

Parker Hannifin Corporation

Fiscal 2022 Fourth Quarter & Full Year Earnings Presentation



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ENGINEERING YOUR SUCCESS.

August 4, 2022

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. Often but not always, these statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “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. Neither Parker nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. 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 past performance or current expectations.

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 or prevent the closing of the proposed acquisition, including the failure to satisfy any of the conditions to the proposed acquisition; the possibility that in order for the parties to obtain regulatory approvals, conditions are imposed that prevent or otherwise adversely affect the anticipated benefits from the proposed acquisition or cause the parties to abandon the proposed acquisition; adverse effects on Parker’s common stock because of the failure to complete the proposed 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 proposed acquisition will not be realized or will not be realized within the expected time period, due to unsuccessful implementation strategies or otherwise; and significant transaction costs related to the proposed acquisition.

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 business and operating initiatives, including the timing, price and execution of share repurchases and other capital initiatives; availability, cost increases of or other limitations on our access to raw materials, component products and/or commodities if associated costs cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; legal and regulatory developments and changes; compliance costs associated with environmental laws and regulations; potential supply chain and labor disruptions, including as a result of labor shortages; threats associated with international conflicts and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; local and global political and 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 (including fluctuations associated with any potential credit rating decline) and credit availability; inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals; changes in consumer habits and preferences; government actions, including the impact of changes in the tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof; and large scale disasters, such as floods, earthquakes, hurricanes, industrial accidents and pandemics. 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, 2021 and other periodic filings made with the SEC.

This presentation contains references to non-GAAP financial information for Parker, including organic sales for Parker and by segment, adjusted earnings per share, adjusted operating margin for Parker and by segment, adjusted net income, EBITDA, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, adjusted Net Debt, 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 other one-time items. 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, adjusted net income, 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. Comparable descriptions of record adjusted results in this presentation refer only to the period from the first quarter of FY2011 to the periods presented in this presentation. This period coincides with recast historical financial results provided in association with our FY2014 change in segment reporting. 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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FY22 Q4: Record Performance and Consistent Execution

- Safety is our top priority, leveraging high-performance teams, lean and kaizen
- 2022 Engagement survey results are in the top 8% of industrial companies²
- Sales were \$4.2B, an increase of 6% vs. prior year; organic growth 10% vs. prior year
- Segment operating margin was 20.9% as reported, or 22.9% adjusted¹ +70 bps vs. prior year

Outstanding Performance in a Difficult Environment

The Resiliency of our Team Delivered a Record FY22

- \$15.9B sales with 12% organic growth vs. prior year
- Record segment operating margin 20.1% as reported, or 22.3% adjusted¹ +120 bps vs. prior year
- Operating cash flow of \$2.4B or 15.4% of sales
- Announced FY27 targets during March 2022 Investor Day

A Transformed Parker with a Promising Future

What Drives Parker?

