



DONALDSON COMPANY

# FIRST QUARTER FISCAL YEAR 2025

December 2024





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# Forward-Looking Statement Safe Harbor

Statements in this presentation regarding future events and expectations, such as forecasts, plans, trends, and projections relating to the Company's business and financial performance, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are identified by words or phrases such as "will likely result," "are expected to," "will continue," "will allow," "estimate," "project," "believe," "expect," "anticipate," "forecast," "plan" and similar expressions. These forward-looking statements speak only as of the date such statements are made and are subject to risks and uncertainties that could affect the Company's performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed. These factors include, but are not limited to, challenges in global operations; impacts of global economic, industrial and political conditions on product demand; impacts from unexpected events; effects of unavailable raw materials, significant demand fluctuations or material cost changes; inability to attract and retain qualified personnel; inability to meet customer demand; inability to maintain competitive advantages; threats from disruptive technologies; effects of highly competitive markets with pricing pressure; exposure to customer concentration in certain cyclical industries; inability to manage productivity improvements; inability to achieve commitments related to ESG, results of execution of any acquisition, divestiture and other strategic transactions; vulnerabilities associated with information technology systems and security; inability to protect and enforce intellectual property rights; costs associated with governmental laws and regulations; impacts of foreign currency fluctuations; and effects of changes in capital and credit markets. These and other factors are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2024. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. The results presented herein are preliminary, unaudited and subject to revision until the Company files its results with the United States Securities and Exchange Commission on Form 10-Q.

## **Non-GAAP Financial Measures**

This presentation contains non-GAAP financial measures, such as adjusted diluted EPS, adjusted gross margin, adjusted operating expense, adjusted EBIT, adjusted operating income, adjusted operating margin, and free cash flow, which exclude the impact of certain matters not related to ongoing operations. See the Reconciliation of Non-GAAP Financial Measures schedules in the appendix for additional information.



# First Quarter 2025 Update and Overview

## Key Updates

### Record First Quarter Earnings Through Strong Sales and Margins

- ✓ Robust sales growth across all three segments
- ✓ Continuing to optimize operating expenses in response to macro conditions
- ✓ Ongoing reinvestment into Donaldson Company
- ✓ Returned \$107M in first quarter to shareholders in dividends and share repurchases

## First Quarter Financials

### Achieved Strong Sales Growth Across All Segments

- ✓ Sales of \$900M increased 6% YoY
  - Pricing benefit of 1%
- ✓ Adjusted EPS<sup>(1,2)</sup> of \$0.83 up 11% YoY
  - Adjusted gross margin<sup>(2)</sup> was flat YoY
  - Adjusted operating margin<sup>(2)</sup> increase of 20 bps YoY
- ✓ Adjusted free cash flow conversion<sup>(2,3)</sup> of 47%

## FY 2025 Guidance

### Reaffirming Fiscal 2025 Guidance<sup>(2)</sup>

- ✓ Sales outlook of 2% to 6% growth
- ✓ Operating margin of 15.3% to 15.9%, driven by sustained gross margin performance
- ✓ EPS guidance within a range of \$3.56 to \$3.72

<sup>1</sup> All EPS figures refer to diluted EPS.

<sup>2</sup> Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

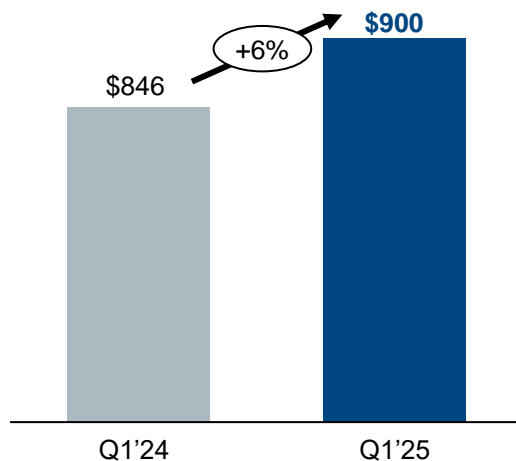
<sup>3</sup> Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.



