

# Parker Hannifin Corporation

## 2<sup>nd</sup> Quarter Fiscal Year 2019 Earnings Release



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ENGINEERING YOUR SUCCESS.

January 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. 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 the U.S. Tax Cuts and Jobs Act on future performance and earnings projections may change based on subsequent judicial or regulatory interpretations of the Act that 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 of the company 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; 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 reconciles (a) sales amounts reported in accordance with U.S. GAAP to organic sales, which are sales amounts adjusted to remove the effects of divestitures 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 discretionary pension plan contributions, (c) as reported and forecast segment operating income and operating margins reported in accordance with U.S. GAAP to as reported and forecast segment operating income and operating margins without the effect of business realignment charges, CLARCOR Cost to Achieve, (d) as reported and forecast earnings per diluted share reported in accordance with U.S. GAAP to as reported and forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve, gain (loss) on sale and writedown 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 gain (loss) on sale and writedown of assets, net. 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 divestitures, currency exchange rates, discretionary pension plan contributions, business realignment charges, CLARCOR costs to achieve, gain (loss) on sale and writedown 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, segment operating income, operating margins, Below the Line Items, Income Tax and earnings per diluted share on a comparable basis from period to period. Full year adjusted guidance removes business realignment charges, CLARCOR costs to achieve and tax expense related to U.S. Tax Reform.

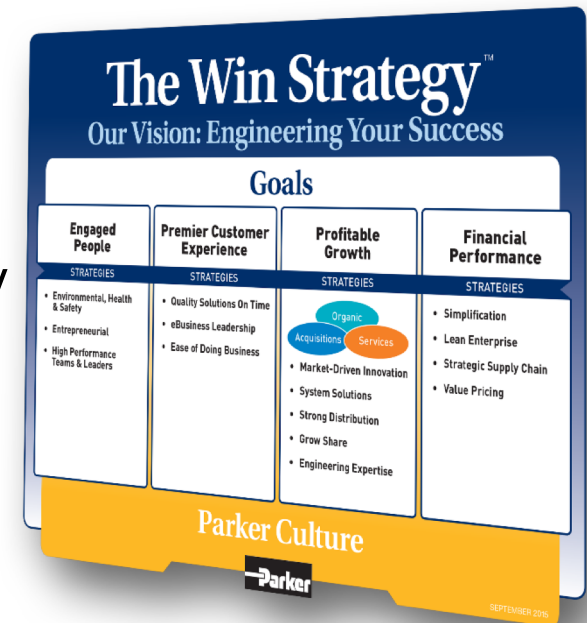
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# Agenda

- **Chairman & CEO Comments**
- **Results & Outlook**
- **Questions & Answers**

# Parker's Competitive Differentiators

- The Win Strategy™
- Decentralized business model
- Technology breadth & interconnectivity
- Engineered products with intellectual property
- Long product life cycles
- Balanced OEM vs. aftermarket
- Low capital investment requirements
- Great generators and deployers of cash over the cycle



# Highlights of Quarter Results

## Key Takeaways

- Safety - 23% Reduction in recordable incidents
- Strong quarter: reflects benefits of The Win Strategy™
- 2<sup>nd</sup> quarter records for sales, margins, net income and EPS
- Outstanding total segment margin performance of 16.4%, as reported

## Strong Performance in Fiscal 2019 2<sup>nd</sup> Quarter

- Sales increased 3%, organic growth of 6%: currency headwinds
- Order rates moderating against tougher comps
- Adjusted total segment operating margins at 16.6%
- Operating cash to sales >10%, year to date
- Repurchased \$500 million in shares in Q2

