

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) of the  
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): November 1, 2018

**PARKER-HANNIFIN CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Ohio**  
(State or other jurisdiction of  
Incorporation or Organization)  
**6035 Parkland Boulevard, Cleveland, Ohio**  
(Address of Principal Executive Offices)

**34-0451060**  
(I.R.S. Employer  
Identification No.)  
**44124-4141**  
(Zip Code)

Registrant's telephone number, including area code: **(216) 896-3000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 2.02 Results of Operations and Financial Condition**

On November 1, 2018, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended September 30, 2018. A copy of the press release is furnished as Exhibit 99.1 to this report. A copy of the Webcast presentation is furnished as Exhibit 99.2 to this report.

### **Item 9.01 Financial Statements and Exhibits**

(c) Exhibits:

[99.1 Press release issued by Parker-Hannifin Corporation, dated November 1, 2018.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated November 1, 2018.](#)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ Catherine A. Suever

Catherine A. Suever

Executive Vice President - Finance &

Administration and Chief Financial Officer

Date: November 1, 2018



Exhibit 99.1

**For Release: Immediately**

**Contact: Media -**  
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**Stock symbol:** PH - NYSE

## **Parker Reports Fiscal 2019 First Quarter Results**

- *Sales increased 3% to \$3.48 billion; organic sales increased 6%*
- *All-time quarterly records set for total segment operating margins, EPS, Net Income and ROS*
- *Total segment operating margins reached 17% as reported, or 17.2% adjusted*
- *EPS increased 33% to \$2.79 as reported, or \$2.84 adjusted*
- *EBITDA margins increased 155 basis points to 17.7% as reported, or 18.0% adjusted*
- *Company increases fiscal 2019 full year guidance*

**CLEVELAND, November 1, 2018** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2019 first quarter ended September 30, 2018. Fiscal 2019 first quarter sales increased 3% to \$3.48 billion compared with \$3.36 billion in the prior year quarter. Net income increased 32% to \$375.7 million compared with \$285.4 million in the prior year quarter. Fiscal 2019 first quarter earnings per share increased 33% to \$2.79, compared with \$2.10 in the fiscal 2018 first quarter. On an adjusted basis, earnings per share increased 27% to \$2.84, compared with adjusted earnings per share of \$2.24 in the prior year quarter. Fiscal year to date net cash provided by operating activities was \$159.4 million or 4.6% of sales. Excluding a \$200 million discretionary pension contribution, operating cash flow was 10.3% of sales, compared with 7.1% of sales in the prior year period. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"This was an excellent start to fiscal 2019, reflecting benefits of our continued execution of the Win Strategy™, which is driving record performance levels," said Chairman and Chief Executive Officer, Tom Williams. "Strong organic growth of 6% was consistent with our expectations, while sales were partially offset by higher unfavorable currency impact. We generated record segment operating margins for the

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company, which increased 140 basis points. All-time quarterly records for earnings per share, net income and return on sales further demonstrate that our actions are driving the consistent improvement of Parker's financial performance and reinforce our confidence in achieving another record year for sales and earnings."

### **First Quarter Fiscal 2019 Segment Results**

*Diversified Industrial Segment:* North American first quarter sales increased 5% to \$1.7 billion, and operating income increased 8% to \$275.1 million compared with \$256.0 million in the same period a year ago. While first quarter International sales were flat at \$1.2 billion, operating income increased 8% to \$206.1 million compared with \$191.8 million in the fiscal 2018 first quarter.

*Aerospace Systems Segment:* First quarter sales were \$564.5 million compared with \$531.2 million in the prior year period, and operating income increased 42% to \$109.9 million compared with \$77.4 million in the same period a year ago.

Parker reported the following orders for the quarter ending September 30, 2018, compared with the same quarter a year ago:

- Orders increased 5% for total  
Parker
- Orders increased 8% in the Diversified Industrial North America businesses
- Orders increased 3% in the Diversified Industrial International businesses
- Orders increased 3% in the Aerospace Systems Segment on a rolling 12-month average basis

### **Outlook**

For the fiscal year ending June 30, 2019, the company has revised guidance for earnings in the range of \$10.90 to \$11.50 per share, or \$11.10 to \$11.70 per share on an adjusted basis. Fiscal year 2019 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$22 million and CLARCOR costs to achieve of approximately \$13 million. Guidance assumes organic sales growth in the range of 2.5% to 5.3%.