# First Quarter FY25 Overview & Highlights

## Sales (\$M)

Up 5.5% YoY Constant Currency Basis

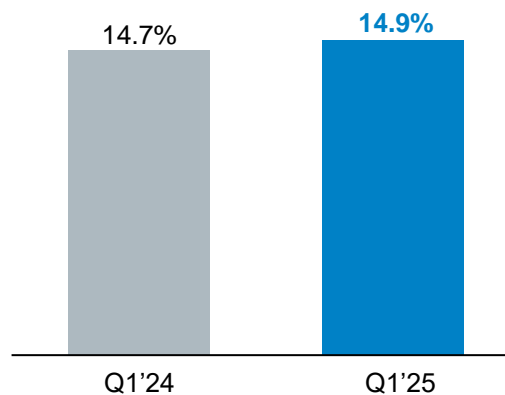


### Highlights

- 1% YoY contribution from price
- Segment Performance YoY:
  - Mobile Solutions +6%
  - Industrial Solutions +5%
  - Life Sciences +17%

## Adjusted Operating Margin<sup>(1)</sup>

Up 20 bps YoY

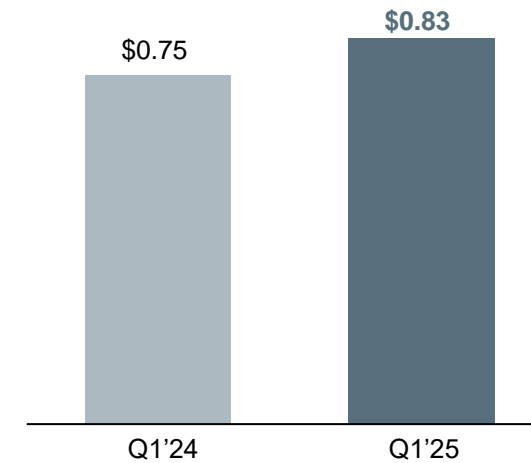


### Highlights

- Adjusted gross margin<sup>(1)</sup> flat versus prior year
- Adjusted operating expenses as a percent of sales<sup>(1)</sup> down 10 bps YoY

## Adjusted Diluted EPS<sup>(1)</sup>

Up 10.7% YoY



### Highlights

- Adjusted operating income<sup>(1)</sup> increased 8% YoY
- Benefits from other income, net and a lower tax rate

<sup>1</sup> Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial Measures appendix for additional information.



# Mobile Solutions Segment First Quarter FY25 Results



	Q1'25	Q1'24	YoY
<b>Sales</b>	<b>\$572</b>	\$540	+6%
<b>EBT</b>	<b>\$105</b>	\$92	+14%
<b>% of sales</b>	<b>18.3%</b>	17.1%	+120 bps

## First Quarter Overview

### Sales

- Total Sales YoY: +6% reported and +5% on a constant currency basis
  - Sales increase mainly driven by strength in Aftermarket from market share gains and customer destocking in the prior year period
- Performance by region YoY:
  - US/CA +7%
  - EMEA +5%
  - APAC +7%
  - LATAM +6%
- China Sales YoY:
  - +4% reported

### Margins and Key Updates

- Segment EBT margin +120 bps YoY driven by higher volume and favorable mix related to replacement part sales



# Industrial Solutions Segment First Quarter FY25 Results



	Q1'25	Q1'24	YoY
<b>Sales</b>	<b>\$258</b>	\$246	+5%
<b>EBT</b>	<b>\$41</b>	\$43	-5%
<b>% of sales</b>	<b>15.9%</b>	17.6%	-170 bps

## First Quarter Overview

### Sales

- Total Sales YoY: +5% reported and +4% constant currency basis
  - Sales growth driven by strong Aerospace and Defense results from robust end-market conditions
- Performance by region YoY:
  - US/CA +9%
  - EMEA -1%
  - APAC +4%
  - LATAM -12%
- Performance by end-market YoY:
  - Industrial Filtration Solutions (IFS) +1%
  - Aerospace & Defense +27%

### Margins and Key Updates

- Segment EBT margin -170 bps YoY driven by increased costs, including those related to our footprint optimization initiative, and unfavorable sales mix