## Going Forward

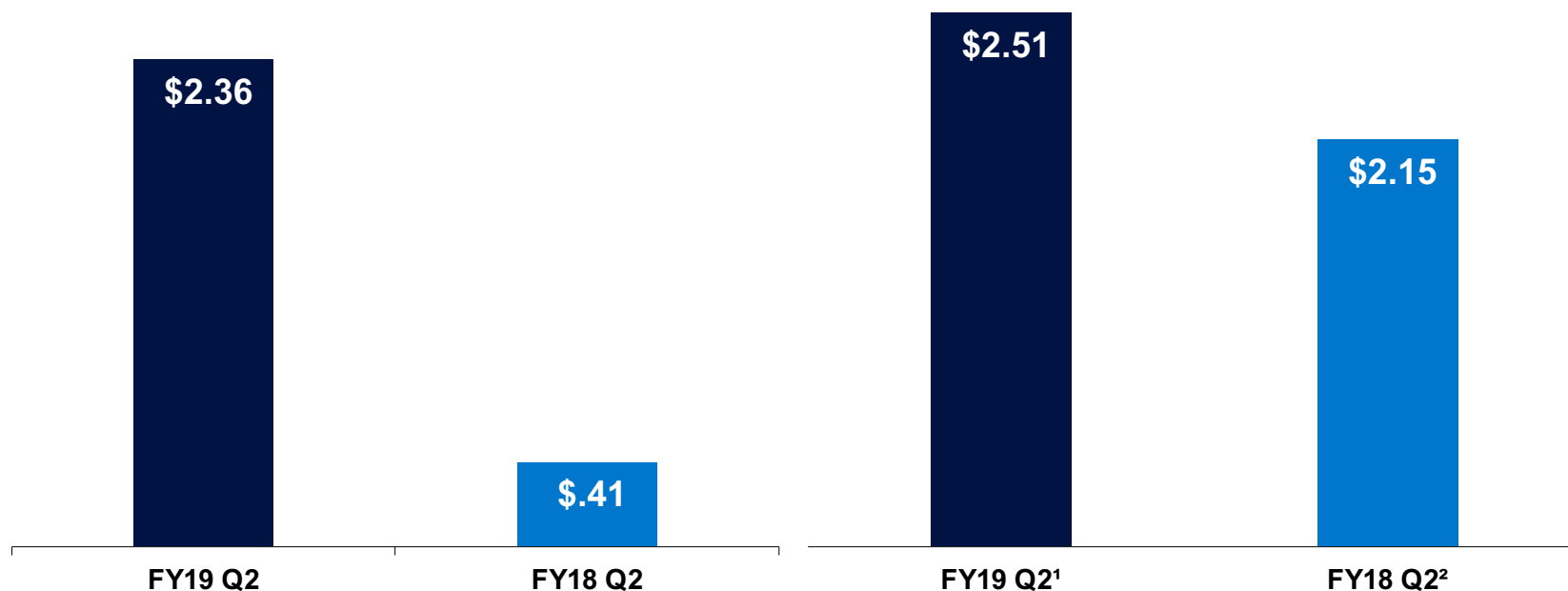
- Increasing earnings guidance for full year Fiscal 2019
- Continue driving the Win Strategy – many areas of opportunity
- Confidence in reaching our FY23 financial targets

