



DONALDSON COMPANY

FOURTH QUARTER FISCAL YEAR 2024

AUGUST 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, 2023. 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-K.

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.



Fourth Quarter Fiscal Year 2024 Update and Overview

Key Updates

Advancing Filtration for a Cleaner World Through Strong Execution

- ✓ **Record** fourth quarter and full-year 2024 **earnings**
- ✓ Fourth quarter sales **growth and improved profitability** across all three segments
- ✓ Ongoing **reinvestment into Donaldson Company**
- ✓ **Returned \$82M** in fourth quarter and **\$286M** for FY24 to **shareholders** in dividends and share repurchases

Fourth Quarter Financials

Sales and EPS Up YoY

- ✓ **Sales of \$935M** increased 6% year over year and increased 8% on a constant currency basis
 - Pricing benefit of 1%
- ✓ **Adjusted EPS^(1,2) of \$0.94** up 21% compared with 2023
 - Adjusted gross margin⁽²⁾ increase of 190 bps
 - Adjusted operating margin⁽²⁾ increase of 200 bps
- ✓ **Strong adjusted free cash flow conversion^(2,3) of 93%**

FY 2025 Guidance

Issuing Fiscal 2025 Guidance

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

¹ All EPS figures refer to diluted EPS.

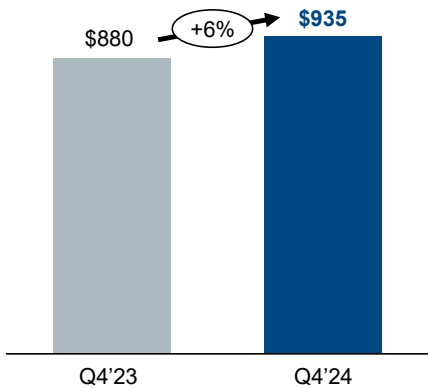
² Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

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

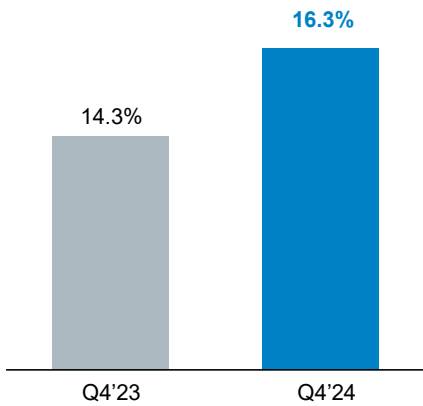


Fourth Quarter FY24 Overview & Highlights

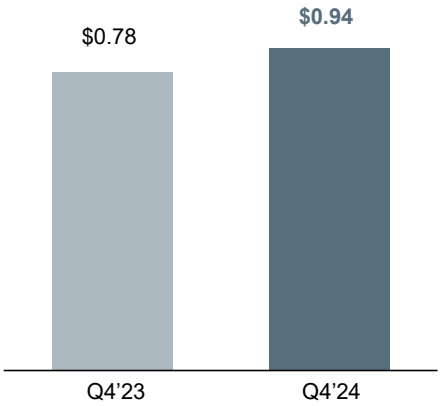
Sales (\$M) *Up 7.6% YoY Constant Currency Basis*



Adjusted Operating Margin⁽¹⁾ *Up 200 bps YoY*



Adjusted Diluted EPS⁽¹⁾ *Up 20.5% YoY*



Highlights

- +5% YoY contribution from volume; +1% from price
- Segment Performance YoY:
 - Industrial Solutions +4%
 - Mobile Solutions +6%
 - Life Sciences +21%

Highlights

- Adjusted gross margin⁽¹⁾ increased 190 bps versus prior year driven by select input cost deflation and leverage on higher sales
- Adjusted operating expenses as a percent of sales⁽¹⁾ down 10 bps YoY

Highlights

- Adjusted operating income⁽¹⁾ increased 22% YoY

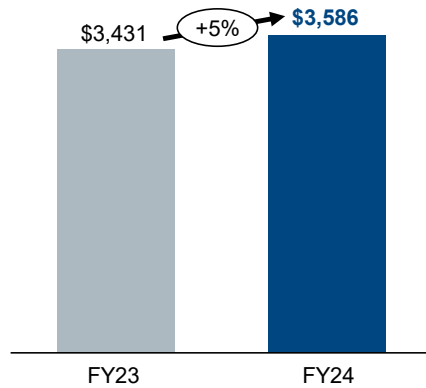
¹ Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial Measures appendix for additional information.



