

# Parker Hannifin Corporation

## Baird's 2024 Global Industrials Conference



**Jenny Parmentier**

Chairman & Chief Executive Officer

ENGINEERING YOUR SUCCESS.

November 13, 2024

# 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 may also include statements regarding future performance, orders, earnings projections, events or developments. Parker cautions readers not to place undue reliance on these statements. It is possible that the future performance may differ materially from expectations, including those based on past performance.

Among other factors that may affect future performance are: changes in business relationships with and orders by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms, changes in contract costs and revenue estimates for new development programs; changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions; ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination and ability to successfully undertake business realignment activities and the expected costs, including cost savings, thereof; 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 other government actions, including related to environmental protection, and associated compliance costs; supply chain and labor disruptions, including as a result of labor shortages; threats associated with international conflicts and cybersecurity risks and risks associated with protecting our intellectual property; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; effects on market conditions, including sales and pricing, resulting from global reactions to U.S. trade policies; manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and economic conditions such as inflation, deflation, interest rates and credit availability; inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals; changes in the tax laws in the United States and foreign jurisdictions and judicial or regulatory interpretations thereof; and large scale disasters, such as floods, earthquakes, hurricanes, industrial accidents and pandemics. Readers should also consider 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, 2024 and other periodic filings made with the SEC.

This presentation contains references to non-GAAP financial information including organic sales, adjusted earnings per share, adjusted segment operating margin, free cash flow, and free cash flow margin. As used in this presentation, free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted earnings per share, adjusted segment operating margin, free cash flow, and free cash flow margin 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 periods presented. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation, except for the non-GAAP metrics included in our new 5-year targets for fiscal year 2029, which reconciliations could not be provided without unreasonable effort.

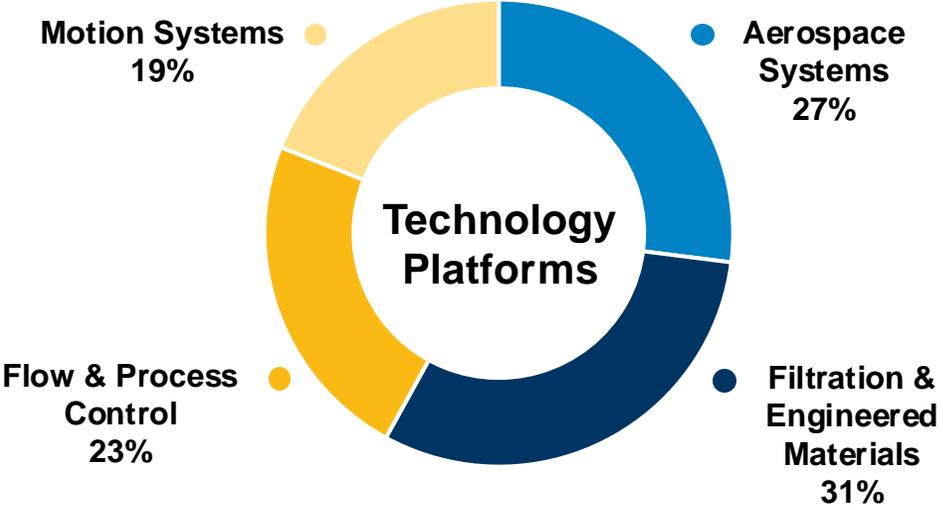
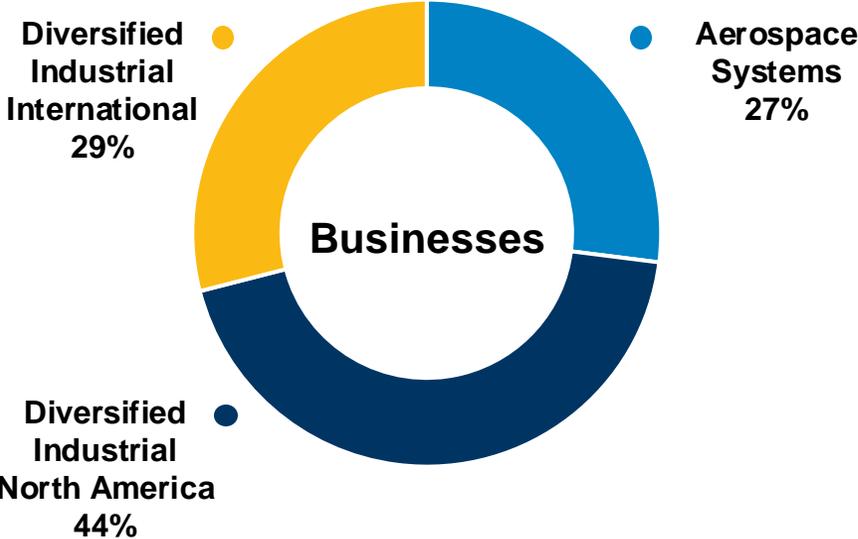
Please visit [investors.parker.com](https://investors.parker.com) for more information.



