## Parker Hannifin Corporation

Fiscal 2023 Second Quarter
Earnings Presentation


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NYSE

## Forward-Looking Statements and Non-GAAP Financial Measures


















 of risk factors discussed in Parker's Annual Report on Form 10-K for the fiscal year ended June 30, 2022 and other periodic filings made with the SEC




 performance for the period. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.



 earnings per share, cash flows, segment reporting or the financial position of the Company and were retrospectively applied to all periods presented in the financial tables of this presentation.
Please visit www.PHstock.com for more information

## What Drives Parker?

## Living Up to Our Purpose

## Great Generators and Deployers of Cash

## Top Quartile Performance vs. Proxy Peers

## Focused on Top Quartile Performance

- Safety, Purpose and Engagement
- Delivering Meggitt cost synergies of $\$ 300$ million
- Performance acceleration from The Win Strategy ${ }^{\text {TM }} 3.0$
- Continuing our culture of continuous improvement
- Committed to FY27 Targets

Parker's Transformation Continues with a Promising Future Ahead

# The Win Strategy" Our Vision: Engineering Your Success 

| ת088 |  |  |  |
| :---: | :---: | :---: | :---: |
| Engaged People | Customer Experience | Profitable Growth | Financial Performance |
| STRATEGIES | STRATEGIES | STRATEGIES | STRATEGIES |
| - Safety \#1 <br> - Environment, Social \& Governance <br> - Ownership Entrepreneurial <br> - High Performance Teams \& Leaders <br> - Culture of Kaizen | - Quality Solutions On Time <br> - Digital Leadership <br> - Ease of Doing Business | - Strategic Positioning <br> - Market-Driven Innovation <br> - System Solutions <br> - Strong Distribution <br> - Grow Share <br> - Acquisitions | - Simplification <br> - Lean Enterprise <br> - Strategic Supply Chain <br> - Value Pricing |

## Our Culture \& Values

## Win Strategy 3.0 Accelerating Performance

## Engaged People

- Safety \#1
- High Performance Teams \& Leaders
- Culture of Kaizen


## Customer Experience

- Digital Leadership
- Zero Defects
- Best-in-Class Lead Times


## Financial Performance

- Simplification
- Value Pricing
- Lean Enterprise
- Supply Chain Leadership


## Driving Top Quartile Performance

## Capital Deployment Priorities

- Dividend: Maintain record and target 5-year average payout 30-35\% of net income
- CapEx: Target 2\% of sales to fund organic growth and productivity
- 10b5-1 share repurchase program
- Near term: Debt reduction
- Strategic acquisitions and/or discretionary share repurchase


## FY23 Q2: Excellent Operating Performance

- Safety is our top priority, leveraging high-performance teams, lean and kaizen
- $16 \%$ reduction in incidents vs. prior year
- Sales were $\$ 4.7 \mathrm{~B}$, an increase of $22 \%$ vs. prior year; organic growth $10 \%{ }^{1}$
- Strong segment operating margin performance driving full year guidance increase
- Meggitt integration \& synergies on schedule

The Win Strategy \& Portfolio Changes Deliver Record Performance

## Excellent Progress on Meggitt Integration

## Recent Highlights

- Key leaders in place
- 20+ value creation \& functional teams
- Team member \& customer engagement
- Win Strategy implementation


Proven Track Record of Delivering on Synergy Targets

## Synergies Driving Meggitt Margin Expansion Expect 30\% Adj. EBITDA Margin by FY26



# Summary of Fiscal 2023 2nd Quarter Results 

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## Financial Summary

FY23 Q2 vs. FY22 Q2

| \$ Millions, except per share amounts | Q2 FY23 <br> As Reported | Q2 FY23 <br> Adjusted' $^{\prime}$ | Q2 FY22 <br> Adjusted' | YoY Change <br> Adjusted |
| :--- | :---: | :---: | :---: | :---: |
| Sales | $\$ 4,675$ | $\mathbf{\$ 4 , 6 7 5}$ | $\$ 3,825$ | $+22 \%$ |
| Segment Operating Margin | $15.3 \%$ | $\mathbf{2 1 . 5 \%}$ | $21.6 \%$ | $(10 \mathrm{bps})$ |
| EBITDA Margin | $19.1 \%$ | $\mathbf{2 2 . 4 \%}$ | $22.7 \%$ | $(30 \mathrm{bps})$ |
| Net Income | $\$ 395$ | $\mathbf{\$ 6 1 9}$ | $\$ 582$ | $+6 \%$ |
| EPS | $\$ 3.04$ | $\mathbf{\$ 4 . 7 6}$ | $\$ 4.46$ | $+7 \%$ |