# Diluted Earnings Per Share

## 2<sup>nd</sup> Quarter FY2019

As Reported EPS

Adjusted EPS

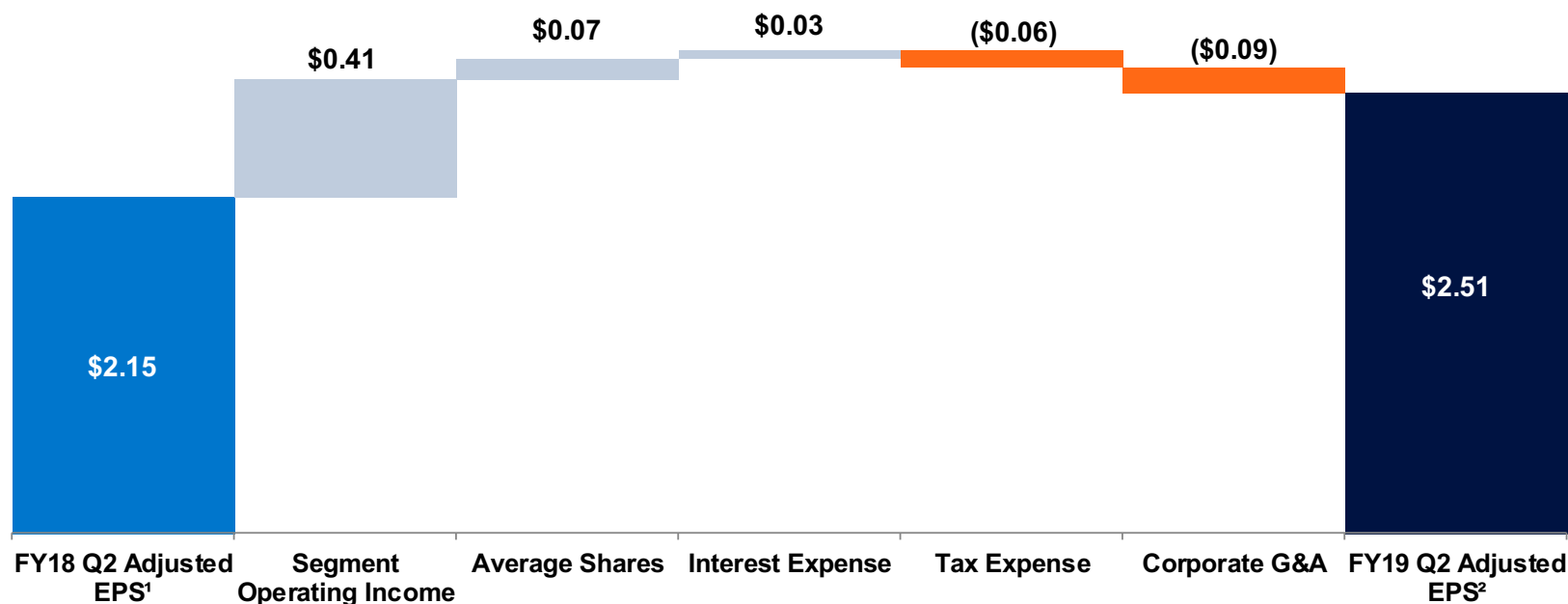


<sup>1</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

<sup>2</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Gain on Sale and Writedown of Assets, net and U.S. Tax Reform one-time impact, net

# Influences on Adjusted Earnings Per Share

## 2<sup>nd</sup> Quarter FY2019 vs. 2<sup>nd</sup> Quarter FY2018



<sup>1</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

<sup>2</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Gain on Sale and Writedown of Assets, net and U.S. Tax Reform one-time impact, net

# Sales & Segment Operating Margin

## Total Parker

\$ in millions

	2nd Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 3,472	3.0 %	\$ 3,371
Divestitures	(17)	(0.5)%	
Currency	(73)	(2.2)%	
Organic Sales	\$ 3,562	5.7 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 568	16.4 %	\$ 478	14.2 %
Business Realignment	3		13	
CLARCOR Costs to Achieve	5		12	
Adjusted	\$ 576	16.6 %	\$ 503	14.9 %



# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions

	2nd Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 1,632	4.3 %	\$ 1,565
Divestitures	(6)	(0.4)%	
Currency	(5)	(0.3)%	
Organic Sales	\$ 1,643	5.0 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 258	15.8 %	\$ 226	14.4 %
Business Realignment	1		2	
CLARCOR Costs to Achieve	3		9	
Adjusted	\$ 262	16.0 %	\$ 237	15.1 %

# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions

	2nd Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 1,224	(2.5)%	\$ 1,256
Divestitures	(10)	(0.8)%	
Currency	(67)	(5.3)%	
Organic Sales	\$ 1,301	3.6 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 189	15.5 %	\$ 165	13.1 %
Business Realignment	2		11	
CLARCOR Costs to Achieve	2		3	
Adjusted	\$ 193	15.7 %	\$ 178	14.2 %

# Sales & Segment Operating Margin

## Aerospace Systems

\$ in millions

\$ in millions	2nd Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 616	12.1 %	\$ 550
Currency	(1)	(0.1)%	
Organic Sales	\$ 617	12.2 %	

# Order Rates

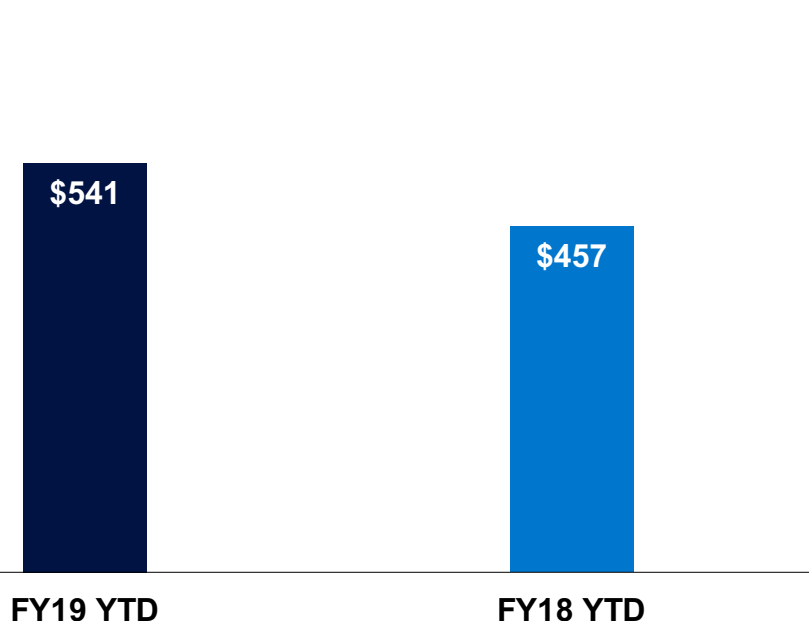
	<u>Dec 2018</u>		<u>Sep 2018</u>		<u>Dec 2017</u>		<u>Sep 2017</u>	
<b>Total Parker</b>	<b>+</b>	<b>1 %</b>	<b>+</b>	<b>5 %</b>	<b>+</b>	<b>13 %</b>	<b>+</b>	<b>11 %</b>
Diversified Industrial North America	+	0 %	+	8 %	+	15 %	+	10 %
Diversified Industrial International	-	2 %	+	3 %	+	13 %	+	15 %
Aerospace Systems	+	10 %	+	3 %	+	8 %	+	4 %