# Parker Hannifin at-a-Glance

Engineering Customer Success in Motion & Control Industry for over 100 years

~\$20B FY24 Revenue



- The Win Strategy™
- A technology powerhouse of interconnected solutions
- Global distribution network
- Decentralized operating structure

# Why We Win

## Strong Competitive Advantages



### Parker's Business System

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Decentralized structure, strategic positioning & operational excellence



### Innovative Products

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Deep customer partnership to uncover unmet needs



### Application Engineering

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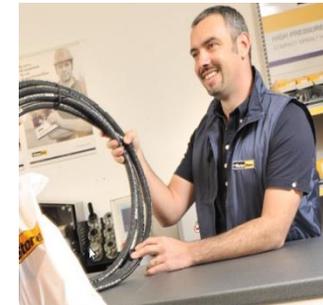
Technical expertise creates competitive advantage



### Interconnected Technologies

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Enables comprehensive solutions for customers



### Distribution Network

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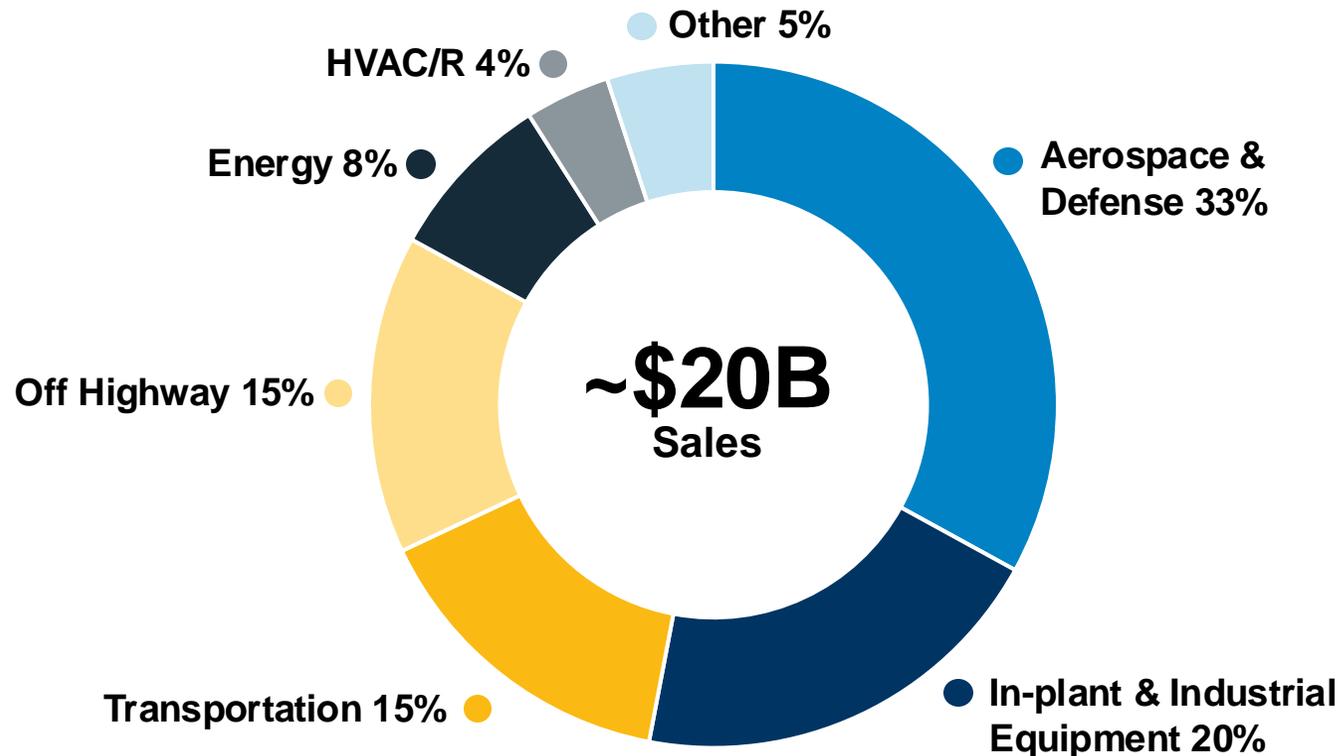
Serving global aftermarket & small to mid-sized OEMs