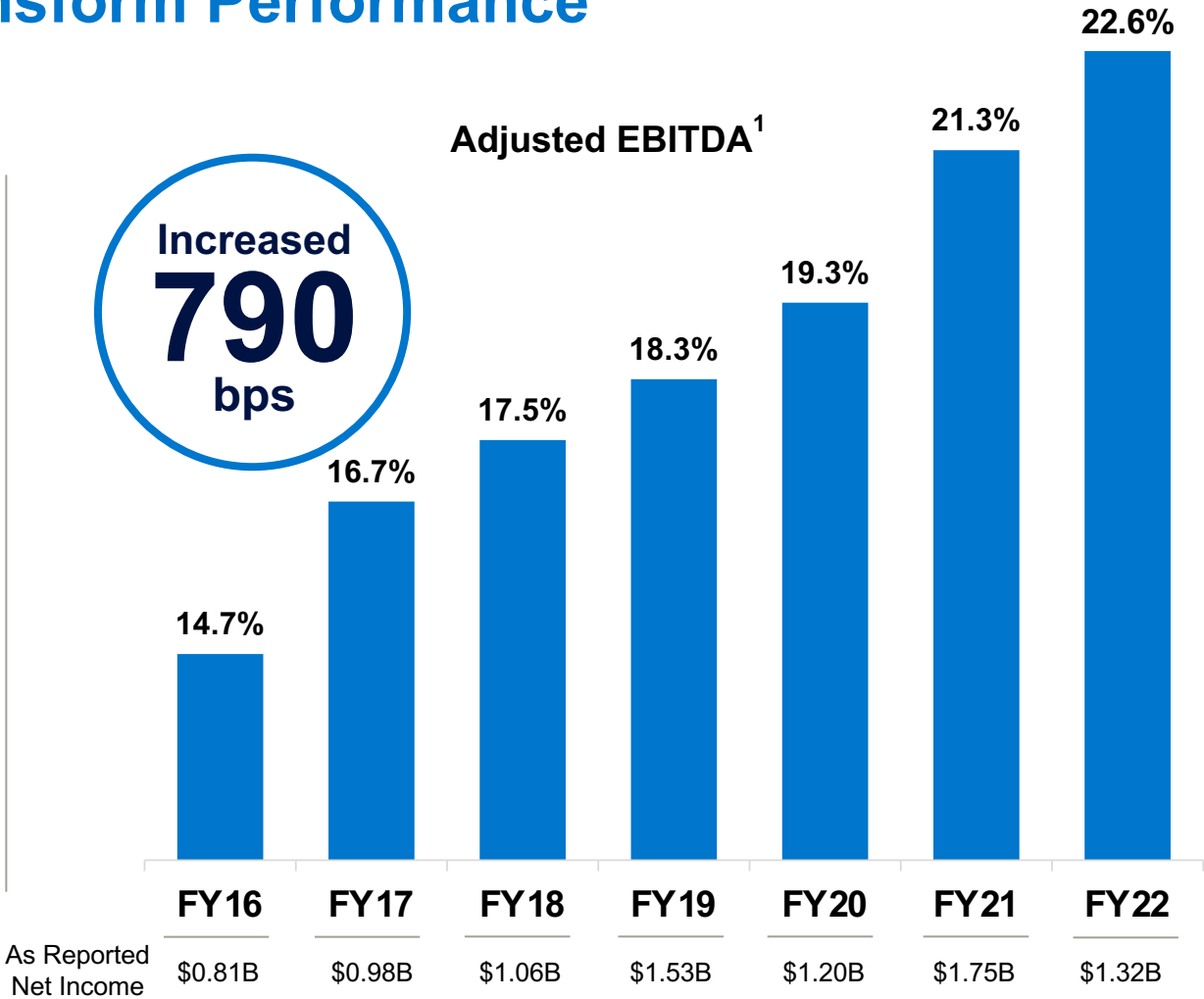
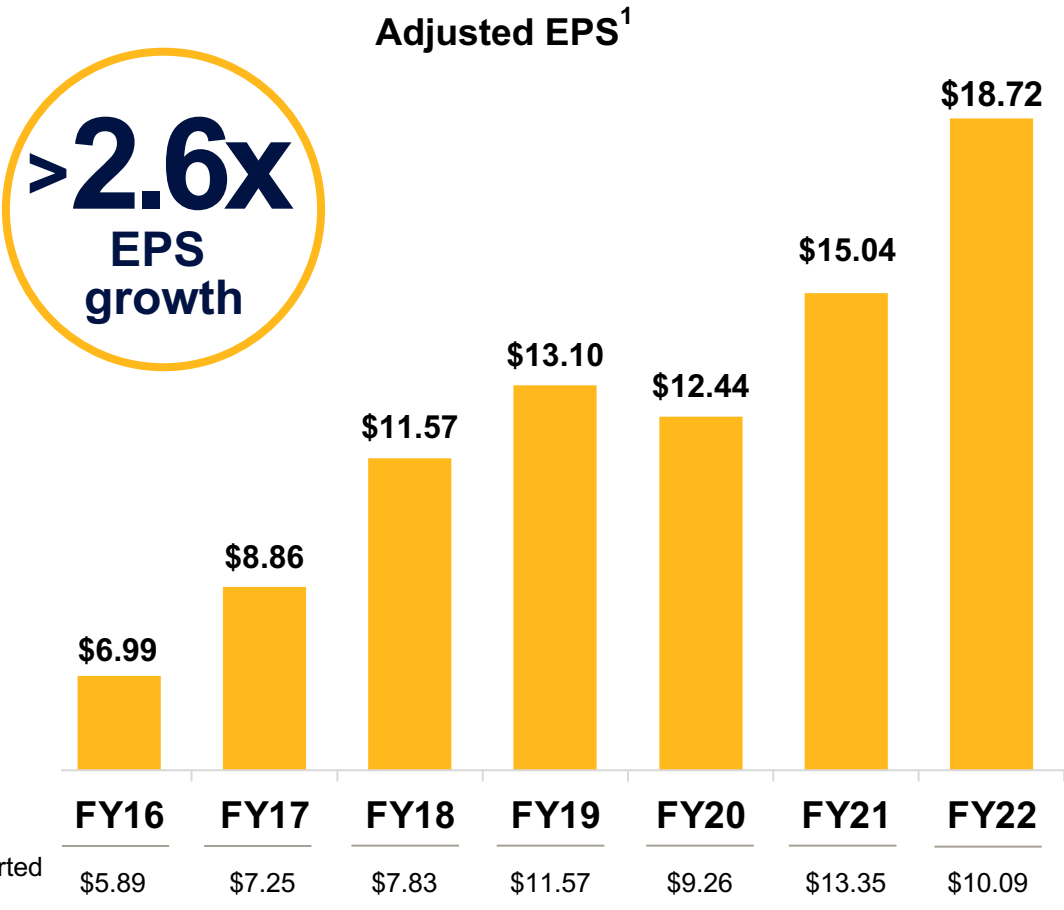
Living Up to Our Purpose