## Adjusted Earnings per Share Bridge

FY22 Q2 to FY23 Q2


1. FY22 Q2 As Reported EPS of $\$ 2.97$. FY23 Q2 As Reported EPS of $\$ 3.04$. Adjusted numbers include certain non-GAAP financial measures. See Appendix for

Parkar additional details and reconciliations.

## FY23 Q2 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 | $\begin{gathered} \$ 2,141 \mathrm{M} \\ +13.5 \% \text { Organic } \end{gathered}$ | 19.6\% | $\begin{gathered} 21.8 \% \\ +50 \mathrm{bps} \mathrm{YoY} \end{gathered}$ | +2\% | - Broad based growth continues <br> - Gradual supply chain improvement |
| Diversified Industrial International | $\begin{gathered} \text { \$1,398M } \\ +8.6 \% \text { Organic } \end{gathered}$ | 20.4\% | $21.9 \%$ <br> (50) bps YoY | (4\%) | - Organic growth in all regions <br> - China COVID impacting supply chain |
| Aerospace Systems | $\begin{gathered} \text { \$1,136M } \\ +4.9 \% \text { Organic } \end{gathered}$ | 0.8\% ${ }^{3}$ | 20.6\% <br> (10) bps YoY | +22\% | - Robust commercial sales \& order growth <br> - Meggitt performance \& synergies on track |
| Parker | $\begin{gathered} \$ 4,675 \mathrm{M} \\ +10.3 \% \text { Organic } \end{gathered}$ | 15.3\% | 21.5\% <br> (10) bps YoY | +3\% | - Record sales levels <br> - Excellent operating performance |

1. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.
2. Order Rates exclude acquisitions, divestitures, \& currency. Industrial is a 3-month YoY comparison of total dollars. Aerospace is a rolling 12-month YoY comparison.

## FY23 Q2 YTD Cash Flow Performance

- Cash Flow from Operations of 12.1\%
- Free Cash Flow of $10.0 \%^{1}$
- Capex of $2.1 \%$ of sales
- Transaction expenses:
- A use of cash of $\sim 2 \%$ of sales
- Free Cash Flow Conversion of $114 \%^{1}$



## Capital Deployment \& Leverage Highlights

- Quarterly dividend of $\$ 1.33$ declared on January 26, 2023
- 66 fiscal year record of increasing annual dividends per share paid
- Leverage at FY23 Q2:
- 3.6x Gross Debt / Adjusted EBITDA ${ }^{1}$
- $3.4 x$ Net Debt / Adjusted EBITDA ${ }^{1}$
- $\sim \$ 200 \mathrm{M}$ net debt reduction during the quarter
- Current debt ratings: Baa1 / BBB+; A2 / P2


## FY23 Adjusted Guidance Increased

## EPS Midpoint: \$13.75 As Reported, \$19.45 Adjusted

| Sales Growth vs. Prior Year | Reported | Organic $^{1}$ |
| :--- | :---: | :---: |
| Diversified Industrial North America | $11 \%-13 \%$ | $7.5 \%-9.5 \%$ |
| Diversified Industrial International | $(3) \%-(1) \%$ | $4 \%-6 \%$ |
| Aerospace Systems | $64 \%-66 \%$ | $5.5 \%-7.5 \%$ |
| Parker | $\mathbf{1 4 . 5 \% - 1 6 . 5 \%}$ | $\mathbf{6 \% - 8 \%}$ |


| Segment Operating Margins | As Reported | Adjusted ${ }^{1}$ |
| :--- | :---: | :---: |
| Diversified Industrial North America | $20.2 \%-20.6 \%$ | $22.4 \%-22.8 \%$ |
| Diversified Industrial International | $20.2 \%-20.6 \%$ | $21.9 \%-22.3 \%$ |
| Aerospace Systems | $8.9 \%-9.3 \%$ | $21.0 \%-21.4 \%$ |
| Parker | $\mathbf{1 7 . 6 \% - \mathbf { 1 8 . 0 } \%}$ | $\mathbf{2 1 . 9 \% - \mathbf { 2 2 . 3 } \%}$ |