# Life Sciences Segment First Quarter FY25 Results



	Q1'25	Q1'24	YoY
<b>Sales</b>	<b>\$70</b>	\$60	+17%
<b>EBT</b>	<b>-\$5</b>	-\$4	-26%
<b>% of sales</b>	<b>-7.6%</b>	-7.0%	-60 bps

## First Quarter Overview

### Sales

- Total Sales YoY: +17% reported and +14% constant currency basis
  - Higher sales driven by strong growth in Disk Drive and Food and Beverage
- Performance by region YoY:
  - US/CA +5%
  - EMEA +4%
  - APAC +36%
  - LATAM +12%

### Margins and Key Updates

- Segment EBT margin YoY contraction driven by investments to scale acquired businesses
- Focused expense structure in response to market pressures



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# Planting Seeds for Growth in Life Sciences

## Launched research-grade IsoTag™ AAV reagent

### A Leap Forward in Purification for Gene Therapies

- ✓ Marks significant advancement from prototype grade
- ✓ Maintains purification capabilities with enhanced quality and reliability
- ✓ Manufacturing-grade reagent slated for calendar 2025 availability



## Launched the scale-X™ nexo mini bioreactor

### Leading Innovation in Bioreactors

- ✓ Reduces process development timelines
- ✓ Lays the groundwork for efficient, scalable biomanufacturing
- ✓ Dramatically reduces media and reagent consumption



## Launched Filtration Services in France, Germany and Austria

### Combining Donaldson Global Expertise with Strong Local Presence

- ✓ Expands presence in Food & Beverage markets in Europe
- ✓ Solutions focus on providing sterile air, gas, liquids and steam
- ✓ Supports customers in achieving optimal process and product integrity



Consistently innovating and expanding to deliver long-term growth





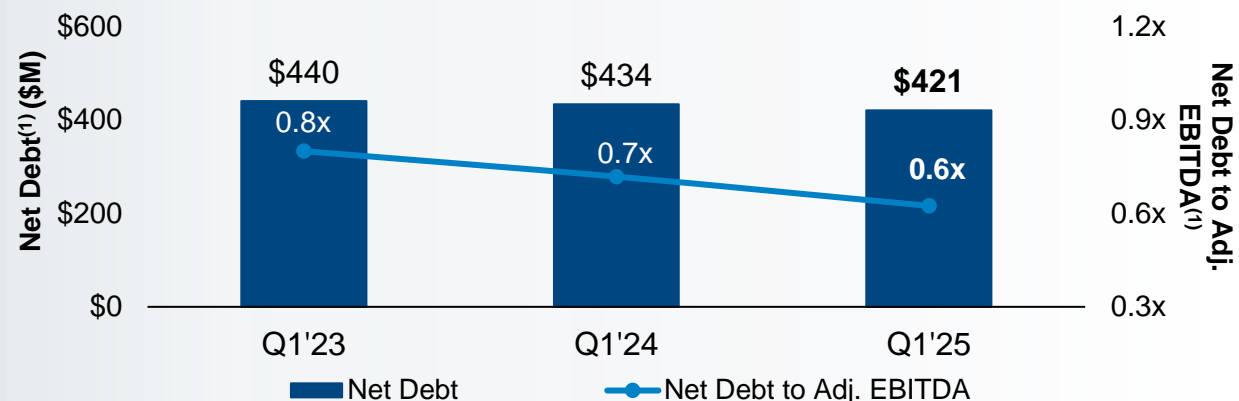
# Balance Sheet and Cash Flow Overview

## Highlights

- Adjusted free cash flow conversion<sup>(1,2)</sup> of 47%, as expected, in Q1'25
- Returned \$106 million to shareholders in dividends and share buybacks
- Strong balance sheet supports future growth and strategic investments



## Net Debt and Financial Leverage



## Consolidated Results (\$M)

	Q1'25	Q1'24
Cash from Operations	\$73	\$138
Capital Expenditures	(\$25)	(\$23)
Free Cash Flow <sup>(2)</sup>	\$48	\$115
Dividends	(\$32)	(\$30)
Share Buybacks	(\$74)	(\$53)

<sup>1</sup> Adjusted for restructuring and other charges. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.

<sup>2</sup> Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.