**Great Generators and
Deployers of Cash**

**Top Quartile Performance
vs. Proxy Peers**

Performance

Our People, Portfolio & Strategy Transform Performance



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





Expect Closing During FY23 Q1

Future Sales Growth Drivers

	Our Business System	Industrial Capex Investment	Channel Restock	Acquisitions	Secular Growth
Strategic Growth Drivers	The Win Strategy™	<ul style="list-style-type: none"> ▪ Address last decade under investment ▪ Supply chain development 	<ul style="list-style-type: none"> ▪ Replenish inventory levels ▪ De-risk supply chain 	<ul style="list-style-type: none"> ▪ CLARCOR ▪ LORD ▪ Exotic ▪ Meggitt¹ 	<ul style="list-style-type: none"> ▪ Aerospace ▪ Digital ▪ Electrification ▪ Clean Technologies
Outcomes	Growth & Financial Performance	Machinery automation, equipment & infrastructure spend	Rebuild inventory	Accretive & longer cycle growth	2/3's Portfolio enable Clean Technologies

FY27 Target 4-6% Organic Growth over the Cycle

Summary of Fiscal 2022 4th Quarter Results

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Financial Summary

FY22 Q4 vs. FY21 Q4

\$ in Millions, except per share amounts

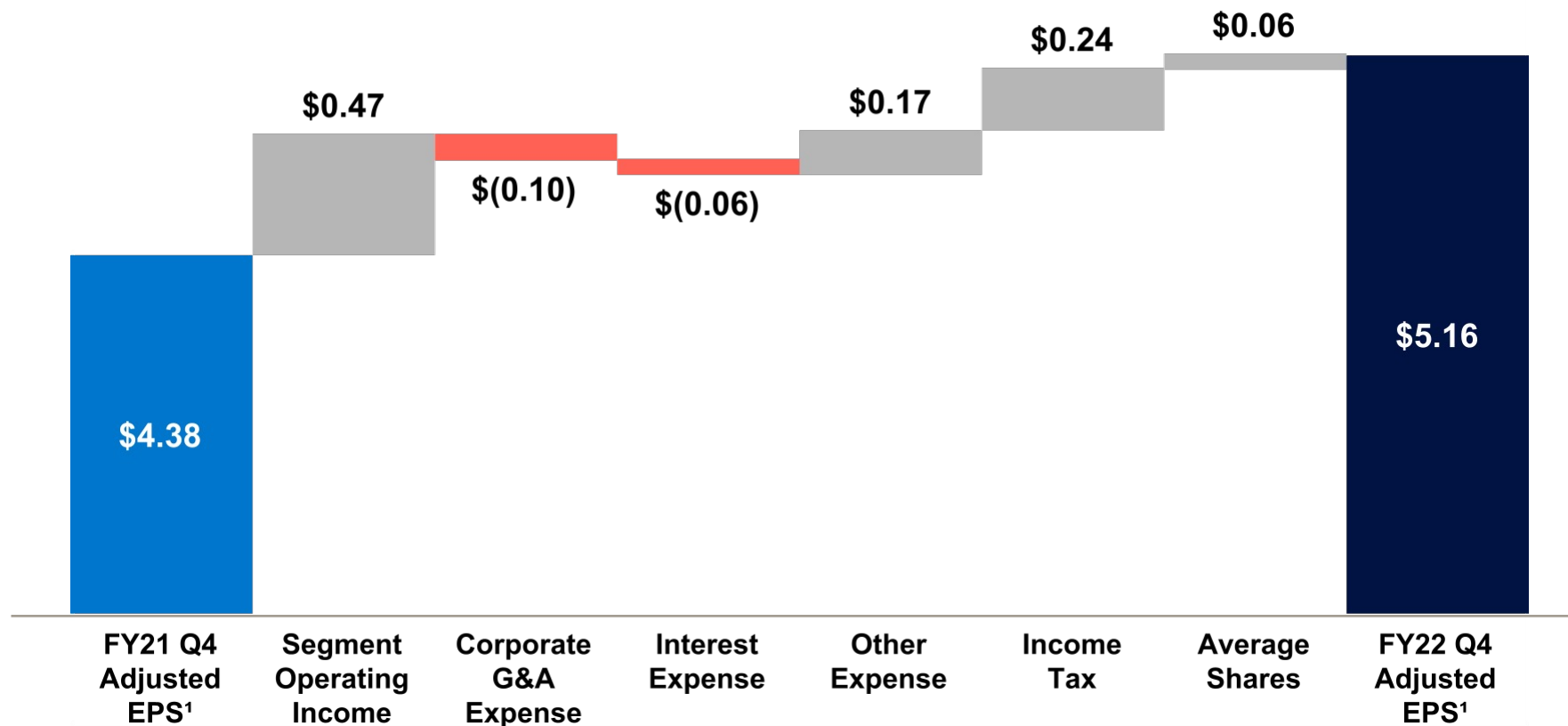
	Q4 FY22 As Reported	Q4 FY22 Adjusted ¹	Q4 FY21 Adjusted ¹	YoY Change Adjusted
Sales	\$4,188	\$4,188	\$3,959	+5.8%
Segment Operating Margin	20.9%	22.9%	22.2%	+70 bps
EBITDA Margin	7.9%	23.1%	22.1%	+100 bps
Net Income	\$129	\$671	\$577	+16%
EPS	\$0.99	\$5.16	\$4.38	+18%

1. Sales figures As Reported. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.
 Note: FY21 Q4 As Reported: Segment Operating Margin of 20.0%, EBITDA Margin of 21.8%, Net Income of \$505M, EPS of \$3.84.