| Earnings Per Share | As Reported |  | Adjusted ${ }^{1}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Range | \$13.50-\$14.00 |  | \$19.20-\$19.70 |  |
| Additional Items |  | As Reported |  | Adjusted ${ }^{1}$ |
| Corporate G\&A |  | \$204M |  | \$204M |
| Interest Expense |  | \$555M |  |  |
| Other Expense |  | \$162M |  | (\$18M) |
| Reported Tax Rate |  | ~23.5\% |  |  |
| Diluted Shares Outstanding |  | ~130M |  |  |
| Detail of Pre-Tax Adjustments to: |  | Segment Margins |  | Below Segmen |
| Acquired Intangible Asset Amortization |  | ~\$520M |  | - |
| Business Realignment Charges |  | $\sim$ \$30M |  | - |
| Integration Costs to Achieve |  | ~\$70M |  | - |
| Gain on AWB Divestiture |  | - |  | (\$373M) |
| Meggitt Acquisition Related Expenses |  | ~\$170M |  | \$162M |
| Meggitt Deal Contingent Forward Contracts |  | - |  | \$390M |

[^0] See Appendix for additional details and reconciliations.

## FY23 Adjusted EPS Guidance Bridge <br> Reconciliation of Q2 Beat and Guidance Increase



1. FY23 As Reported midpoint guidance EPS of $\$ 13.75$. Adjusted numbers include certain non-GAAP financial measures. See Appendix for additional details and reconciliations.

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## Parker's Promising Future

- Highly engaged global team living up to our purpose
- Continue performance acceleration from The Win Strategy ${ }^{\text {TM }} 3.0$
- Strategic portfolio transformation - longer cycle \& more resilient
- Continue to be great generators and deployers of cash


## Upcoming Event Calendar

| 3Q FY23 Earnings | May 4, 2023 |
| :--- | :--- |
| 4Q FY23 Earnings | August 3, 2023 |
| Annual Meeting of Shareholders | October 25, 2023 |
| 1Q FY24 Earnings | November 2, 2023 |

1Q FY24 Earnings
November 2, 2023

## 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 Gross and Net Debt to Adjusted EBITDA
- Reconciliation of Free Cash Flow Conversion
- Supplemental Sales Information - Global Technology Platforms
- Reconciliation of Forecasted EPS


## Reconciliation of Organic Growth

## (Dollars in thousands) <br> (Unaudited)

| Quarter-to-Date |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| As Reported December 31, 2022 |  | Currency |  | Divestitures |  | Acquisitions |  | AdjustedDecember 31, 2022 |  | As Reported December 31, 2021 |  |
| \$ | 2,140,685 | \$ | 1,508 | \$ | - | \$ | $(91,816)$ | \$ | 2,050,377 | \$ | 1,807,024 |
|  | 748,105 |  | 89,916 |  | - |  | $(23,655)$ |  | 814,366 |  | 732,440 |
|  | 574,869 |  | 62,844 |  | - |  | $(5,579)$ |  | 632,134 |  | 605,771 |
|  | 74,725 |  | $(1,878)$ |  | - |  | - |  | 72,847 |  | 60,968 |
|  | 1,397,699 |  | 150,882 |  | - |  | $(29,234)$ |  | 1,519,347 |  | 1,399,179 |
|  | 3,538,384 |  | 152,390 |  | - |  | $(121,050)$ |  | 3,569,724 |  | 3,206,203 |
|  | 1,136,427 |  | 1,987 |  | 18,327 |  | $(508,317)$ |  | 648,424 |  | 618,377 |
| \$ | 4,674,811 | \$ | 154,377 | \$ | 18,327 | \$ | $(629,367)$ | \$ | 4,218,148 | \$ | 3,824,580 |

## Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data) (Unaudited)

## Net sales

Cost of sales
Selling, general and admin. expenses Interest expense Other (income) expense, net Income before income taxes