Full-Year FY24 Overview & Highlights

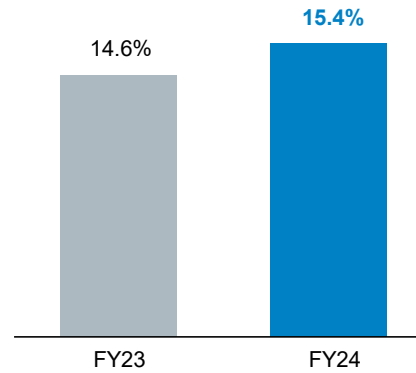
Sales (\$M)

Up 5% YoY Constant Currency Basis



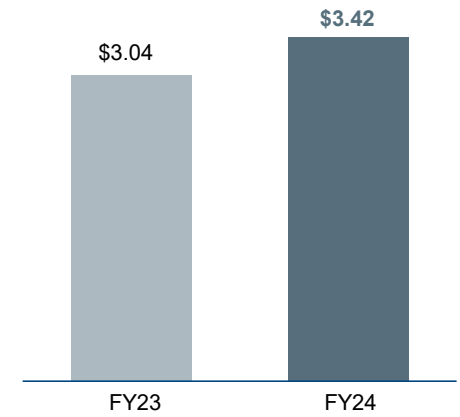
Adjusted Operating Margin⁽¹⁾

Up 80 bps YoY



Adjusted Diluted EPS⁽¹⁾

Up 13% YoY



Highlights

- +3% YoY contribution from volume; +2% from price
- Segment Performance YoY:
 - Industrial Solutions +5%
 - Mobile Solutions +4%
 - Life Sciences +12%

Highlights

- Adjusted gross margin⁽¹⁾ increased 170 bps versus prior year driven by select input cost deflation, pricing benefits and mix
- Adjusted operating expenses as a percent of sales⁽¹⁾ up 100 bps YoY

Highlights

- Adjusted operating income⁽¹⁾ increased 10% YoY
- Benefits from higher volume, other income and a lower tax rate

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



Mobile Solutions Segment Fourth Quarter FY24 Results



	Q4'24	Q4'23	YoY
Sales	\$575	\$543	+6%
EBT	\$105	\$88	+19%
% of sales	18.3%	16.2%	+210 bps

Fourth Quarter Overview

Sales

- Total Sales YoY: +6% reported and +7% on a constant currency basis
 - Sales increase mainly driven by strength in Aftermarket, lapping OEM customer destocking in the prior year period as well as improved delivery rates and market share gains in the independent channel
- Performance by region YoY:
 - US/CA +14%
 - EMEA -4%
 - APAC -5%
 - LATAM +19%
- China Sales YoY:
 - -19% reported
- Performance by end-market YoY:
 - Off-Road -13%
 - On-Road -12%
 - Aftermarket +13%

Margins and Key Updates

- Segment EBT margin +210 bps YoY driven by favorable mix from strong Aftermarket performance, volume growth, pricing benefits and improved manufacturing efficiency



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Industrial Solutions Segment Fourth Quarter FY24 Results



	Q4'24	Q4'23	YoY
Sales	\$288	\$277	+4%
EBT	\$58	\$53	+9%
% of sales	20.1%	19.2%	+90 bps

Fourth Quarter Overview

Sales

- Total Sales YoY: +4% reported and +5% constant currency basis
 - Sales growth driven by robust Aerospace and Defense results from strong end-market conditions
- Performance by region YoY:
 - US/CA +11%
 - EMEA -6%
 - APAC +1%
 - LATAM +23%
- Performance by end-market YoY:
 - Industrial Filtration Solutions (IFS) -2%
 - Aerospace & Defense +40%