# #1 Position in Motion & Control Industry

>90% of Sales Comes from 6 Market Verticals

~\$145B Market Size



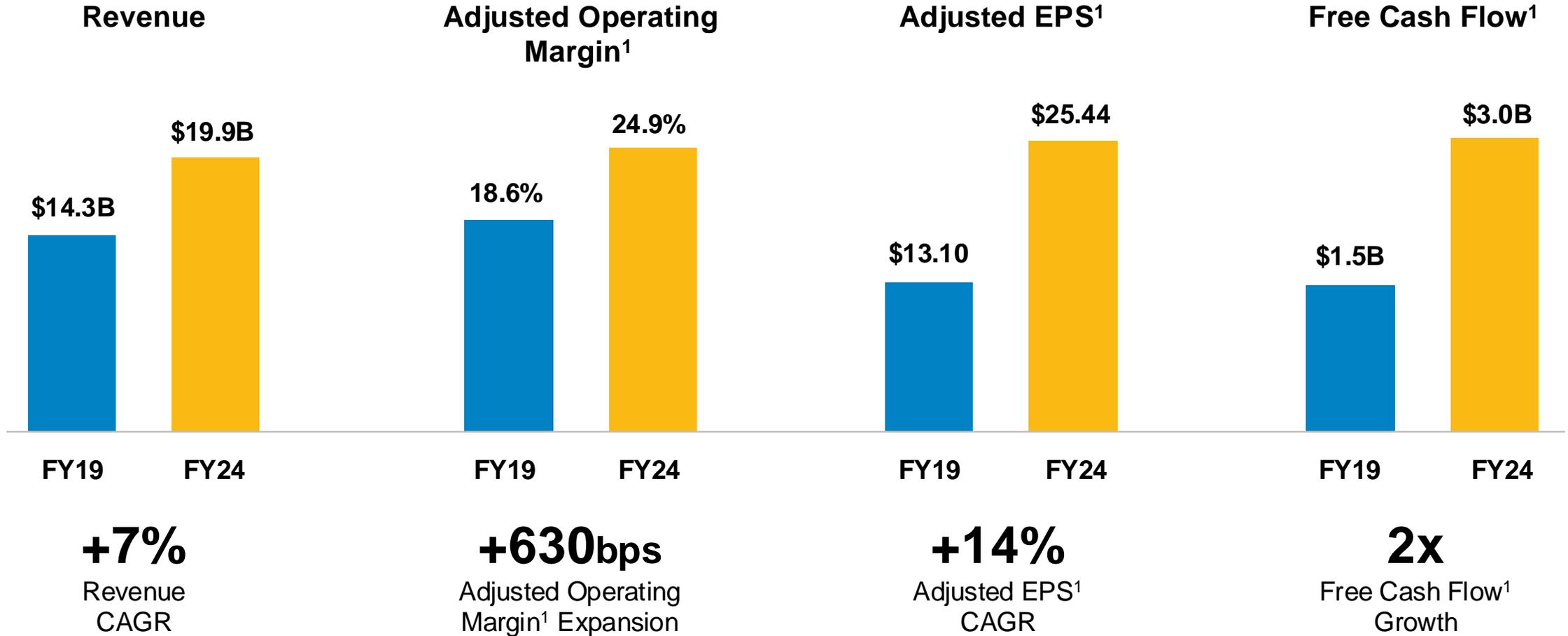
- Interconnected technologies and solutions across market verticals
- 2/3's of our revenue comes from customers who buy 4 or more technologies
- Growth focused on faster growing, longer cycle markets and secular trends