## Income taxe:

## Net income

Less: Noncontrolling interests Net income - common shareholders Diluted earnings per share

| Quarter-to-Date FY 2023 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { rted } \\ & 1,2022 \end{aligned}$ | \% of Sales | Acquired <br> Intangible Asset Amortization |  | BusinessRealignmentCharges |  | Meggitt Costs to Achieve |  | Acquisition Related Expenses |  | Amortization of Inventory Step-Up to FV |  | Adjusted <br> December 31, 2022 |  | \% of Sales |
| \$ | 4,674,811 | 100.0 \% | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 4,674,811 | 100.0 \% |
|  | 3,236,812 | 69.2 \% |  | 37,652 |  | 3,214 |  | 3,153 |  | - |  | 111,973 |  | 3,080,820 | 65.9 \% |
|  | 814,966 | 17.4 \% |  | 104,604 |  | 2,164 |  | 30,265 |  | 1,983 |  | - |  | 675,950 | 14.5 \% |
|  | 146,931 | 3.1 \% |  | - |  | - |  | - |  | - |  | - |  | 146,931 | 3.1 \% |
|  | $(40,641)$ | (0.9)\% |  | - |  | - |  | - |  | - |  | - |  | $(40,641)$ | (0.9)\% |
|  | 516,743 | 11.1 \% |  | $(142,256)$ |  | $(5,378)$ |  | $(33,418)$ |  | $(1,983)$ |  | $(111,973)$ |  | 811,751 | 17.4 \% |
|  | 121,282 | 2.6 \% |  | 34,426 |  | 1,301 |  | 8,087 |  | 480 |  | 27,097 |  | 192,673 | 4.1 \% |
|  | 395,461 | 8.5 \% |  | $(107,830)$ |  | $(4,077)$ |  | $(25,331)$ |  | $(1,503)$ |  | $(84,876)$ |  | 619,078 | 13.2 \% |
|  | 224 | 0.0 \% |  | - |  | - |  | - |  | - |  | - |  | 224 | 0.0 \% |
| \$ | 395,237 | 8.5 \% | \$ | $(107,830)$ | \$ | $(4,077)$ | \$ | (25,331) | \$ | (1,503) | \$ | (84,876) | \$ | 618,854 | 13.2 \% |
| \$ | 3.04 |  | \$ | (0.83) | \$ | (0.03) | \$ | (0.20) | \$ | (0.01) | \$ | (0.65) | \$ | 4.76 |  |

## Adjusted Amounts Reconciliation Consolidated Statement of Income

## (Dollars in thousands, except per share data)

 (Unaudited)| Quarter-to-Date FY 2022 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { rted } \\ & 1,2021 \end{aligned}$ | \% of Sales | Acquired Intangible Asset Amortization |  | BusinessRealignmentCharges |  | Lord Costs to Achieve |  | Acquisition Related Expenses |  | Loss on Deal-Contingent Forward Contracts |  | Adjusted <br> December 31, 2021 |  | \% of Sales |
| \$ | 3,824,580 | 100.0 \% | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 3,824,580 | 100.0 \% |
|  | 2,567,595 | 67.1 \% |  | 15,314 |  | 946 |  | 35 |  | - |  | - |  | 2,551,300 | 66.7 \% |
|  | 585,858 | 15.3 \% |  | 63,427 |  | 2,699 |  | 772 |  | 8,880 |  | - |  | 510,080 | 13.3 \% |
|  | 61,360 | 1.6 \% |  | - |  | - |  | - |  | - |  | - |  | 61,360 | 1.6 \% |
|  | 119,443 | 3.1 \% |  | - |  | - |  | - |  | 10,262 |  | 149,382 |  | $(40,201)$ | (1.1)\% |
|  | 490,324 | 12.8 \% |  | $(78,741)$ |  | $(3,645)$ |  | (807) |  | $(19,142)$ |  | $(149,382)$ |  | 742,041 | 19.4 \% |
|  | 102,595 | 2.7 \% |  | 17,874 |  | 827 |  | 183 |  | 4,345 |  | 33,910 |  | 159,734 | 4.2 \% |
|  | 387,729 | 10.1 \% |  | $(60,867)$ |  | $(2,818)$ |  | (624) |  | $(14,797)$ |  | $(115,472)$ |  | 582,307 | 15.2 \% |
|  | 129 | 0.0 \% |  | - |  | - |  | - |  | - |  | - |  | 129 | 0.0 \% |
| \$ | 387,600 | 10.1 \% | \$ | $(60,867)$ | \$ | $(2,818)$ | \$ | (624) | \$ | $(14,797)$ | \$ | $(115,472)$ | \$ | 582,178 | 15.2 \% |
| \$ | 2.97 |  | \$ | (0.47) | \$ | (0.02) | \$ | - | \$ | (0.12) | \$ | (0.88) | \$ | 4.46 |  |

## Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands) (Unaudited)

Diversified Industrial
North America
International ${ }^{1}$
Total Diversified Industrial
Aerospace Systems
Total segment operating income
Corporate administration
Income before interest and other
Interest expense
Other (income) expense
Income before income taxes

| Quarter-to-Date FY 2023 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { ted } \\ & 1,2022 \end{aligned}$ | \% of Sales | Acquired Intangible Asset Amortization |  | Business <br> Realignment <br> Charges |  | Meggitt Costs to Achieve |  | Acquisition Related Expenses |  | Amortization of Inventory Step-Up to FV |  | Adjusted <br> December 31, 2022 |  | \% of Sales ${ }^{2}$ |
| \$ | 419,921 | 19.6\% | \$ | 44,358 | \$ | 1,338 | \$ | 1,270 | \$ | - | \$ | - | \$ | 466,887 | 21.8\% |
|  | 285,520 | 20.4\% |  | 16,819 |  | 3,039 |  | 425 |  | - |  | - |  | 305,803 | 21.9\% |
|  | 705,441 | 19.9\% |  | 61,177 |  | 4,377 |  | 1,695 |  |  |  | - |  | 772,690 | 21.8\% |
|  | 8,793 | 0.8\% |  | 81,079 |  | 1,001 |  | 31,723 |  | - |  | 111,973 |  | 234,569 | 20.6\% |
|  | 714,234 | 15.3\% |  | $(142,256)$ |  | $(5,378)$ |  | $(33,418)$ |  | - |  | $(111,973)$ |  | 1,007,259 | 21.5\% |
|  | 48,901 | 1.0\% |  | - |  | - |  | - |  | - |  | - |  | 48,901 | 1.0\% |
|  | 665,333 | 14.2\% |  | $(142,256)$ |  | $(5,378)$ |  | $(33,418)$ |  | - |  | $(111,973)$ |  | 958,358 | 20.5\% |
|  | 146,931 | 3.1\% |  | - |  | - |  | - |  | - |  | - |  | 146,931 | 3.1\% |
|  | 1,659 | 0.0\% |  | - |  | - |  | - |  | 1,983 |  | - |  | (324) | 0.0\% |
| \$ | 516,743 | 11.1\% | \$ | (142,256) | \$ | $(5,378)$ | \$ | $(33,418)$ | \$ | $(1,983)$ | \$ | $(111,973)$ | \$ | 811,751 | 17.4\% |

## Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands) (Unaudited)

Diversified Industrial
North America
International ${ }^{1}$
Total Diversified Industrial
Aerospace Systems
Total segment operating income
Corporate administration
Income before interest and other
Interest expense
Other (income) expense
Income before income taxes