Adjusted Earnings per Share Bridge

FY21 Q4 to FY22 Q4



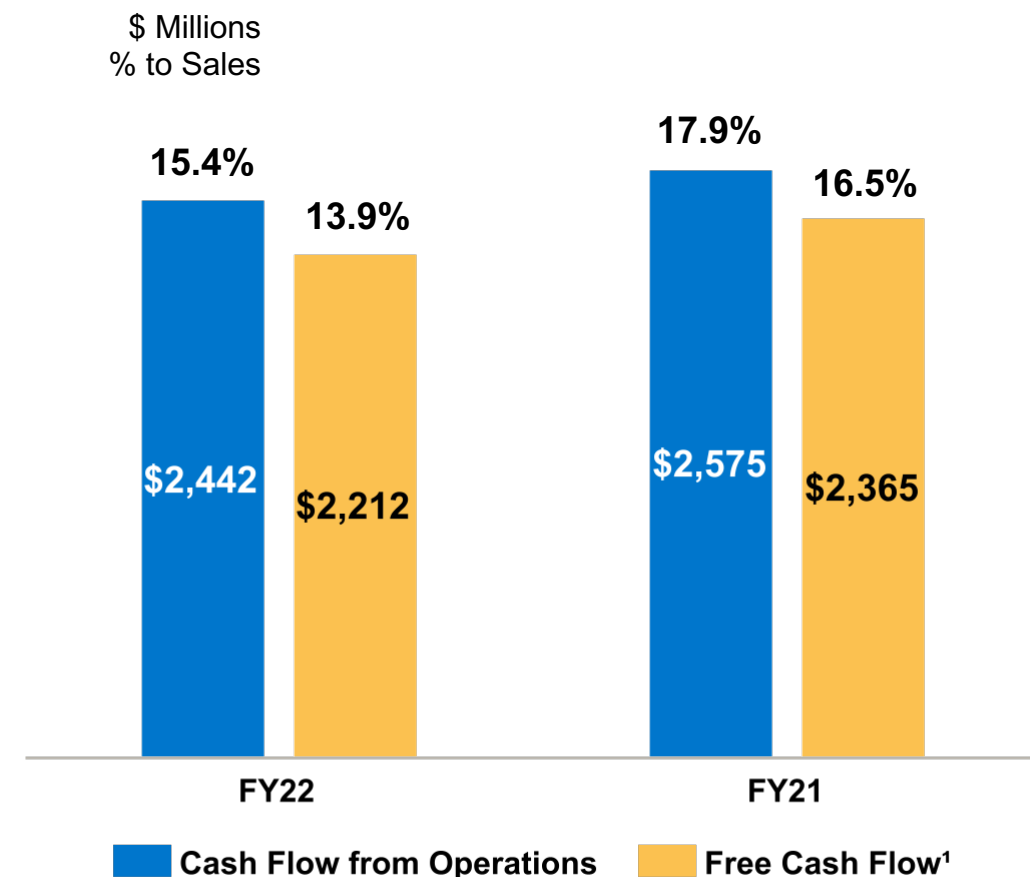
FY22 Q4 Segment Performance

	Sales As Reported \$ Organic % ¹	Segment Operating Margin As Reported	Segment Operating Margin Adjusted ¹	Order Rates ²	Commentary
Diversified Industrial North America	\$2,088M +14.7% Organic	20.6%	22.9% +40 bps YoY	+10%	<ul style="list-style-type: none"> Broad based double digit organic growth Continued strong order growth
Diversified Industrial International	\$1,424M +5.2% Organic	20.8%	22.4% +30 bps YoY	(4)%	<ul style="list-style-type: none"> ~\$50M sales reduction from COVID related shutdowns vs. forecast of \$100M 12% EMEA organic sales growth
Aerospace Systems	\$676M +7.8% Organic	22.1%	24.2% +260 bps YoY	0%	<ul style="list-style-type: none"> Strong commercial aftermarket growth Order rate +24% excluding sizable multi-year military orders in prior period
Parker	\$4,188M +10.0% Organic	20.9%	22.9% +70 bps YoY	+3%	<ul style="list-style-type: none"> Record sales & segment operating margin Excellent agility on supply chain & inflation 35% incremental margin¹

FY22 Q4 YTD Cash Flow Performance

- Cash Flow from Operations of 15.4%
- Free Cash Flow of 13.9%
 - Working capital a use of cash of 1.6% of sales²
- Free Cash Flow Conversion of 168%