**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**

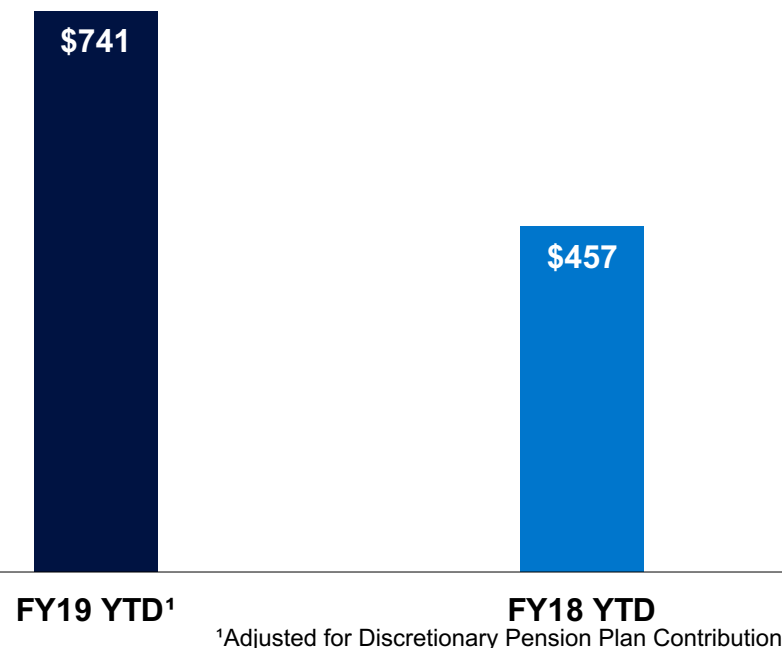
# Cash Flow from Operating Activities

## FY2019 YTD

As Reported Cash Flow



Adjusted Cash Flow



As Reported Cash Flow From Operating Activities  
 Discretionary Pension Plan Contribution  
 Adjusted Cash Flow From Operating Activities

Year to Date			
FY 2019	% of Sales	FY 2018	% of Sales
\$ 541	7.8%	\$ 457	6.8%
\$ 200		\$ -	
\$ 741	10.7%	\$ 457	6.8%

# FY2019 Guidance

**EPS Midpoint: \$11.29 As Reported, \$11.60 Adjusted**

Sales Growth vs. Prior Year	
Diversified Industrial North America	1.4% - 3.9%
Diversified Industrial International	(4.9)% - (2.5)%
Aerospace Systems	4.5% - 6.6%
<b>Total Parker</b>	<b>(.4)% - 2.0%</b>

Segment Operating Margins	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	16.6% - 17.2%	17.0% - 17.5%
Diversified Industrial International	15.7% - 16.1%	16.1% - 16.5%
Aerospace Systems	18.9% - 19.3%	19.0% - 19.3%
<b>Total Parker</b>	<b>16.7% - 17.2%</b>	<b>17.0% - 17.4%</b>

Below the Line Items	As Reported
Corporate General & Administrative Expense, Interest and Other	<b>\$ 497 M</b>