Williams added, "With generally positive conditions across our end markets, and our ongoing commitment to the Win Strategy initiatives, the increase of our guidance at the operating line reflects the additional earnings achieved in the first quarter as well as our confidence in the outlook for the remainder of the year. Slightly offsetting this increase is higher tax expense for the rest of the year. We are very pleased with our first quarter performance as it reinforces our belief in achieving our fiscal 2023 performance goals."

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**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2019 first quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, on the company's investor information web site at [www.phstock.com](http://www.phstock.com). To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test and register for e-mail notification of future events and information available from Parker. A replay of the webcast will be accessible on Parker's investor relations website, [www.phstock.com](http://www.phstock.com), approximately one hour after the completion of the call, and will remain available for one year. To register for e-mail notification of future events and information available from Parker please visit [www.phstock.com](http://www.phstock.com).

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For over 100 years the company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets. Parker has increased its annual dividend per share paid to shareholders for 62 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at [www.parker.com](http://www.parker.com) or [@parkerhannifin](https://twitter.com/parkerhannifin).

**Note on Orders**

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The total Parker orders number is derived from a weighted average of the year-over-year quarterly % change in orders for Diversified Industrial North America and Diversified Industrial International, and the year-over-year 12-month rolling average of orders for the Aerospace Systems Segment.

**Note on Net Income**

Net Income referenced in this press release is equal to net income attributable to common shareholders.

**Note on Non-GAAP Numbers**

This press release contains references to (a) earnings per share without the effect of business realignment charges, CLARCOR costs to achieve and loss on sale of investment, (b) segment operating margins without the effect of business realignment charges and CLARCOR costs to achieve; (c) the effect of business realignment charges and CLARCOR costs to achieve on forecasted earnings from continuing operations per share; (d) and cash flows from operations without the effect of discretionary pension contributions. The effects of business realignment charges, CLARCOR costs to achieve, loss on sale of investment and discretionary pension contributions are removed to allow investors and the company to meaningfully evaluate changes in earnings per share, segment operating margins and cash flows from operations on a comparable basis from period to period. This press release also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, and loss on sale of investment. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus the prior period.

**Forward-Looking Statements**

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. These statements may be identified from the use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "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.

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It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Additionally, the actual impact of the U.S. Tax Cuts and Jobs Act may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Cuts and Jobs Act that may also affect these estimates and the actual impact on the company. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance of the company are, as applicable: 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 CLARCOR; 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 capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global 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 and credit availability. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

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## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)	Three Months Ended September 30,	
	2018	2017
(Dollars in thousands except per share amounts)		
<b>Net sales</b>	\$ 3,479,294	\$ 3,364,651
Cost of sales	2,594,823	2,523,294
Selling, general and administrative expenses	394,322	396,984
Interest expense	44,339	53,555
Other (income) expense, net	(13,913 )	16,516
Income before income taxes	459,723	374,302
Income taxes	83,824	88,767
Net income	375,899	285,535
Less: Noncontrolling interests	188	138
<b>Net income attributable to common shareholders</b>	\$ 375,711	\$ 285,397

## Earnings per share attributable to common shareholders:

Basic earnings per share	\$ 2.84	\$ 2.14
Diluted earnings per share	\$ 2.79	\$ 2.10
Average shares outstanding during period - Basic	132,361,654	133,176,964
Average shares outstanding during period - Diluted	134,664,496	135,794,270
Cash dividends per common share	\$ 0.76	\$ 0.66

## RECONCILIATION OF EARNINGS PER DILUTED SHARE TO ADJUSTED EARNINGS PER DILUTED SHARE

(Unaudited)	Three Months Ended September 30,	
(Amounts in dollars)	2018	2017
<b>Earnings per diluted share</b>	\$ 2.79	\$ 2.10
Adjustments:		
Loss on sale of investment	—	0.07
Business realignment charges	0.01	0.04
Clarcor costs to achieve	0.04	0.03
<b>Adjusted earnings per diluted share</b>	\$ 2.84	\$ 2.24

## RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2018	2017
<b>Net sales</b>	\$ 3,479,294	\$ 3,364,651
Earnings before income taxes	\$ 459,723	\$ 374,302
Depreciation and amortization	112,491	116,107
Interest expense	44,339	53,555
<b>EBITDA</b>	616,553	543,964
Adjustments:		
Loss on sale of investment	—	13,777
Business realignment charges	2,403	8,226
Clarcor costs to achieve	6,210	5,800
<b>Adjusted EBITDA</b>	\$ 625,166	\$ 571,767
<b>EBITDA margin</b>	17.7 %	16.2 %
<b>Adjusted EBITDA margin</b>	18.0 %	17.0 %