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# Fiscal 2025 Financial Outlook Reaffirmed

**+2% to 6%** Total Company Sales Growth

**YoY Expansion** Total Company Gross Margin

**15.3% to 15.9%** Total Company Adjusted Operating Margin

**\$3.56 to \$3.72** Adjusted Diluted EPS

**\$85M to \$105M** Capital Expenditures

**85% to 95%** FCF Conversion

## Segment Outlook



### Mobile Solutions

<b>Total Sales</b>	<b>+0% to 4%</b>
Off-Road	<b>+ Low-single digits</b>
On-Road	<b>- Low-double digits</b>
Aftermarket	<b>+ Low-single digits</b>



### Industrial Solutions

<b>Total Sales</b>	<b>+4% to 8%</b>
Industrial Filtration Solutions	<b>+ High-single digits</b>
Aerospace & Defense	<b>Approximately flat</b>



### Life Sciences

<b>Total Sales</b>	<b>+ Low-double digits</b>
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## Other Assumptions

- Tax rate of 23% to 25%
- Pricing benefit of approximately 1%
- Interest expense approximately \$21M
- Other income between \$16M to \$20M



# Invest with Donaldson

1

**Leader in filtration** with long history of solving the most difficult filtration problems and forming mission critical partnerships across global customer base

2

**Best-in-class technology** and strategic organizational redesign strengthens ability to drive long-term profitable growth

3

**Enablers of a greener modern economy** by helping customers achieve their sustainability goals through advanced filtration

4

Clear **strategic and balanced growth strategy** focused on expanding leadership position in legacy markets and further penetrating new markets

5

**Progress towards Life Sciences market leadership** and exposure to mega trends provides significant addressable market and long-term profitable growth potential



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# Appendix

50%



# Reconciliation of Non-GAAP Financial Measures

(\$ in millions, except per share amounts)  
(Unaudited)

	Three Months Ended	
	October 31,	
	2024	2023
Net cash provided by operating activities	\$ 72.9	\$ 138.0
Net capital expenditures	(25.0)	(23.2)
Free cash flow	<u>\$ 47.9</u>	<u>\$ 114.8</u>
Net earnings	\$ 99.0	\$ 92.1
Income taxes	31.5	30.8
Interest expense	5.5	5.5
Depreciation and amortization	25.5	24.3
EBITDA	<u>\$ 161.5</u>	<u>\$ 152.7</u>
Adjusted net earnings	\$ 101.5	\$ 92.1
Adjusted income taxes	32.3	30.8
Interest expense	5.5	5.5
Depreciation and amortization	25.5	24.3
Adjusted EBITDA	<u>\$ 164.8</u>	<u>\$ 152.7</u>
Gross profit	\$ 319.6	\$ 300.9
Restructuring and other charges	1.1	—
Adjusted gross profit	<u>\$ 320.7</u>	<u>\$ 300.9</u>
Operating expense	\$ 188.8	\$ 176.3
Restructuring and other charges	(2.2)	—
Adjusted operating expense	<u>\$ 186.6</u>	<u>\$ 176.3</u>
Operating income	\$ 130.8	\$ 124.6
Restructuring and other charges	3.3	—
Adjusted operating income	<u>\$ 134.1</u>	<u>\$ 124.6</u>
Net earnings	\$ 99.0	\$ 92.1
Restructuring and other charges, net of tax	2.5	—
Adjusted net earnings	<u>\$ 101.5</u>	<u>\$ 92.1</u>
Diluted EPS	\$ 0.81	\$ 0.75
Restructuring and other charges per share	0.02	—
Adjusted diluted EPS	<u>\$ 0.83</u>	<u>\$ 0.75</u>



# Reconciliation of Non-GAAP Financial Measures

(\$ in millions, except per share amounts)  
(Unaudited)

	October 31,		
	2024	2023	2022
Total debt	\$ 641.8	\$ 651.4	\$ 600.9
Less: Cash and cash equivalents	(221.2)	(217.8)	(161.0)
Net debt	\$ 420.6	\$ 433.6	\$ 439.9

	Twelve months ended October 31,		
	2024	2023	2022
Adjusted EBITDA	\$ 673.7	\$ 603.4	\$ 570.5
Net debt to adjusted EBITDA	0.6x	0.7x	0.8x