| Quarter-to-Date FY 2022 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | ted $\text { 1, } 2021$ | \% of Sales | Acquired Intangible Asset Amortization |  | Business Realignment Charges |  | Lord <br> Costs to <br> Achieve |  | Acquisition Related Expenses |  | Loss on Deal-Contingent Forward Contracts |  | Adjusted <br> December 31, 2021 |  | \% of Sales ${ }^{2}$ |
| \$ | 337,417 | 18.7\% | \$ | 47,024 | \$ | 660 | \$ | 329 | \$ | - | \$ | - | \$ | 385,430 | 21.3\% |
|  | 291,555 | 20.8\% |  | 18,958 |  | 2,387 |  | 478 |  | - |  | - |  | 313,378 | 22.4\% |
|  | 628,972 | 19.6\% |  | 65,982 |  | 3,047 |  | 807 |  | - |  | - |  | 698,808 | 21.8\% |
|  | 114,796 | 18.6\% |  | 12,759 |  | 598 |  | - |  | - |  | - |  | 128,153 | 20.7\% |
|  | 743,768 | 19.4\% |  | $(78,741)$ |  | $(3,645)$ |  | (807) |  | - |  | - |  | 826,961 | 21.6\% |
|  | 42,587 | 1.1\% |  | - |  | - |  | - |  | - |  | - |  | 42,587 | 1.1\% |
|  | 701,181 | 18.3\% |  | $(78,741)$ |  | $(3,645)$ |  | (807) |  | - |  | - |  | 784,374 | 20.5\% |
|  | 61,360 | 1.6\% |  | - |  | - |  | - |  | - |  | - |  | 61,360 | 1.6\% |
|  | 149,497 | 3.9\% |  | - |  | - |  | - |  | 19,142 |  | 149,382 |  | $(19,027)$ | -0.5\% |
| \$ | 490,324 | 12.8\% | \$ | $(78,741)$ | \$ | $(3,645)$ | \$ | (807) | \$ | $(19,142)$ | \$ | $(149,382)$ | \$ | 742,041 | 19.4\% |

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

| (Unaudited) | Three Months Ended December 31, |  |  |
| :---: | :---: | :---: | :---: |
| (Amounts in dollars) | 2022 |  | 2021 |
| Earnings per diluted share | \$3.04 | \$ | 2.97 |
| Adjustments: |  |  |  |
| Acquired intangible asset amortization expense | 1.09 |  | 0.60 |
| Business realignment charges | 0.04 |  | 0.03 |
| Integration costs to achieve | 0.26 |  | 0.01 |
| Acquisition-related expenses | 0.02 |  | 0.15 |
| Loss on deal-contingent forward contracts | - |  | 1.14 |
| Gain on Aircraft Wheel and Brake divestiture | - |  | - |
| Amortization of inventory step-up to fair value | 0.86 |  | - |
| Tax effect of adjustments ${ }^{1}$ | (0.55) |  | (0.44) |
| Adjusted earnings per diluted share | \$4.76 | \$ | 4.46 |

[^1]
# Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin 

(Unaudited)<br>Dollars in thousands<br>Total segment operating income<br>Adjustments:<br>Acquired intangible asset amortization<br>Business realignment charges<br>Integration costs to achieve<br>Amortization of Inventory Step-up to FV<br>Adjusted total segment operating income

| Three Months Ended <br> December 31, 2022 |  |  | Three Months Ended <br> December 31, 2021 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Operating income |  | Operating margin |  | g income | Operating margin |
| \$ | 714,234 | 15.3 \% | \$ | 743,768 | 19.4 \% |
|  | 142,256 |  |  | 78,741 |  |
|  | 5,378 |  |  | 3,645 |  |
|  | 33,418 |  |  | 807 |  |
|  | 111,973 |  |  | - |  |
| \$ | 1,007,259 | 21.5 \% | \$ | 826,961 | 21.6 \% |

## Reconciliation of EBITDA to Adjusted EBITDA

| (Dollars in thousands) (Unaudited) | Three Months Ended December 31, |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2022 |  | \% of Sales | 2021 |  | \% of Sales |
| Net sales | \$ | 4,674,811 | 100.0\% | \$ | 3,824,580 | 100.0\% |
| Net income | \$ | 395,461 | 8.5\% | \$ | 387,729 | 10.1\% |
| Income taxes |  | 121,282 | 2.6\% |  | 102,595 | 2.7\% |
| Depreciation |  | 87,488 | 1.9\% |  | 65,362 | 1.7\% |
| Amortization |  | 142,256 | 3.0\% |  | 78,741 | 2.1\% |
| Interest expense |  | 146,931 | 3.1\% |  | 61,360 | 1.6\% |
| EBITDA |  | 893,418 | 19.1\% |  | 695,787 | 18.2\% |
| Adjustments: |  |  |  |  |  |  |
| Business realignment charges |  | 5,378 | 0.1\% |  | 3,645 | 0.1\% |
| Meggitt costs to achieve |  | 33,418 | 0.7\% |  | - | 0.0\% |
| Lord costs to achieve |  | - | 0.0\% |  | 807 | 0.0\% |
| Acquisition-related expenses |  | 1,983 | 0.0\% |  | 19,142 | 0.5\% |
| Loss on deal-contingent forward contracts |  |  | 0.0\% |  | 149,382 | 3.9\% |
| Amortization of inventory step-up to FV |  | 111,973 | 2.4\% |  | - | 0.0\% |
| EBITDA - Adjusted | \$ | 1,046,170 | 22.4\% | \$ | 868,763 | 22.7\% |
| EBITDA margin |  | 19.1 \% |  |  | 18.2 \% |  |
| EBITDA margin - Adjusted |  | 22.4 \% |  |  | 22.7 \% |  |