**BUSINESS SEGMENT INFORMATION**

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2018	2017
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,681,044	\$ 1,594,691
International	1,233,766	1,238,774
Aerospace Systems	564,484	531,186
<b>Total net sales</b>	<b>\$ 3,479,294</b>	<b>\$ 3,364,651</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 275,111	\$ 256,027
International	206,094	191,791
Aerospace Systems	109,855	77,434
<b>Total segment operating income</b>	<b>591,060</b>	<b>525,252</b>
Corporate general and administrative expenses	50,325	41,350
<b>Income before interest expense and other expense</b>	<b>540,735</b>	<b>483,902</b>
Interest expense	44,339	53,555
Other expense	36,673	56,045
<b>Income before income taxes</b>	<b>\$ 459,723</b>	<b>\$ 374,302</b>

**RECONCILIATION OF TOTAL SEGMENT OPERATING MARGIN TO ADJUSTED TOTAL SEGMENT OPERATING MARGIN**

(Unaudited)	Three Months Ended		Three Months Ended	
(Dollars in thousands)	September 30, 2018		September 30, 2017	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	<b>\$ 591,060</b>	<b>17.0%</b>	<b>\$ 525,252</b>	<b>15.6%</b>
Adjustments:				
Business realignment charges	2,403		8,226	
Clarcor costs to achieve	6,155		5,800	
<b>Adjusted total segment operating income</b>	<b>\$ 599,618</b>	<b>17.2%</b>	<b>\$ 539,278</b>	<b>16.0%</b>

## CONSOLIDATED BALANCE SHEET

(Unaudited)	September 30,		June 30,		September 30,	
(Dollars in thousands)	2018		2018		2017	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$	952,122	\$	822,137	\$	874,766
Marketable securities and other investments		40,787		32,995		99,792
Trade accounts receivable, net		2,065,158		2,145,517		1,922,288
Non-trade and notes receivable		312,162		328,399		266,421
Inventories		1,762,640		1,621,304		1,707,001
Prepaid expenses and other		165,213		134,886		134,350
<b>Total current assets</b>		<b>5,298,082</b>		<b>5,085,238</b>		<b>5,004,618</b>
Plant and equipment, net		1,828,034		1,856,237		1,962,846
Deferred income taxes		99,886		57,623		35,194
Goodwill		5,485,144		5,504,420		5,679,239
Intangible assets, net		1,956,101		2,015,520		2,215,297
Other assets		757,795		801,049		834,085
<b>Total assets</b>	\$	<b>15,425,042</b>	\$	<b>15,320,087</b>	\$	<b>15,731,279</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Notes payable	\$	796,861	\$	638,466	\$	1,144,054
Accounts payable		1,404,716		1,430,306		1,304,260
Accrued liabilities		868,521		929,833		845,524
Accrued domestic and foreign taxes		238,423		198,878		173,286
<b>Total current liabilities</b>		<b>3,308,521</b>		<b>3,197,483</b>		<b>3,467,124</b>
Long-term debt		4,313,221		4,318,559		4,788,147
Pensions and other postretirement benefits		958,937		1,177,605		1,391,820
Deferred income taxes		265,418		234,858		212,334
Other liabilities		471,839		526,089		341,195
Shareholders' equity		6,101,380		5,859,866		5,524,940
Noncontrolling interests		5,726		5,627		5,719
<b>Total liabilities and equity</b>	\$	<b>15,425,042</b>	\$	<b>15,320,087</b>	\$	<b>15,731,279</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)	Three Months Ended September 30,			
(Dollars in thousands)	2018		2017	
<b>Cash flows from operating activities:</b>				
Net income	\$	375,899	\$	285,535
Depreciation and amortization		112,491		116,107
Stock incentive plan compensation		42,941		43,211
Loss on sale of businesses		3,029		—
(Gain) on disposal of assets		(3,826)		(256)
(Gain) on sale of marketable securities		(3,204)		—
(Gain) loss on investments		(2,536)		13,777
Net change in receivables, inventories and trade payables		(70,973)		(129,061)
Net change in other assets and liabilities		(329,726)		(105,127)
Other, net		35,293		13,814
<b>Net cash provided by operating activities</b>		<b>159,388</b>		<b>238,000</b>
<b>Cash flows from investing activities:</b>				
Acquisitions (net of cash of \$690 in 2018)		(2,042)		—
Capital expenditures		(42,106)		(79,336)
Proceeds from sale of plant and equipment		10,969		12,448
Proceeds from sale of businesses		4,515		—
Purchases of marketable securities and other investments		(2,844)		(70,253)
Maturities and sales of marketable securities and other investments		14,127		12,499
Other, net		2,318		7,329
<b>Net cash (used in) investing activities</b>		<b>(15,063)</b>		<b>(117,313)</b>
<b>Cash flows from financing activities:</b>				
Net payments for common stock activity		(64,855)		(76,915)
Net proceeds from debt		158,477		29,606
Dividends		(100,869)		(88,104)
<b>Net cash (used in) financing activities</b>		<b>(7,247)</b>		<b>(135,413)</b>
Effect of exchange rate changes on cash		(7,093)		4,606
Net increase (decrease) in cash and cash equivalents		129,985		(10,120)
Cash and cash equivalents at beginning of period		822,137		884,886
<b>Cash and cash equivalents at end of period</b>	\$	<b>952,122</b>	\$	<b>874,766</b>