Tax Rate	As Reported
Full Year	<b>23%</b>

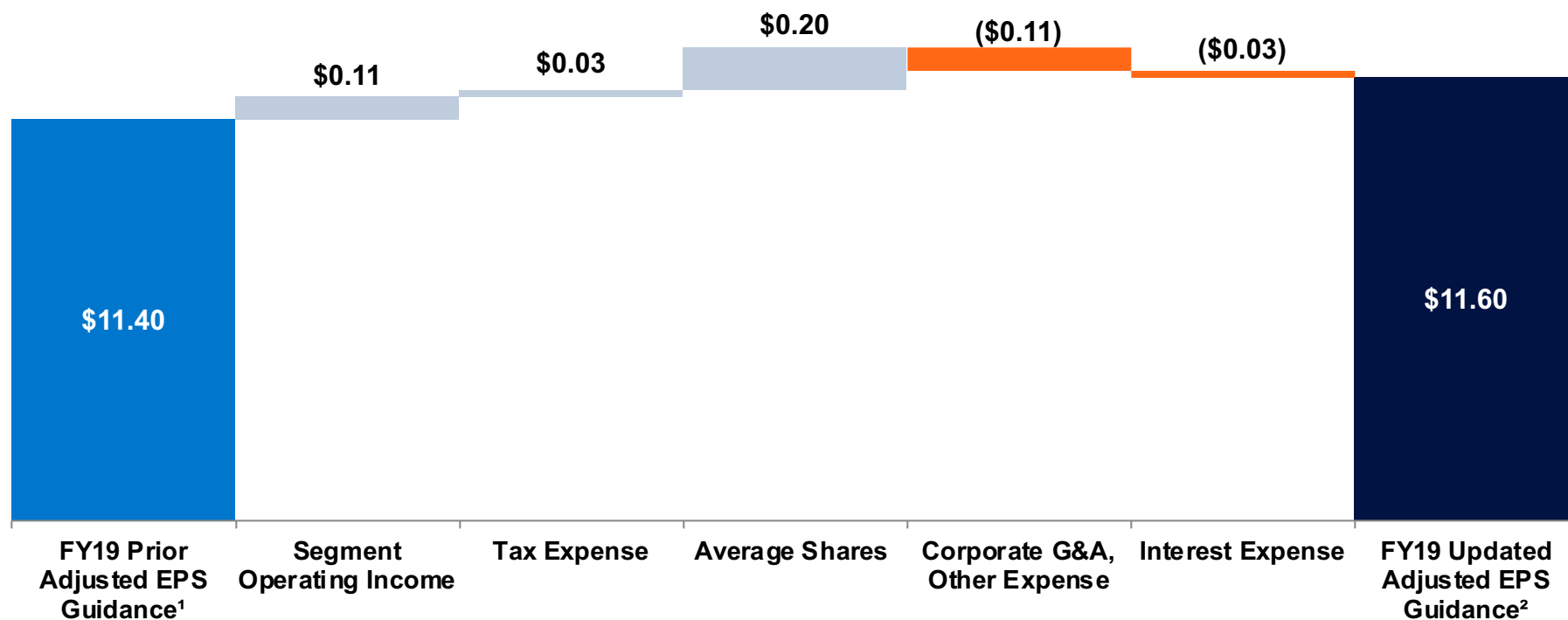
Shares	
Diluted Shares Outstanding	<b>132.3 M</b>

Earnings Per Share	As Reported	Adjusted <sup>1</sup>
Range	<b>\$11.04 - \$11.54</b>	<b>\$11.35 - \$11.85</b>

<sup>1</sup>Expected FY19 Adjusted Segment Operating Margins and Expected Adjusted Earnings Per Share exclude FY19 Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