Margins and Key Updates

- Segment EBT margin +90 bps YoY driven by volume and pricing



Life Sciences Segment Fourth Quarter FY24 Results



	Q4'24	Q4'23	YoY
Sales	\$72	\$60	+21%
EBT	-\$1	-\$7	+88%
% of sales	-1.2%	-12.4%	NM

Fourth Quarter Overview

Sales

- Total Sales YoY: +21% reported and +23% constant currency basis
 - Higher sales driven by volume growth in Disk Drive and Food and Beverage
- Performance by region YoY:
 - US/CA -15%
 - EMEA +17%
 - APAC +47%
 - LATAM +37%

Margins and Key Updates

- Segment EBT YoY margin expansion was driven by leverage on higher sales from legacy businesses



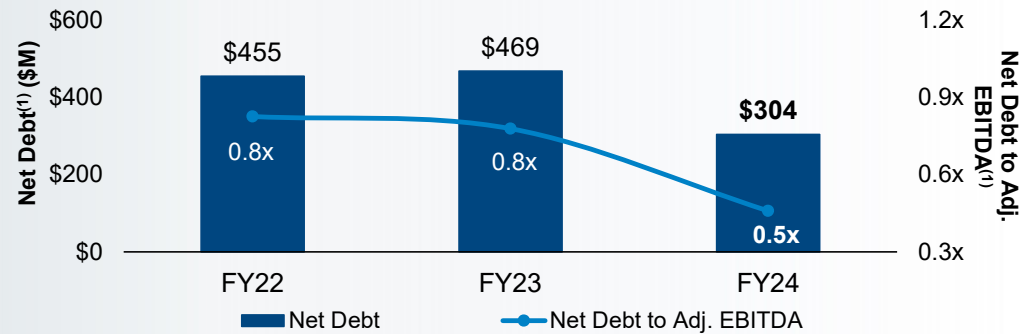
Balance Sheet and Cash Flow Overview

Highlights

- Adjusted free cash flow conversion^(1,2) of 93% in Q4'24; 97% in FY24
 - Supported by continued efficient management of working capital
- Returned \$286 million to shareholders in dividends and share buybacks in FY24
- Strong balance sheet supports future growth and strategic investments



Net Debt and Financial Leverage



Consolidated Results (\$M)

	Q4'24	Q4'23	FY24	FY23
Cash from Operations	\$126	\$191	\$493	\$545
Capital Expenditures	(\$19)	(\$26)	(\$85)	(\$118)
Free Cash Flow ⁽²⁾	\$107	\$165	\$408	\$426
Dividends	(\$33)	(\$30)	(\$123)	(\$114)
Share Buybacks	(\$49)	(\$23)	(\$163)	(\$142)

¹ Adjusted for restructuring and other charges. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.
² Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.



Fiscal 2025 Financial Outlook

+2% to 6% Total Company Sales Growth

YoY Expansion Total Company Gross Margin

15.3% to 15.9% Total Company Operating Margin

\$3.56 to \$3.72 Diluted EPS

\$85M to \$105M Capital Expenditures

85% to 95% FCF Conversion

Segment Outlook



Mobile Solutions

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



Industrial Solutions

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



Life Sciences

Total Sales	+ Low-double digits
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Other Assumptions

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



Updated Long-Term Financial Targets | FY26

Total Company Sales CAGR FY23 – FY26

+3% to +7%
Current

+4% to +8%
Prior (2023 Investor Day)

Total Company FY26 Operating Margin

15.8% to 16.6%
Current

15.6% to 16.4%
Prior (2023 Investor Day)

Segment Sales CAGR FY23 – FY26

	Mobile Solutions	Industrial Solutions	Life Sciences
Current	+2% to 6%	+4% to 8%	+12% to 16%
Prior	+2% to 6%	+4% to 8%	+18% to 22%

Segment FY26 Operating Margin Targets

	Mobile Solutions	Industrial Solutions	Life Sciences
Current	18.1% to 18.9%	17.8% to 18.6%	5% to 11%
Prior	15.6% to 16.4%	16.6% to 17.4%	22.1% to 22.9%