## RECONCILIATION OF CASH FLOW FROM OPERATIONS TO ADJUSTED CASH FLOW FROM OPERATIONS

(Unaudited)	Three Months Ended			Three Months Ended		
(Dollars in thousands)	September 30, 2018		Percent of Sales	September 30, 2017		Percent of Sales
<b>As reported cash flow from operations</b>	\$	159,388	4.6 %	\$	238,000	7.1 %
Discretionary pension contribution		200,000			—	
<b>Adjusted cash flow from operations</b>	\$	<b>359,388</b>	<b>10.3 %</b>	\$	<b>238,000</b>	<b>7.1 %</b>

**RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED SHARE**

(Unaudited)

(Amounts in dollars)

	<b>Fiscal Year 2019</b>
<b>Forecasted earnings per diluted share</b>	<b>\$10.90 - \$11.50</b>
Adjustments:	
Business realignment charges	<b>0.13</b>
Clarcor costs to achieve	<b>0.07</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$11.10 - \$11.70</b>

# Parker Hannifin Corporation

Exhibit 99.2

## 1<sup>st</sup> Quarter Fiscal Year 2019 Earnings Release



**PH**  
**LISTED**  
**NYSE**

ENGINEERING YOUR SUCCESS.

November 1, 2018

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# 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. These statements may be identified from the use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "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. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance and earnings projections are: economic conditions within the company's key markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of the U.S. Tax Reform may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Reform that may also affect these estimates and the actual impact on the company. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance of the company are, as applicable: 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 CLARCOR; 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 capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global 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 and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

This presentation reconciles (a) sales amounts reported in accordance with U.S. GAAP to organic sales, which are sales amounts adjusted to remove the effects of divestitures and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow from operating activities and cash flow from operating activities as a percent of sales without the effect of discretionary pension plan contributions, (c) as reported and forecast segment operating income and operating margins reported in accordance with U.S. GAAP to as reported and forecast segment operating income and operating margins without the effect of business realignment charges, CLARCOR Cost to Achieve, (d) as reported and forecast earnings per diluted share reported in accordance with U.S. GAAP to as reported and forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve and loss related to the sale of investments. This presentation also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, loss related to sale of investment, and acquisition-related expenses. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus one year ago. The effects of divestitures, currency exchange rates, discretionary pension plan contributions, business realignment charges, CLARCOR costs to achieve, and loss related to sale of investments are removed to allow investors and the company to meaningfully evaluate changes in sales, and cash flow from operating activities as a percent of sales, segment operating income, operating margins, Below the Line Items, Income Tax and earnings per diluted share on a comparable basis from period to period. Full year adjusted guidance removes business realignment charges, CLARCOR costs to achieve.