Leverage at FY22 Q4	As Reported	Adjusted for Restricted Cash ¹
Net Debt / EBITDA	4.5x	2.0x



FY23 Initial Guidance Excluding Meggitt

EPS Midpoint: \$16.53 As Reported, \$18.50 Adjusted

Sales Growth vs. Prior Year	Reported	Organic
Diversified Industrial North America	3% - 6%	3% - 6%
Diversified Industrial International	(6)% - (3)%	0% - 3%
Aerospace Systems	5% - 8%	5% - 8%
Parker	0% - 3%	2% - 5%

Segment Operating Margins	As Reported	Adjusted ¹
Diversified Industrial North America	20.1% - 20.5%	22.4% - 22.8%
Diversified Industrial International	20.4% - 20.8%	22.2% - 22.6%
Aerospace Systems	20.1% - 20.5%	22.2% - 22.6%
Parker	20.2% - 20.6%	22.3% - 22.7%

Earnings Per Share	As Reported	Adjusted ¹
Range	\$16.13 - \$16.93	\$18.10 - \$18.90

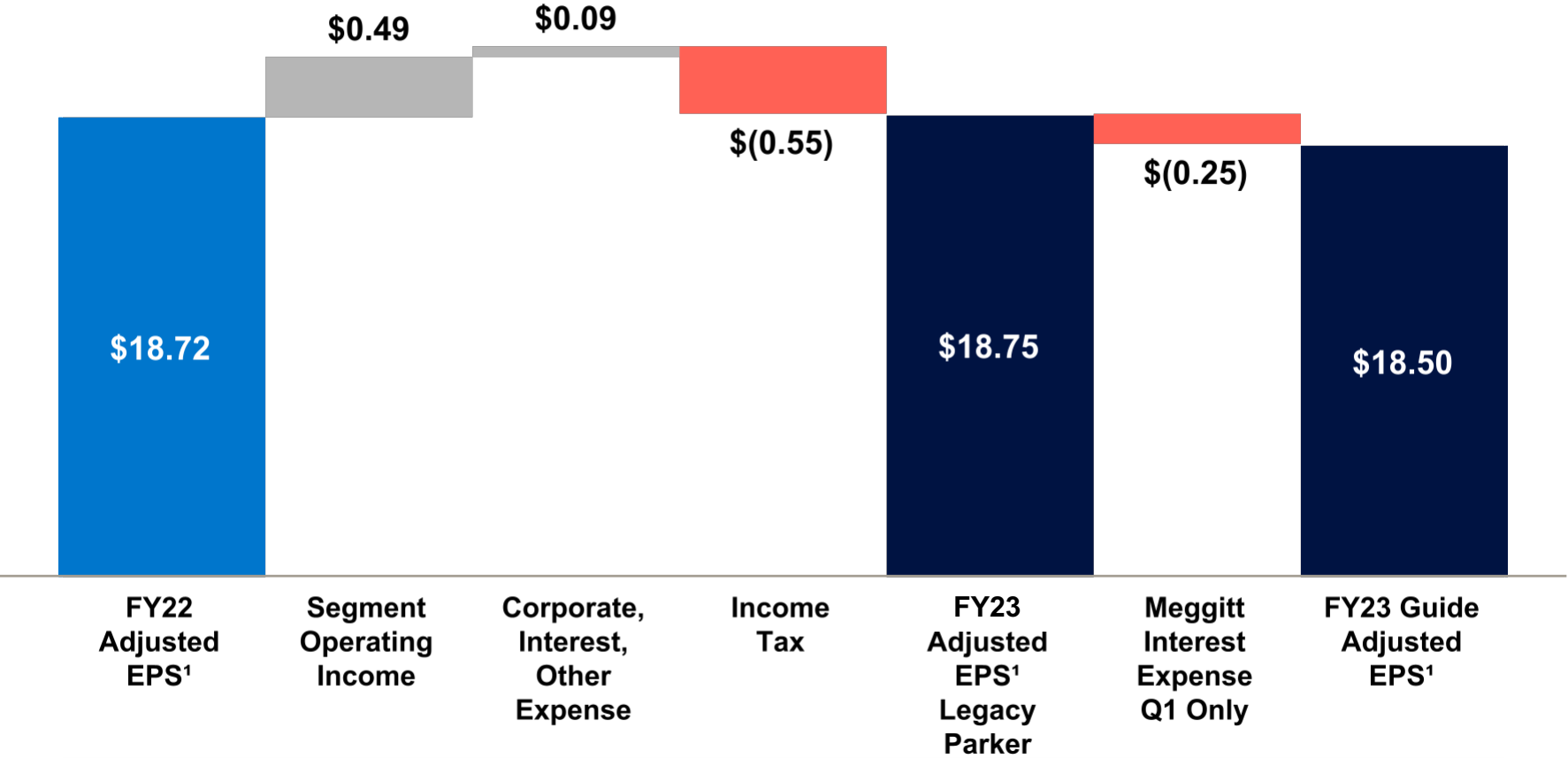
Additional Items	As Reported & Adjusted
Corporate G&A	\$204M
Legacy Interest Expense	\$228M
Meggitt Interest Expense Q1	\$42M
Other Expense	\$14M
Reported Tax Rate	~23%
Diluted Shares Outstanding	130.4M

Detail of Pre-Tax Adjustments to:	Segment Margins	Below Segment
Acquired Intangible Asset Amortization	~\$300M	—
Business Realignment Charges	~\$35M	—



FY23 Adjusted EPS Guidance Bridge

FY22 to FY23



1. FY22 As Reported EPS of \$10.09. FY23 As Reported midpoint guidance EPS of \$16.53. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.



