



Parker Reports Fiscal 2019 First Quarter Results

- Sales increased 3% to \$3.48 billion; organic sales increased 6%
- All-time quarterly records set for total segment operating margins, EPS, Net Income and ROS
- Total segment operating margins reached 17% as reported, or 17.2% adjusted
- EPS increased 33% to \$2.79 as reported, or \$2.84 adjusted
- EBITDA margins increased 155 basis points to 17.7% as reported, or 18.0% adjusted
- Company increases fiscal 2019 full year guidance

CLEVELAND, Nov. 01, 2018 (GLOBE NEWSWIRE) -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2019 first quarter ended September 30, 2018. Fiscal 2019 first quarter sales increased 3% to \$3.48 billion compared with \$3.36 billion in the prior year quarter. Net income increased 32% to \$375.7 million compared with \$285.4 million in the prior year quarter. Fiscal 2019 first quarter earnings per share increased 33% to \$2.79, compared with \$2.10 in the fiscal 2018 first quarter. On an adjusted basis, earnings per share increased 27% to \$2.84, compared with adjusted earnings per share of \$2.24 in the prior year quarter. Fiscal year to date net cash provided by operating activities was \$159.4 million or 4.6% of sales. Excluding a \$200 million discretionary pension contribution, operating cash flow was 10.3% of sales, compared with 7.1% of sales in the prior year period. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"This was an excellent start to fiscal 2019, reflecting benefits of our continued execution of the Win Strategy™, which is driving record performance levels," said Chairman and Chief Executive Officer, Tom Williams. "Strong organic growth of 6% was consistent with our expectations, while sales were partially offset by higher unfavorable currency impact. We generated record segment operating margins for the company, which increased 140 basis points. All-time quarterly records for earnings per share, net income and return on sales further demonstrate that our actions are driving the consistent improvement of Parker's financial performance and reinforce our confidence in achieving another record year for sales and earnings."

First Quarter Fiscal 2019 Segment Results

Diversified Industrial Segment: North American first quarter sales increased 5% to \$1.7 billion, and operating income increased 8% to \$275.1 million compared with \$256.0 million in the same period a year ago. While first quarter International sales were flat at \$1.2 billion, operating income increased 8% to \$206.1 million compared with \$191.8 million in the fiscal 2018 first quarter.

Aerospace Systems Segment: First quarter sales were \$564.5 million compared with \$531.2

million in the prior year period, and operating income increased 42% to \$109.9 million compared with \$77.4 million in the same period a year ago.

Parker reported the following orders for the quarter ending September 30, 2018, compared with the same quarter a year ago:

- Orders increased 5% for total Parker
- Orders increased 8% in the Diversified Industrial North America businesses
- Orders increased 3% in the Diversified Industrial International businesses
- Orders increased 3% in the Aerospace Systems Segment on a rolling 12-month average basis

Outlook

For the fiscal year ending June 30, 2019, the company has revised guidance for earnings in the range of \$10.90 to \$11.50 per share, or \$11.10 to \$11.70 per share on an adjusted basis. Fiscal year 2019 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$22 million and CLARCOR costs to achieve of approximately \$13 million. Guidance assumes organic sales growth in the range of 2.5% to 5.3%.

Williams added, "With generally positive conditions across our end markets, and our ongoing commitment to the Win Strategy initiatives, the increase of our guidance at the operating line reflects the additional earnings achieved in the first quarter as well as our confidence in the outlook for the remainder of the year. Slightly offsetting this increase is higher tax expense for the rest of the year. We are very pleased with our first quarter performance as it reinforces our belief in achieving our fiscal 2023 performance goals."

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal 2019 first 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. 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 webcast will be accessible on Parker's investor relations website, www.phstock.com, approximately one hour after the completion of the call, and will remain available for one year. To register for e-mail notification of future events and information available from Parker please visit www.phstock.com.

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For over 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 62 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.

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 Net Income

Net Income referenced in this press release is equal to net income attributable to common shareholders.

Note on Non-GAAP Numbers

This press release contains references to (a) earnings per share without the effect of business realignment charges, CLARCOR costs to achieve and loss on sale of investment, (b) segment operating margins without the effect of business realignment charges and CLARCOR costs to achieve; (c) the effect of business realignment charges and CLARCOR costs to achieve on forecasted earnings from continuing operations per share; (d) and cash flows from operations without the effect of discretionary pension contributions. The effects of business realignment charges, CLARCOR costs to achieve, loss on sale of investment and discretionary pension contributions are removed to allow investors and the company to meaningfully evaluate changes in earnings per share, segment operating margins and cash flows from operations on a comparable basis from period to period. This press release 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 loss on sale of 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 the prior 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. 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.

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. 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; 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.

