The Win Strategy is the Parker business system and establishes goals for engaged people, premier customer experience, profitable growth and financial performance.

“We have made substantial progress with the Win Strategy over the past two years against our fiscal year 2020 targets,” said Tom Williams, Chairman and CEO. “As we are still in the early days of implementing the Win Strategy we have a lot of opportunity for continued improvement. In addition, we completed a transformative acquisition of CLARCOR and just one year into the integration we are expecting to deliver even greater synergies than we originally estimated.”

The meeting included a progress report on the success of the new Win Strategy with presentations by Tom Williams, Chairman and CEO and Lee Banks, President and Chief Operating Officer, a financial overview by Cathy Suever, Chief Financial Officer, and detailed reviews of three operating groups from group presidents Roger Sherrard (Aerospace), Jenny Parmentier (Engineered Materials) and Rob Malone (Filtration).

The company noted the following performance improvements from the implementation of the Win Strategy:

- Safety is the company’s first priority. Since December 2014, the company has reduced its recordable incident rate by 54%, demonstrating meaningful progress toward a goal of zero incidents.
- Parker is actively measuring customer experience and has identified priorities for increased Likelihood-to-Recommend scores throughout the company.
- As previously communicated on February 1, 2018, the company estimates that it will end fiscal year 2018 with 6.5% organic sales growth, which would exceed the forecasted global industrial production index by 310 basis points, well ahead of its target of 150 basis points by fiscal 2020.
- Through simplification, lean enterprise, strategic supply chain and value pricing initiatives, Parker has significantly increased profitability and is expected to reach

16.3% adjusted segment operating margins and 17.6% adjusted EBITDA margins in fiscal year 2018.

Williams added, “The dedication of our global team members in implementing the Win Strategy has generated the significant performance improvements. As a result of the progress to date and our focus on continuous improvement, we have established new five year targets that will help position us to achieve top quartile financial performance and create value for our shareholders.”

The company outlined the following financial targets by the end of fiscal 2023:

- Organic sales growth targeted at 150 basis points greater than the Global Industrial Production Index.
- Profitability as measured by segment operating margins of 19% and EBITDA margins of 20%.
- Free cash flow conversion of greater than 100%.
- A greater than 10% compound annual growth rate in adjusted earnings per share.

“We will continue to focus on being great generators and great deployers of cash to create long term shareholder value,” said Williams. “While debt reduction will be important in the near-term, our priorities for using cash remain the same as we continue our record of increasing annual dividends and support the investment in our business. We continue to look for acquisitions that will help strengthen what is already a uniquely integrated portfolio of motion and control technologies unmatched anywhere in the world.”

A webcast replay of the event, copies of the presentations and non-GAAP reconciliations can be accessed at www.phstock.com.

About Parker Hannifin

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For 100 years the company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets. Parker has increased its annual dividend per share paid to shareholders for 61 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at www.parker.com or @parkerhannifin.

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 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. 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 and earnings projections are: economic conditions within the company's key markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of the U.S. Tax Cuts and Jobs Act may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Cuts and Jobs Act that may also affect these estimates and the actual impact on the company. 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 of the company are, as applicable: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; 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.

The presentations referenced in this release reconciles (a) sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow from operating activities and cash flow from operating activities as a percent of sales without the effect of a discretionary pension plan contribution, (c) operating margins reported in accordance with U.S. GAAP to operating margins without the effect of business realignment charges, Clarcor costs to achieve, Clarcor acquisition expenses and voluntary retirement expense (d) forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve, the gain on sale and write-down of assets, net and U.S. tax reform one-time impact, net. This presentation also contains

references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, and a loss related to the sale of an investment. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus one year ago. The effects of acquisitions, currency exchange rates, the discretionary pension plan contributions, business realignment charges, Clarcor costs to achieve, Clarcor acquisition expenses, voluntary retirement expense, the gain on sale and write-down of assets, net and U.S. tax reform one-time impact, net are removed to allow investors and the company to meaningfully evaluate changes in sales, and cash flow from operating activities as a percent of sales, operating margins, and earnings per diluted share on a comparable basis from period to period.

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