Note: Sales and market sizes as of FY24. Aerospace & Defense market includes sales reported both in the Aerospace Systems segment and Diversified Industrial segment.



# Our People, Strategy & Portfolio Drive Performance

Last 5 Years



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

Note: FY19 As reported: Operating Margin of 17.0%, EPS of \$11.57, CFOA: \$1.7B. FY24 As reported: Segment Operating Margin of 21.5%, EPS of \$21.84, Cash Flow from Operations: \$3.4B.



# FY29 Targets

## Increased Margin & Cash Flow Targets

Organic  
Growth CAGR

**4-6%**

Adjusted  
Operating Margin

**27%**

**+200bps**  
From previous target

Adjusted  
EBITDA Margin

**28%**

**+300bps**  
From previous target

Free Cash  
Flow Margin

**17%**

**+100bps**  
From previous target

Adjusted EPS  
Growth CAGR

**10%+**

# What Drives Parker

- Safety, Engagement, Ownership

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- Living up to Our Purpose

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- Top Quartile Performance

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- Great Generators & Deployers of Cash



# Appendix

**PH**  

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**LISTED**  

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**NYSE**



# Reconciliation of FY19 Financials

## RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

(Unaudited)

(Dollars in millions)

	12 Months ended 6/30/19*
<b>Net sales</b>	<b>\$ 14,320</b>
<b>Segment Operating Income</b>	<b>2,431</b>
Adjustments:	
Voluntary retirement expense	
Acquisition-related intangible asset amortization expense	200
Business realignment charges	16
Acquisition-related expenses & costs to achieve	13
<b>Adjusted Segment Operating Income</b>	<b>\$ 2,660</b>
<b>Segment Operating margin<sup>1</sup></b>	<b>17.0%</b>
<b>Adjusted Segment Operating margin<sup>2</sup></b>	<b>18.6%</b>

## RECONCILIATION OF EPS TO ADJUSTED EPS

(Unaudited)

(Amounts in Dollars)

	12 Months ended 6/30/19*
<b>Earnings per diluted share</b>	<b>\$ 11.57</b>
Adjustments:	
Acquisition-related intangible asset amortization expense	1.51
Business realignment charges	0.12
Acquisition-related expenses & costs to achieve	0.23
Tax effect of adjustments <sup>3</sup>	(0.44)
Tax expense related to U.S. tax reform	0.11
<b>Adjusted earnings per diluted share</b>	<b>\$ 13.10</b>

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

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

3. 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.

\*Amounts have been adjusted to reflect the change in inventory accounting method.