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

Three Months End

(Dollars in thousands except per share amounts)

2018

Net sales	\$	3,479,294	\$
Cost of sales		2,594,823	
Selling, general and administrative expenses		394,322	
Interest expense		44,339	
Other (income) expense, net		(13,913)	
Income before income taxes		459,723	
Income taxes		83,824	
Net income		375,899	
Less: Noncontrolling interests		188	
Net income attributable to common shareholders	\$	375,711	\$

Earnings per share attributable to common shareholders:

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

Average shares outstanding during period - Basic	132,361,654
Average shares outstanding during period - Diluted	134,664,496

Cash dividends per common share	\$	0.76	\$
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RECONCILIATION OF EARNINGS PER DILUTED SHARE TO ADJUSTED EARNINGS PER DILUTED SHARE

(Unaudited) Three Months Ended

(Amounts in dollars) 2018

Earnings per diluted share	\$	2.79	\$
Adjustments:			
Loss on sale of investment		-	
Business realignment charges		0.01	
Clarcor costs to achieve		0.04	
Adjusted earnings per diluted share	\$	2.84	\$

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited) Three Months Ended

(Dollars in thousands) 2018

Net sales	\$	3,479,294	\$
Earnings before income taxes	\$	459,723	\$
Depreciation and amortization		112,491	
Interest expense		44,339	
EBITDA		616,553	
Adjustments:			
Loss on sale of investment		-	
Business realignment charges		2,403	
Clarcor costs to achieve		6,210	
Adjusted EBITDA	\$	625,166	\$

EBITDA margin 17.7 %

Adjusted EBITDA margin 18.0 %

BUSINESS SEGMENT INFORMATION

(Unaudited) Three Months Ended

(Dollars in thousands) 2018

Net sales			
Diversified Industrial:			
North America	\$	1,681,044	\$
International		1,233,766	

Aerospace Systems		564,484	
Total net sales	\$	3,479,294	\$
Segment operating income			
Diversified Industrial:			
North America	\$	275,111	\$
International		206,094	
Aerospace Systems		109,855	
Total segment operating income		591,060	
Corporate general and administrative expenses		50,325	
Income before interest and other expense		540,735	
Interest expense		44,339	
Other expense		36,673	
Income before income taxes	\$	459,723	\$

RECONCILIATION OF TOTAL SEGMENT OPERATING MARGIN TO ADJUSTED TOTAL SEGMENT OPERATING INCOME
(Unaudited) Three Months Ended
(Dollars in thousands) September 30, 2018

		Operating income	
Total segment operating income	\$	591,060	
Adjustments:			
Business realignment charges		2,403	
Clarcor costs to achieve		6,155	
Adjusted total segment operating income	\$	599,618	

CONSOLIDATED BALANCE SHEET

(Unaudited) September 30,
(Dollars in thousands) 2018

Assets			
Current assets:			
Cash and cash equivalents	\$	952,122	\$
Marketable securities and other investments		40,787	
Trade accounts receivable, net		2,065,158	
Non-trade and notes receivable		312,162	
Inventories		1,762,640	
Prepaid expenses and other		165,213	
Total current assets		5,298,082	
Plant and equipment, net		1,828,034	
Deferred income taxes		99,886	
Goodwill		5,485,144	
Intangible assets, net		1,956,101	
Other assets		757,795	
Total assets	\$	15,425,042	\$

Liabilities and equity**Current liabilities:**

Notes payable	\$	796,861	\$
Accounts payable		1,404,716	
Accrued liabilities		868,521	
Accrued domestic and foreign taxes		238,423	
Total current liabilities		3,308,521	
Long-term debt		4,313,221	
Pensions and other postretirement benefits		958,937	
Deferred income taxes		265,418	
Other liabilities		471,839	
Shareholders' equity		6,101,380	
Noncontrolling interests		5,726	
Total liabilities and equity	\$	15,425,042	\$

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Three Months Ende

(Dollars in thousands)

2018

Cash flows from operating activities:

Net income	\$	375,899	\$
Depreciation and amortization		112,491	
Stock incentive plan compensation		42,941	
Loss on sale of businesses		3,029	
(Gain) on disposal of assets		(3,826)	
(Gain) on sale of marketable securities		(3,204)	
(Gain) loss on investments		(2,536)	
Net change in receivables, inventories, and trade payables		(70,973)	
Net change in other assets and liabilities		(329,726)	
Other, net		35,293	

Net cash provided by operating activities 159,388

Cash flows from investing activities:

Acquisitions (net of cash of \$690 in 2018)	(2,042)
Capital expenditures	(42,106)
Proceeds from sale of plant and equipment	10,969
Proceeds from sale of businesses	4,515
Purchases of marketable securities and other investments	(2,844)
Maturities and sales of marketable securities and other investments	14,127
Other, net	2,318

Net cash (used in) investing activities (15,063)

Cash flows from financing activities:

Net payments for common stock activity	(64,855)
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Net proceeds from debt		158,477	
Dividends		(100,869)	
Net cash (used in) financing activities		(7,247)	
Effect of exchange rate changes on cash		(7,093)	
Net increase (decrease) in cash and cash equivalents		129,985	
Cash and cash equivalents at beginning of period		822,137	
Cash and cash equivalents at end of period	\$	952,122	\$

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO ADJUSTED CASH FLOW FROM (
(Unaudited)

(Dollars in thousands)		Three Months Ended September 30, 2018	
			Percent o
As reported cash flow from operations	\$	159,388	
Discretionary pension contribution		200,000	
Adjusted cash flow from operations	\$	359,388	

RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORE
(Unaudited)

(Amounts in dollars)		Fiscal Year 2019
Forecasted earnings per diluted share		\$10.90 - \$11.50
Adjustments:		
Business realignment charges		0.13
Clarcor costs to achieve		0.07
Adjusted forecasted earnings per diluted share		\$11.10 - \$11.70

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Source: Parker-Hannifin Corporation