Key Messages

- Record FY22 in a challenging environment
- Accelerated performance from The Win Strategy™ 3.0
- Positioned to perform well in FY23
- Strategic portfolio transformation: Longer cycle & more resilient
- Expect Meggitt closing during FY23 Q1
- Positioned for growth from secular trends

A Transformed Parker with a Promising Future





Upcoming Event Calendar

Meggitt Investor Webcast	Post Closing
Annual Meeting of Shareholders	October 26, 2022
1Q FY23 Earnings	November 3, 2022
2Q FY23 Earnings	February 2, 2023
3Q FY23 Earnings	May 4, 2023
4Q FY23 Earnings	August 3, 2023

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Appendix

- 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
- Reconciliation of Adjusted Net Debt to EBITDA
- Supplemental Sales Information – Global Technology Platforms
- Reconciliation of Forecasted EPS

Reconciliation of Organic Growth

(Dollars in thousands)
(Unaudited)

	Quarter-to-Date			
	As Reported June 30, 2022	Currency	Organic June 30, 2022	As Reported June 30, 2021
Net Sales				
Diversified Industrial:				
North America	\$ 2,087,696	\$ 3,591	\$ 2,091,287	\$ 1,823,078
International	1,423,924	159,871	1,583,795	1,505,835
Total Diversified Industrial	3,511,620	163,462	3,675,082	3,328,913
Aerospace Systems	676,212	2,597	678,809	629,956
Total Parker Hannifin	\$ 4,187,832	\$ 166,059	\$ 4,353,891	\$ 3,958,869
	As reported	Currency	Organic	
Diversified Industrial:				
North America	14.5 %	(0.2)%	14.7 %	
International	(5.4)%	(10.6)%	5.2 %	
Total Diversified Industrial	5.5 %	(4.9)%	10.4 %	
Aerospace Systems	7.3 %	(0.5)%	7.8 %	
Total Parker Hannifin	5.8 %	(4.2)%	10.0 %	

Reconciliation of Organic Growth

(Dollars in thousands)
(Unaudited)

	Year-to-Date			
	As Reported June 30, 2022	Currency	Organic June 30, 2022	As Reported June 30, 2021
Net Sales				
Diversified Industrial:				
North America	\$ 7,703,150	\$ (6,674)	\$ 7,696,476	\$ 6,676,449
International	5,638,896	256,049	5,894,945	5,283,710
Total Diversified Industrial	13,342,046	249,375	13,591,421	11,960,159
Aerospace Systems	2,519,562	5,213	2,524,775	2,387,481
Total Parker Hannifin	\$ 15,861,608	\$ 254,588	\$ 16,116,196	\$ 14,347,640
	As reported	Currency	Organic	
Diversified Industrial:				
North America	15.4 %	0.1 %	15.3 %	
International	6.7 %	(4.9)%	11.6 %	
Total Diversified Industrial	11.6 %	(2.0)%	13.6 %	
Aerospace Systems	5.5 %	(0.3)%	5.8 %	
Total Parker Hannifin	10.6 %	(1.7)%	12.3 %	

Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter-to-Date FY 2022								
	As Reported June 30, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Loss on Deal- Contingent Forward Contracts	Adjusted June 30, 2022	% of Sales
Net Sales	\$ 4,187,832	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,187,832	100.0 %
Cost of Sales	2,980,654	71.2 %	—	3,353	207	—	—	2,977,094	71.1 %
Selling, general, and admin. expenses	426,210	10.2 %	77,073	1,653	1,617	10,655	—	335,212	8.0 %
Interest expense	71,270	1.7 %	—	—	—	—	—	71,270	1.7 %
Other expense (income), net	591,530	14.1 %	—	(60)	—	1,007	619,061	(28,478)	(0.7) %
Income before income taxes	118,168	2.8 %	(77,073)	(4,946)	(1,824)	(11,662)	(619,061)	832,734	19.9 %
Income taxes	(10,738)	(0.3) %	17,341	1,113	411	2,624	150,432	161,183	3.8 %
Net Income	128,906	3.1 %	(59,732)	(3,833)	(1,413)	(9,038)	(468,629)	671,551	16.0 %
Less: Noncontrollable interests	75	0.0 %	—	—	—	—	—	75	0.0 %
Net Income - common shareholders	\$ 128,831	3.1 %	\$ (59,732)	\$ (3,833)	\$ (1,413)	\$ (9,038)	\$ (468,629)	\$ 671,476	16.0 %
Diluted earnings per share	\$ 0.99		\$ (0.46)	\$ (0.03)	\$ (0.01)	\$ (0.07)	\$ (3.60)	\$ 5.16	