\*\*Totals may not foot due to rounding



# Reconciliation of FY24 Financials

## Reconciliation of Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Year-to-Date FY 2024												
	As Reported June 30, 2024	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Meggitt Costs to Achieve	Gain on Divestitures	Discrete Tax Benefit					Adjusted June 30, 2024	% of Sales
Net sales	\$ 19,929,606	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,929,606	100.0 %
Cost of sales	12,801,816	64.2 %	108,671	29,585	4,259	-	-	-	-	-	-	12,659,301	63.5 %
Selling, general and admin. expenses	3,315,177	16.6 %	469,324	20,809	34,014	-	-	-	-	-	-	2,791,030	14.0 %
Interest expense	506,495	2.5 %	-	-	-	-	-	-	-	-	-	506,495	2.5 %
Other (income) expense, net	(288,485)	(1.4)%	-	3,062	-	(25,651)	-	-	-	-	-	(265,896)	(1.3)%
Income before income taxes	3,594,603	18.0 %	(577,995)	(53,456)	(38,273)	25,651	-	-	-	-	-	4,238,676	21.3 %
Income taxes	749,667	3.8 %	137,575	12,721	9,105	(11,640)	27,068	-	-	-	-	924,496	4.6 %
Net income	2,844,936	14.3 %	(440,420)	(40,735)	(29,168)	14,011	27,068	-	-	-	-	3,314,180	16.6 %
Less: Noncontrolling interests	721	0.0 %	-	-	-	-	-	-	-	-	-	721	0.0 %
<b>Net income - common shareholders</b>	<b>\$ 2,844,215</b>	<b>14.3 %</b>	<b>\$ (440,420)</b>	<b>\$ (40,735)</b>	<b>\$ (29,168)</b>	<b>\$ 14,011</b>	<b>\$ 27,068</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,313,459</b>	<b>16.6 %</b>
Diluted earnings per share	\$ 21.84		\$ (3.37)	\$ (0.32)	\$ (0.23)	\$ 0.11	\$ 0.21	\$ -	\$ -	\$ -	\$ -	\$ 25.44	

## Reconciliation of Segment Operating Income

(Dollars in thousands)

(Unaudited)

	Year-to-Date FY 2024												
	As Reported June 30, 2024	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Meggitt Costs to Achieve	Gain on Divestitures					Adjusted June 30, 2024	% of Sales <sup>2</sup>	
Diversified Industrial <sup>1</sup>	\$ 3,176,384	22.0%	\$ 266,219	\$ 50,075	\$ 3,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,496,608	24.2%
Aerospace Systems <sup>1</sup>	1,110,746	20.3%	311,776	319	34,343	-	-	-	-	-	-	1,457,184	26.6%
Total segment operating income	4,287,130	21.5%	(577,995)	(50,394)	(38,273)	-	-	-	-	-	-	4,953,792	24.9%
Corporate administration	218,312	1.1%	-	-	-	-	-	-	-	-	-	218,312	1.1%
Income before interest and other	4,068,818	20.4%	(577,995)	(50,394)	(38,273)	-	-	-	-	-	-	4,735,480	23.8%
Interest expense	506,495	2.5%	-	-	-	-	-	-	-	-	-	506,495	2.5%
Other (income) expense	(32,280)	-0.2%	-	3,062	-	(25,651)	-	-	-	-	-	(9,691)	0.0%
Income before income taxes	\$ 3,594,603	18.0%	\$ (577,995)	\$ (53,456)	\$ (38,273)	\$ 25,651	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,238,676	21.3%

### Supplemental Information:

Diversified Industrial:

North America businesses <sup>1</sup>	\$ 1,963,876	22.3%	\$ 176,337	\$ 17,749	\$ 2,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,160,605	24.6%
International businesses <sup>1</sup>	1,212,508	21.4%	89,882	32,326	1,287	-	-	-	-	-	-	1,336,003	23.6%

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

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

\*Totals may not foot due to rounding



# Reconciliation of Free Cash Flow

(Unaudited)  
(Dollars in millions)

	<b>FY19</b>	<b>FY24</b>
Cash Provided by Operating Activities - As Reported	\$1,730	\$3,384
Capital Expenditures	195	400
Free Cash Flow	<u>\$1,535</u>	<u>\$2,984</u>