# FY2019 Guidance

## Reconciliation to Prior Guidance

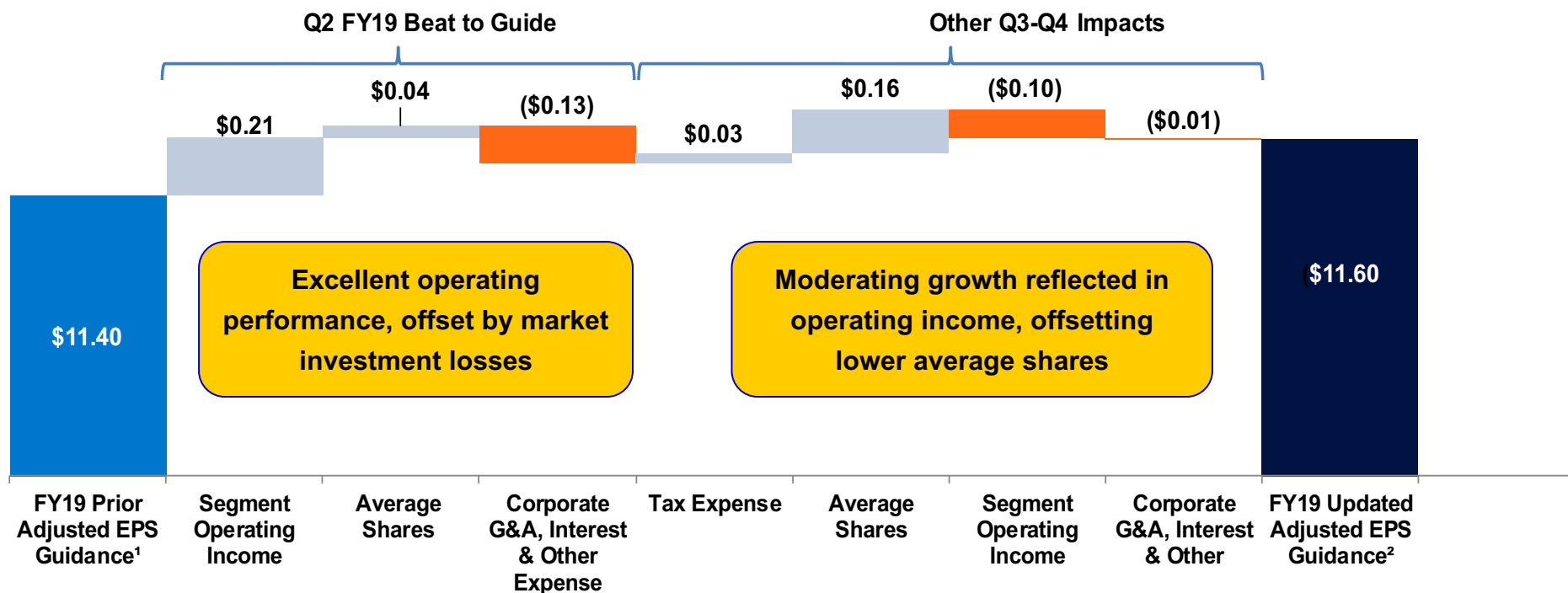


<sup>1</sup>Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve

<sup>2</sup>Adjusted for Expected Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

# FY2019 Guidance

## Reconciliation of Q2 Beat and Updated Guidance



<sup>1</sup>Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve

<sup>2</sup>Adjusted for Expected Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform





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# Appendix

- 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 Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms

# Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
<b>Net sales</b>	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Cost of sales	2,602,339	2,564,449	5,197,162	5,087,743
Selling, general and administrative expenses	397,259	408,338	791,581	805,322
Interest expense	47,518	53,133	91,857	106,688
Other (income) expense, net	(6,225)	(15,468)	(20,138)	1,048
Income before income taxes	431,154	360,221	890,877	734,523
Income taxes	119,241	303,899	203,065	392,666
Net income	311,913	56,322	687,812	341,857
Less: Noncontrolling interests	176	163	364	301
<b>Net income attributable to common shareholders</b>	\$ 311,737	\$ 56,159	\$ 687,448	\$ 341,556
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	\$ 2.39	\$ .42	\$ 5.23	\$ 2.57
Diluted earnings per share	\$ 2.36	\$ .41	\$ 5.15	\$ 2.51
Average shares outstanding during period - Basic	130,361,273	133,112,568	131,361,463	133,144,766
Average shares outstanding during period - Diluted	132,311,210	136,194,919	133,449,673	135,874,530
<b>CASH DIVIDENDS PER COMMON SHARE</b>				
(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Cash dividends per common share	\$ .76	\$ .66	\$ 1.52	\$ 1.32

# Adjusted Amounts Reconciliation

## SECOND QUARTER 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION INCOME STATEMENT

SECOND QUARTER FY 2019					
	As Reported Dec-18	Business Realignment Charges	Clarcor Costs to Achieve	Tax Expense Related to U.S. Tax Reform	Adjusted Dec-18
<b>Net sales</b>	\$ 3,472,045	\$ -	\$ -	\$ -	\$ 3,472,045
Cost of sales	2,602,339	868	2,801	-	2,598,670
Selling, general and administrative expenses	397,259	1,647	2,066	-	393,546
Interest expense	47,518	-	-	-	47,518
Other (income), net	(6,225)	-	220	-	(6,445)
Income before income taxes	431,154	(2,515)	(5,087)	-	438,756
Income taxes	119,241	599	1,211	(14,485)	106,566
Net income	311,913	(1,916)	(3,876)	(14,485)	332,190
Less: Noncontrolling interests	176	-	-	-	176
<b>Net income attributable to common shareholders</b>	<b>\$ 311,737</b>	<b>\$ (1,916)</b>	<b>\$ (3,876)</b>	<b>\$ (14,485)</b>	<b>\$ 332,014</b>
<b>EPS attributable to common shareholders:</b>					
Diluted earnings per share	\$ 2.36	\$ (0.01)	\$ (0.03)	\$ (0.11)	\$ 2.51

## SECOND QUARTER FY 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION SEGMENTS

SECOND QUARTER FY 2019				
	As Reported Dec-18	Business Realignment Charges	Clarcor Costs to Achieve	Adjusted Dec-18
<b>Segment Operating Income</b>				
Industrial:				
North America	\$ 257,774	\$ 526	\$ 3,293	\$ 261,593
International	189,085	1,989	1,574	192,648
Aerospace	121,463	-	-	121,463
Total segment operating income	568,322	(2,515)	(4,867)	575,704
Corporate administration	63,890	-	-	63,890
Income before interest expense and other	504,432	(2,515)	(4,867)	511,814
Interest expense	47,518	-	-	47,518
Other (income) expense	25,760	-	220	25,540
Income before income taxes	\$ 431,154	\$ (2,515)	\$ (5,087)	\$ 438,756