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
Net sales	\$ 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) expense, 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: Noncontrolling interests	176	0.0 %	—	—	—	—	—	176	0.0 %
Net income - common shareholders	\$ 504,793	12.8 %	\$ (61,916)	\$ (5,938)	\$ (1,316)	\$ (15)	\$ (2,704)	\$ 576,682	14.6 %
Diluted earnings per share	\$ 3.84		\$ (0.47)	\$ (0.04)	\$ (0.01)	\$ —	\$ (0.02)	\$ 4.38	

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2022									
	As Reported June 30, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Loss on Deal- Contingent Forward Contracts	Adjusted June 30, 2022	% of Sales ²	
Diversified Industrial										
North America ¹	\$ 430,142	20.6 %	\$ 46,630	\$ 670	\$ 214	\$ —	\$ —	\$ 477,656	22.9 %	
International ¹	296,838	20.8 %	17,701	4,282	433	—	—	319,254	22.4 %	
Aerospace Systems ¹	149,368	22.1 %	12,742	54	1,177	—	—	163,341	24.2 %	
Total segment operating income	876,348	20.9 %	(77,073)	(5,006)	(1,824)	—	—	960,251	22.9 %	
Corporate administration	70,635	1.7 %	—	—	—	—	—	70,635	1.7 %	
Income before interest and other	805,713	19.2 %	(77,073)	(5,006)	(1,824)	—	—	889,616	21.2 %	
Interest expense	71,270	1.7 %	—	—	—	—	—	71,270	1.7 %	
Other (income) expense	616,275	14.7 %	—	(60)	—	11,662	619,061	(14,388)	(0.3)%	
Income before income taxes	\$ 118,168	2.8 %	\$ (77,073)	\$ (4,946)	\$ (1,824)	\$ (11,662)	\$ (619,061)	\$ 832,734	19.9 %	

¹Segment operating income as a percent of sales is calculated on as reported segment sales.

²Adjusted amounts as a percent of sales are calculated on as reported segment sales.

Adjusted Amounts Reconciliation

Business Segment Information

(Dollars in thousands)
(Unaudited)

	Year-to-Date FY 2022									
	As Reported June 30, 2022	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Integration Costs to Achieve	Acquisition Related Expenses	Loss on Deal-Contingent Forward Contracts	Russia Liquidation	Adjusted June 30, 2022	% of Sales ²
Diversified Industrial:										
North America ¹	\$ 1,515,259	19.7%	\$ 188,325	\$ 2,638	\$ 1,171	\$ -	\$ -	\$ -	\$ 1,707,393	22.2%
International ¹	1,178,044	20.9%	75,105	11,149	2,418	-	-	6,257	1,272,973	22.6%
Aerospace Systems ¹	501,431	19.9%	51,020	967	1,177	-	-	6,570	561,165	22.3%
Total segment operating income	3,194,734	20.1%	(314,450)	(14,754)	(4,766)	-	-	(12,827)	3,541,531	22.3%
Corporate administration	219,699	1.4%	-	-	-	-	-	-	219,699	1.4%
Income before interest and other	2,975,035	18.8%	(314,450)	(14,754)	(4,766)	-	-	(12,827)	3,321,832	20.9%
Interest expense	255,252	1.6%	-	-	-	-	-	-	255,252	1.6%
Other (income) expense	1,105,557	7.0%	-	3	-	95,727	1,015,426	7,230	(12,829)	-0.1%
Income before income taxes	\$ 1,614,226	10.2%	\$ (314,450)	\$ (14,757)	\$ (4,766)	\$ (95,727)	\$ (1,015,426)	\$ (20,057)	\$ 3,079,409	19.4%

¹Segment operating income as a percent of sales is calculated on segment sales.

²Adjusted amounts as a percent of sales are calculated on as reported sales.

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

(Unaudited) (Amounts in dollars)	Three Months Ended June 30,	
	2022	2021
Earnings per diluted share	\$ 0.99	\$ 3.84
Adjustments:		
Acquired intangible asset amortization expense	0.59	0.62
Business realignment charges	0.04	0.06
Integration costs to achieve	0.01	0.01
Acquisition-related expenses	0.09	0.03
Loss on deal-contingent forward contracts	4.76	—
Tax effect of adjustments ¹	(1.32)	(0.18)
Adjusted earnings per diluted share	\$ 5.16	\$ 4.38