Please visit [www.PHstock.com](http://www.PHstock.com) for more information

# Agenda

- **Chairman & CEO Comments**

- **Results & Outlook**

- **Questions & Answers**

# Highlights of Quarter Results

## Summary

- Excellent start to FY19: Records for EPS, Net Income, ROS, Margins
- Safety - 20% Reduction in recordable injuries
- Strong performance demonstrates Win Strategy effectiveness
- Accomplished FY20 5-year goals in 3 years

## Excellent Start to Fiscal Year - Q1 FY 2019

- Sales increased 3% - organic growth of 6%
- Order rates remain positive
- Segment operating margins all-time quarterly record
- On track for Operating Cash to sales >10% & FCF conversion >100%

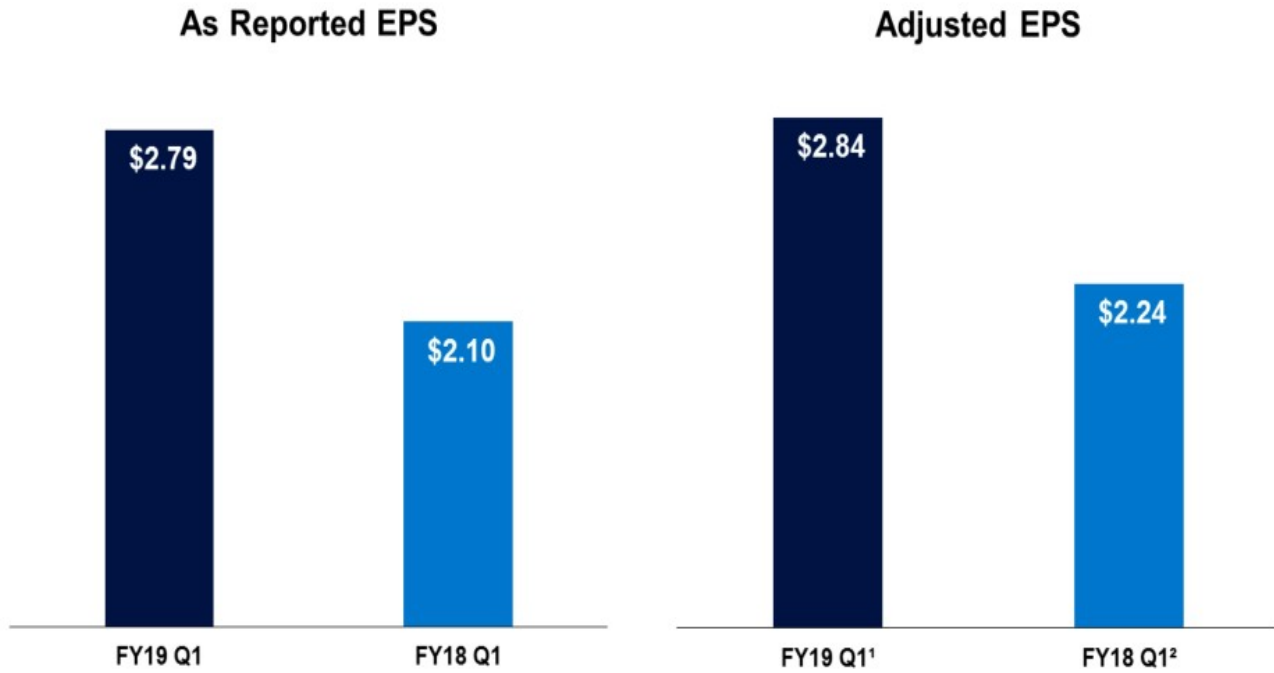
## Going Forward

- Growth greater than industrial production for 7 consecutive quarters
- End markets positive; healthy organic growth outlook
- Increased EPS Guide by 30 cents