# Reconciliation of EPS

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
<b>Earnings per diluted share</b>	<b>\$ 2.36</b>	<b>\$ .41</b>	<b>\$ 5.15</b>	<b>\$ 2.51</b>
Adjustments:				
Business realignment charges	0.01	0.07	0.02	0.12
Clarcor costs to achieve	0.03	0.07	0.07	0.10
(Gain) loss on sale and writedown of assets, net	-	(0.05)	-	0.02
U.S. Tax Reform one-time impact, net	0.11	1.65	0.11	1.65
<b>Adjusted earnings per diluted share</b>	<b>\$ 2.51</b>	<b>\$ 2.15</b>	<b>\$ 5.35</b>	<b>\$ 4.40</b>

# Business Segment Information

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,632,059	\$ 1,565,416	\$ 3,313,103	\$ 3,160,107
International	1,223,679	1,255,569	2,457,445	2,494,343
Aerospace Systems	616,307	549,688	1,180,791	1,080,874
<b>Total</b>	<b>\$ 3,472,045</b>	<b>\$ 3,370,673</b>	<b>\$ 6,951,339</b>	<b>\$ 6,735,324</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 257,774	\$ 225,807	\$ 532,885	\$ 481,834
International	189,085	164,806	395,179	356,597
Aerospace Systems	121,463	87,148	231,318	164,582
<b>Total segment operating income</b>	<b>568,322</b>	<b>477,761</b>	<b>1,159,382</b>	<b>1,003,013</b>
Corporate general and administrative expenses	63,890	46,942	114,215	88,292
<b>Income before interest and other expense</b>	<b>504,432</b>	<b>430,819</b>	<b>1,045,167</b>	<b>914,721</b>
Interest expense	47,518	53,133	91,857	106,688
Other expense	25,760	17,465	62,433	73,510
<b>Income before income taxes</b>	<b>\$ 431,154</b>	<b>\$ 360,221</b>	<b>\$ 890,877</b>	<b>\$ 734,523</b>

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

(Unaudited)	Three Months Ended		Three Months Ended	
(Dollars in thousands)	December 31, 2018		December 31, 2017	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	<b>\$ 568,322</b>	<b>16.4%</b>	<b>\$ 477,761</b>	<b>14.2%</b>
Adjustments:				
Business realignment charges	2,515		13,428	
Clarcor costs to achieve	4,867		11,948	
<b>Adjusted total segment operating income</b>	<b>\$ 575,704</b>	<b>16.6%</b>	<b>\$ 503,137</b>	<b>14.9%</b>

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
<b>Net sales</b>	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Earnings before income taxes	\$ 431,154	\$ 360,221	\$ 890,877	\$ 734,523
Depreciation and amortization	110,052	118,109	222,543	234,216
Interest expense	47,518	53,133	91,857	106,688
<b>EBITDA</b>	<b>588,724</b>	<b>531,463</b>	<b>1,205,277</b>	<b>1,075,427</b>
Adjustments:				
Business realignment charges	2,515	13,428	4,918	21,654
Clarcor costs to achieve	5,087	11,948	11,297	17,748
(Gain) loss on sale and writedown of assets, net	-	(8,453)	-	5,324
<b>Adjusted EBITDA</b>	<b>\$ 596,326</b>	<b>\$ 548,386</b>	<b>\$ 1,221,492</b>	<b>\$ 1,120,153</b>
<b>EBITDA margin</b>	<b>17.0%</b>	<b>15.8%</b>	<b>17.3%</b>	<b>16.0%</b>
<b>Adjusted EBITDA margin</b>	<b>17.2%</b>	<b>16.3%</b>	<b>17.6%</b>	<b>16.6%</b>



# Consolidated Balance Sheet

(Unaudited)  
(Dollars in thousands)

December 31,  
2018

June 30,  
2018

December 31,  
2017

## Assets

### **Current assets:**

Cash and cash equivalents	\$ 1,047,385	\$ 822,137	\$ 1,024,770
Marketable securities and other investments	30,956	32,995	107,976
Trade accounts receivable, net	1,938,709	2,145,517	1,857,282
Non-trade and notes receivable	324,254	328,399	313,221
Inventories	1,804,564	1,621,304	1,780,262
Prepaid expenses and other	188,868	134,886	202,848

<b>Total current assets</b>	<b>5,334,736</b>	<b>5,085,238</b>	<b>5,286,359</b>
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Plant and equipment, net	1,793,805	1,856,237	1,937,074
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Deferred income taxes	98,779	57,623	36,668
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Goodwill	5,462,555	5,504,420	5,698,707
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Intangible assets, net	1,883,825	2,015,520	2,174,104
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Other assets	733,987	801,049	832,269
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<b>Total assets</b>	<b>\$ 15,307,687</b>	<b>\$ 15,320,087</b>	<b>\$ 15,965,181</b>
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## Liabilities and equity