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

(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	12 Months ended 6/30/22
Earnings per diluted share	\$ 5.89	\$ 7.25	\$ 7.83	\$ 11.57	\$ 9.26	\$ 13.35	\$ 10.09
Adjustments:							
Acquisition-related intangible asset amortization expense	0.74	1.02	1.59	1.51	2.19	2.49	2.41
Business realignment charges	0.80	0.42	0.34	0.12	0.59	0.36	0.11
Acquisition-related expenses & Costs to achieve	-	0.76	0.27	0.23	1.62	0.11	0.78
(Gain) / loss on sale and writedown of assets or land	-	-	0.24	-	-	(0.77)	-
Loss on deal-contingent forward contracts	-	-	-	-	-	-	7.79
Russia liquidation	-	-	-	-	-	-	0.15
Tax effect of adjustments ¹	(0.44)	(0.59)	(0.42)	(0.44)	(1.03)	(0.50)	(2.61)
Favorable tax settlement	-	-	-	-	(0.19)	-	-
Tax expense related to U.S. Tax Reform	-	-	1.72	0.11	-	-	-
Adjusted earnings per diluted share	\$ 6.99	\$ 8.86	\$ 11.57	\$ 13.10	\$ 12.44	\$ 15.04	\$ 18.72

¹This 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, 2022		Three Months Ended June 30, 2021	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 876,348	20.9 %	\$ 789,988	20.0 %
Adjustments:				
Acquired intangible asset amortization	77,073		81,254	
Business realignment charges	5,006		7,347	
Integration costs to achieve	1,824		1,747	
Adjusted total segment operating income	\$ 960,251	22.9 %	\$ 880,336	22.2 %

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,
	2022	2021	2022
Net sales	\$ 4,187,832	\$ 3,958,869	\$ 15,861,608
Net income	\$ 128,906	\$ 504,969	\$ 1,316,186
Income taxes	(10,738)	151,582	298,040
Depreciation	62,369	65,328	257,314
Amortization	77,073	81,254	314,450
Interest expense	71,270	60,258	255,252
EBITDA	328,880	863,391	2,441,242
Adjustments:			
Business realignment charges	4,946	7,792	14,757
Integration costs to achieve	1,824	1,747	4,766
Acquisition-related expenses	11,662	3,549	95,727
Loss on deal-contingent forward contracts	619,061	—	1,015,426
Russia liquidation	—	—	20,057
Adjusted EBITDA	\$ 966,373	\$ 876,479	\$ 3,591,975
EBITDA margin	7.9 %	21.8 %	15.4 %
Adjusted EBITDA margin	23.1 %	22.1 %	22.6 %

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 ¹	12 Months ended 6/30/20 ¹	12 Months ended 6/30/21
Net sales	\$ 11,361	\$ 12,029	\$ 14,302	\$ 14,320	\$ 13,696	\$ 14,348
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
EBITDA*	\$ 1,558	\$ 1,846	\$ 2,382	\$ 2,576	\$ 2,353	\$ 3,092
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)
Adjusted EBITDA*	\$ 1,667	\$ 2,006	\$ 2,497	\$ 2,621	\$ 2,639	\$ 3,055
EBITDA margin	13.7%	15.3%	16.7%	18.0%	17.2%	21.6%
Adjusted EBITDA margin	14.7%	16.7%	17.5%	18.3%	19.3%	21.3%

¹Amounts 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)		
Net income	\$ 1,316,186	\$ 1,746,861
Cash flow from operations	\$ 2,441,730	\$ 2,575,001
Capital Expenditures	(230,044)	(209,957)
Free cash flow	\$ 2,211,686	\$ 2,365,044
Free cash flow conversion (free cash flow / net income)	168 %	135 %

Reconciliation of Adjusted Net Debt to EBITDA

(Unaudited)	
(Dollars in thousands)	
	June 30, 2022
Notes payable and long-term debt payable within one year	\$ 1,724,310
Long-term debt	9,755,825
Add: Deferred debt issuance costs	86,972
Total gross debt	<u>\$ 11,567,107</u>
Cash and cash equivalents	\$ 535,799
Marketable securities and other investments	27,862
Restricted cash (within Prepaid expenses and other)	6,112,077
Adjusted total cash	<u>\$ 6,675,738</u>
Adjusted net debt (Gross debt less adjusted total cash)	\$ 4,891,369
TTM EBITDA	\$ 2,441,242
Adjusted net debt/TTM EBITDA	<u>2.0</u>

Supplemental Sales Information

Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2022	2021	2022	2021
Net sales				
Diversified Industrial:				
Motion Systems	\$ 921,265	\$ 883,395	\$ 3,489,431	\$ 3,081,366
Flow and Process Control	1,229,853	1,152,437	4,616,270	4,108,080
Filtration and Engineered Materials	1,360,502	1,293,081	5,236,345	4,770,713
Aerospace Systems	676,212	629,956	2,519,562	2,387,481
Total	\$ 4,187,832	\$ 3,958,869	\$ 15,861,608	\$ 14,347,640

Reconciliation of EPS

Fiscal Year 2023 Guidance

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2023</u>
Forecasted earnings per diluted share	\$16.13 to \$16.93
Adjustments:	
Business realignment charges	0.26
Acquisition-related intangible asset amortization expense	2.30
Tax effect of adjustments ¹	<u>(0.59)</u>
Adjusted forecasted earnings per diluted share	<u>\$18.10 to \$18.90</u>

¹This 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.