# Diluted Earnings Per Share

## 1<sup>st</sup> Quarter FY2019

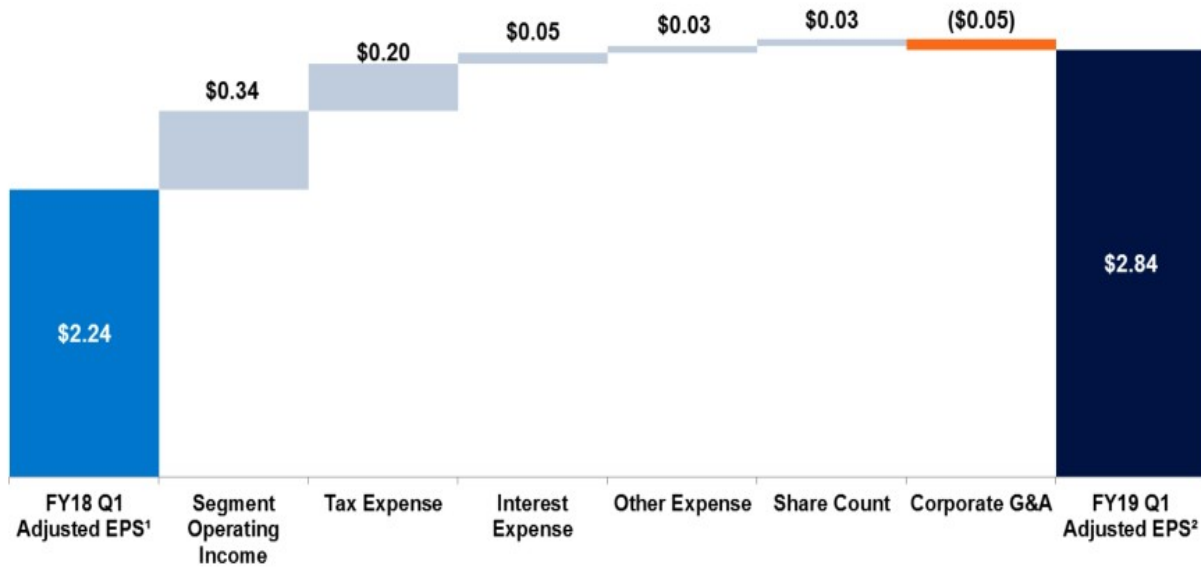


<sup>1</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve

<sup>2</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve, Loss Related to Sale of Investment

# Influences on Adjusted Earnings Per Share

## 1<sup>st</sup> Quarter FY2019 vs. 1<sup>st</sup> Quarter FY2018



<sup>1</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve, Loss related to sale of investment

<sup>2</sup>Adjusted for Business Realignment Charges, Clarcor Costs to Achieve

# Sales & Segment Operating Margin

## Total Parker

\$ in millions	1st Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$3,479	3.4 %	\$3,365
Acquisitions	-	- %	
Divestitures	(18)	(0.6)%	
Currency	(58)	(1.7)%	
Organic Sales	\$3,555	5.7 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 591	17.0 %	\$ 525	15.6 %
Business Realignment	3		8	
CLARCOR Costs to Achieve	6		6	
Adjusted	\$ 600	17.2 %	\$ 539	16.0 %

# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions	1st Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 1,681	5.4 %	\$ 1,595
Acquisitions	-	- %	
Divestitures	(8)	(0.5)%	
Currency	(5)	(0.3)%	
Organic Sales	\$ 1,694	6.2 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 275	16.4 %	\$ 256	16.1 %
Business Realignment	1		5	
CLARCOR Costs to Achieve	4		5	
Adjusted	\$ 280	16.6 %	\$ 266	16.7 %

# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions	1st Quarter		
	FY2019	% Change	FY2018
Sales			
As Reported	\$ 1,234	(0.4)%	\$ 1,239
Acquisitions	-	- %	
Divestitures	(10)	(0.9)%	
Currency	(52)	(4.1)%	
Organic Sales	\$ 1,296	4.6 %	

	FY2019	% of Sales	FY2018	% of Sales
Segment Operating Margin				
As Reported	\$ 206	16.7 %	\$ 192	15.5 %
Business Realignment	2		3	
CLARCOR Costs to Achieve	2		0	
Adjusted	\$ 210	17.0 %	\$ 195	15.7 %

# Sales & Segment Operating Margin

## Aerospace Systems

\$ in millions	1st Quarter				
	FY2019	% Change	FY2018	FY2019	% of Sales
<b>Sales</b>					
As Reported	\$ 564	6.3 %	\$ 531		
Acquisitions	-	- %			
Currency	(1)	(0.0)%			
Organic Sales	\$ 565	6.3 %			
<b>Segment Operating Margin</b>					
As Reported	\$ 110	19.5 %	\$ 77	14.6 %	
Business Realignment	-		1		
Adjusted	\$ 110	19.5 %	\$ 78	14.7 %	