### **Current liabilities:**

Notes payable	\$ 1,144,347	\$ 638,466	\$ 1,248,212
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Accounts payable	1,307,178	1,430,306	1,229,336
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Accrued liabilities	874,792	929,833	896,750
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Accrued domestic and foreign taxes	182,617	198,878	163,405
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<b>Total current liabilities</b>	<b>3,508,934</b>	<b>3,197,483</b>	<b>3,537,703</b>
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Long-term debt	4,303,331	4,318,559	4,798,371
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Pensions and other postretirement benefits	937,938	1,177,605	1,363,466
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Deferred income taxes	286,622	234,858	137,196
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Other liabilities	449,696	526,089	609,235
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Shareholders' equity	5,815,209	5,859,866	5,513,401
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Noncontrolling interests	5,957	5,627	5,809
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<b>Total liabilities and equity</b>	<b>\$ 15,307,687</b>	<b>\$ 15,320,087</b>	<b>\$ 15,965,181</b>
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# Consolidated Statement of Cash Flows

(Unaudited)

Six Months Ended December 31,

(Dollars in thousands)

2018

2017

## Cash flows from operating activities:

Net income	\$	687,812	\$	341,857
Depreciation and amortization		222,543		234,216
Stock incentive plan compensation		64,615		64,267
Loss on sale of businesses		623		-
Loss (gain) on plant and equipment and intangible assets		3,428		(26,529)
Loss (gain) on sale of marketable securities		5,701		(1)
(Gain) loss on investments		(3,213)		33,759
Net change in receivables, inventories, and trade payables		(110,709)		(249,615)
Net change in other assets and liabilities		(379,687)		120,301
Other, net		49,927		(61,481)

## Net cash provided by operating activities

541,040

456,774

## Cash flows from investing activities:

Acquisitions (net of cash of \$690 in 2018)		(2,042)		-
Capital expenditures		(94,426)		(144,781)
Proceeds from sale of plant and equipment		34,121		59,848
Proceeds from sale of businesses		19,540		-
Purchases of marketable securities and other investments		(2,845)		(78,309)
Maturities and sales of marketable securities and other investments		14,432		12,710
Other		(90)		8,706

## Net cash (used in) investing activities

(31,310)

(141,826)

## Cash flows from financing activities:

Net payments for common stock activity		(565,335)		(134,360)
Net proceeds from debt		505,811		127,723
Dividends		(200,459)		(176,187)

## Net cash (used in) financing activities

(259,983)

(182,824)

## Effect of exchange rate changes on cash

(24,499)

7,760

## Net increase in cash and cash equivalents

225,248

139,884

## Cash and cash equivalents at beginning of period

822,137

884,886

## Cash and cash equivalents at end of period

\$

1,047,385

\$

1,024,770

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

(Unaudited)  
(Dollars in thousands)

	Six Months Ended December 31, 2018	Percent of sales	Six Months Ended December 31, 2017	Percent of sales
<b>As reported cash flow from operations</b>	\$ 541,040	7.8%	\$ 456,774	6.8%
Discretionary pension contribution	200,000		-	
<b>Adjusted cash flow from operations</b>	<b>\$ 741,040</b>	<b>10.7%</b>	<b>\$ 456,774</b>	<b>6.8%</b>

# Reconciliation of Forecasted EPS

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2019 Prior Guide	Fiscal Year 2019 Revised Guide
<b>Forecasted earnings per diluted share</b>	<b>\$10.90 - \$11.50</b>	<b>\$11.04 - \$11.54</b>
Adjustments:		
Business realignment charges	0.13	0.11
Clarcor costs to achieve	0.07	0.09
U.S. Tax Reform income tax expense adjustment		0.11
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$11.10 - \$11.70</b>	<b>\$11.35 - \$11.85</b>

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited)

(Dollars in thousands)

	Three Months Ending		Six Months Ending	
	December 31,		December 31,	
	2018	2017	2018	2017
<b>Net sales</b>				
Diversified Industrial:				
Motion Systems	\$ 856,357	\$ 825,695	\$ 1,715,930	\$ 1,635,442
Flow and Process Control	1,015,200	997,837	2,076,264	1,993,184
Filtration and Engineered Materials	984,181	997,453	1,978,354	2,025,824
Aerospace Systems	616,307	549,688	1,180,791	1,080,874
<b>Total</b>	<b>\$ 3,472,045</b>	<b>\$ 3,370,673</b>	<b>\$ 6,951,339</b>	<b>\$ 6,735,324</b>