Well Positioned For Sustainable Value Creation

- Higher levels of profitability on higher sales
- Focused on executing balanced growth strategy
- Outperformance in Mobile and Industrial operating margin is forecast to more than offset an expected elongated ramp up in Life Sciences profitability
- Weaker market conditions and constrained customer capital spending impacting Life Sciences
- Remain highly confident in ability to commercialize innovative technologies and create sustainable long-term value in Life Sciences



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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



Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended		Twelve Months Ended	
	July 31,		July 31,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 126.0	\$ 190.8	\$ 492.5	\$ 544.5
Net capital expenditures	(19.1)	(25.5)	(84.9)	(118.1)
Free cash flow	<u>\$ 106.9</u>	<u>\$ 165.4</u>	<u>\$ 407.6</u>	<u>\$ 426.3</u>
Net earnings	\$ 109.7	\$ 91.9	\$ 414.0	\$ 358.8
Income taxes	29.7	25.4	121.3	109.9
Interest expense	5.3	4.9	21.4	19.2
Depreciation and amortization	24.9	25.1	98.4	92.3
EBITDA	<u>\$ 169.6</u>	<u>\$ 147.3</u>	<u>\$ 655.1</u>	<u>\$ 580.2</u>
Adjusted net earnings	\$ 114.5	\$ 95.6	\$ 418.8	\$ 375.2
Adjusted income taxes	31.3	26.6	122.9	115.3
Interest expense	5.3	4.9	21.4	19.2
Depreciation and amortization	24.9	25.1	98.4	92.3
Adjusted EBITDA	<u>\$ 176.0</u>	<u>\$ 152.2</u>	<u>\$ 661.5</u>	<u>\$ 602.0</u>
Gross profit	\$ 334.8	\$ 300.1	\$ 1,274.4	\$ 1,160.6
Restructuring and other charges	3.8	1.4	3.8	2.9
Adjusted gross profit	<u>\$ 338.6</u>	<u>\$ 301.5</u>	<u>\$ 1,278.2</u>	<u>\$ 1,163.5</u>
Operating expense	\$ 188.6	\$ 179.6	\$ 730.3	\$ 680.4
Restructuring and other charges	(2.6)	(3.5)	(2.6)	(18.9)
Adjusted operating expense	<u>\$ 186.0</u>	<u>\$ 176.1</u>	<u>\$ 727.7</u>	<u>\$ 661.5</u>
Operating income	\$ 146.2	\$ 120.5	\$ 544.1	\$ 480.2
Restructuring and other charges	6.4	4.9	6.4	21.8
Adjusted operating income	<u>\$ 152.6</u>	<u>\$ 125.4</u>	<u>\$ 550.5</u>	<u>\$ 502.0</u>
Net earnings	\$ 109.7	\$ 91.9	\$ 414.0	\$ 358.8
Restructuring and other charges, net of tax	4.8	3.7	4.8	16.4
Adjusted net earnings	<u>\$ 114.5</u>	<u>\$ 95.6</u>	<u>\$ 418.8</u>	<u>\$ 375.2</u>
Diluted EPS	\$ 0.90	\$ 0.75	\$ 3.38	\$ 2.90
Restructuring and other charges per share	0.04	0.03	0.04	0.14
Adjusted diluted EPS	<u>\$ 0.94</u>	<u>\$ 0.78</u>	<u>\$ 3.42</u>	<u>\$ 3.04</u>



Reconciliation of Non-GAAP Financial Measures

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

	July 31,		
	2024	2023	2022
Total debt	\$ 536.7	\$ 655.7	\$ 648.0
Less: Cash and cash equivalents	(232.7)	(187.1)	(193.3)
Net debt	\$ 304.0	\$ 468.7	\$ 454.7

	Twelve months ended July 31,		
	2024	2023	2022
Adjusted EBITDA	\$ 661.5	\$ 602.0	\$ 550.7
Net debt to adjusted EBITDA	0.5x	0.8x	0.8x