## Reconciliation of Gross and Net Debt / Adjusted EBITDA <br> <br> Reconciliation of Gross and Net Debt / Adjusted EBITDA

 <br> <br> Reconciliation of Gross and Net Debt / Adjusted EBITDA}
## Unaudited)

Dollars in thousands
Notes payable and long-term debt payable within one year ong-term debt
Add: Deferred debt issuance costs
Total gross debt
Cash and cash equivalents
Marketable securities and other investments
Total cash
Net debt (Gross debt less total cash)

TTM Net Sales
Net income
ncome tax
Depreciation
Amortization
Interest Expense
TTM EBITDA
Adjustments
Business realignment charges
Costs to achieve
Acquisition-related costs
Loss on deal-contingent forward contracts Gain on Aircraft Wheel \& Brake divestiture Amortization of inventory step-up to FV Russia liquidation
TTM Adjusted EBITDA

December 31, 2022
\$ 1,994,333
12,025,860
\$ 14,103,951
\$ 756,055

|  | 21,611 |
| ---: | ---: |
| $\$$ | 777,666 |

$\$ \quad 17,181,805$
\$ 1,260,492
311,753
280,656
385,208
$\square$
\$ 2,637,376
17,337
48,166
186,627
1,256,036
$(372,930)$
130,331

## Reconciliation of Free Cash Flow Conversion

(Unaudited)<br>(Dollars in thousands)<br>Net income<br>Cash flow from operations<br>Capital Expenditures<br>Free cash flow

| Six Months Ended December 31, 2022 |  | Six Months Ended December 31, 2021 |  |
| :---: | :---: | :---: | :---: |
| \$ | 783,498 | \$ | 839,192 |
| \$ | 1,076,134 | \$ | 1,005,469 |
|  | $(185,704)$ |  | $(105,606)$ |
| \$ | 890,430 | \$ | 899,863 |
|  | 114 \% |  | 107 \% |

## Supplemental Sales Information

## Global Technology Platforms

(Unaudited)
(Dollars in thousands)

## Net sales

Diversified Industrial
Motion Systems
Flow and Process Control
Filtration and Engineered Materials
Aerospace Systems
Total

| Three Months Ended December 31, |  |  |  |
| :---: | :---: | :---: | :---: |
| 2022 |  | 2021 |  |
| \$ | 913,415 | \$ | 843,655 |
|  | 1,173,260 |  | 1,103,404 |
|  | 1,451,709 |  | 1,259,144 |
|  | 1,136,427 |  | 618,377 |
| \$ | 4,674,811 | \$ | 3,824,580 |

## Reconciliation of EPS

## Fiscal Year 2023 Guidance

| (Unaudited) |  |
| :--- | :---: |
| (Amounts in dollars) | Fiscal Year 2023 |
| Forecasted earnings per diluted share | $\mathbf{\$ 1 3 . 5 0}$ to $\$ 14.00$ |
| Adjustments: | 0.23 |
| Business realignment charges | 0.54 |
| Costs to achieve | 4.00 |
| Acquisition-related intangible asset amortization expense | $\mathbf{2 . 5 5}$ |
| Acquisition-related expenses | 3.00 |
| Loss on deal-contingent forward contracts | $\mathbf{( 2 . 8 7 )}$ |
| Gain on Aircraft Wheel \& Brake divestiture | $\mathbf{( 1 . 7 5 )}$ |
| Tax effect of adjustments ${ }^{1}$ | $\mathbf{\$ 1 9 . 2 0 ~ t o ~ \$ 1 9 . 7 0 ~}$ |
| Adjusted forecasted earnings per diluted share |  |

1. This 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.

[^0]:    1. Adjusted numbers include certain non-GAAP financial measures
[^1]:    1. This 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