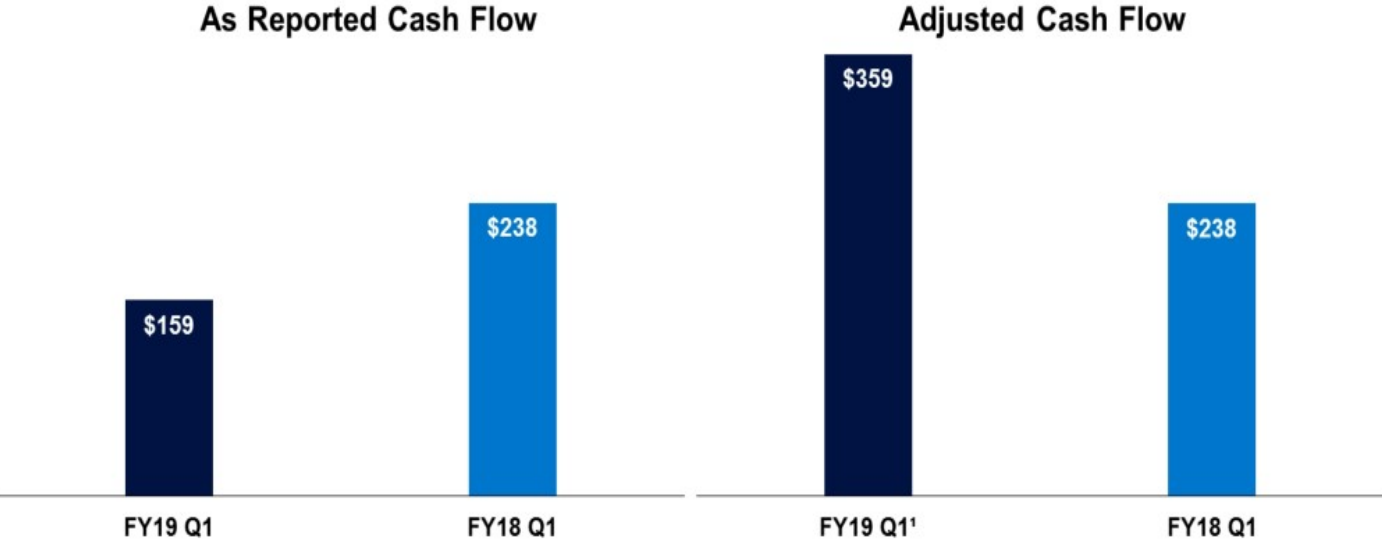
# Order Rates

	<u>Sep 2018</u>		<u>Jun 2018</u>		<u>Sep 2017</u>		<u>Jun 2017</u>	
<b>Total Parker</b>	<b>+</b>	<b>5 %</b>	<b>+</b>	<b>8 %</b>	<b>+</b>	<b>11 %</b>	<b>+</b>	<b>8 %</b>
Diversified Industrial North America	+	8 %	+	9 %	+	10 %	+	10 %
Diversified Industrial International	+	3 %	+	5 %	+	15 %	+	10 %
Aerospace Systems	+	3 %	+	10 %	+	4 %	+	1 %

**Excludes Acquisitions, Divestitures & Currency**  
**3-month year-over-year comparisons of total dollars, except Aerospace Systems**  
**Aerospace Systems is calculated using a 12-month rolling average**

# Cash Flow from Operating Activities

## FY2019 YTD



<sup>1</sup>Adjusted for Discretionary Pension Plan Contribution

1st Quarter				
	FY 2019	% of Sales	FY 2018	% of Sales
As Reported Cash Flow From Operating Activities	\$ 159	4.6%	\$ 238	7.1%
Discretionary Pension Plan Contribution	\$ 200			
Adjusted Cash Flow From Operating Activities	\$ 359	10.3%	\$ 238	7.1%





# FY2019 Guidance

**EPS Midpoint: \$11.20 As Reported, \$11.40 Adjusted**

Sales Growth vs. Prior Year	
Diversified Industrial North America	2.6% - 5.6%
Diversified Industrial International	(3.7)% - (0.7)%
Aerospace Systems	3.6% - 5.6%
<b>Total Parker</b>	<b>0.5% - 3.3%</b>

Segment Operating Margins	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	16.4% - 17.2%	16.6% - 17.4%
Diversified Industrial International	15.5% - 15.9%	15.8% - 16.2%
Aerospace Systems	18.1% - 18.5%	18.1% - 18.5%
<b>Total Parker</b>	<b>16.4% - 17.0%</b>	<b>16.6% - 17.2%</b>

Below the Line Items	
Corporate General & Administrative Expense, Interest and Other	<b>\$471 M</b>

Tax Rate	
Full Year	<b>23%</b>

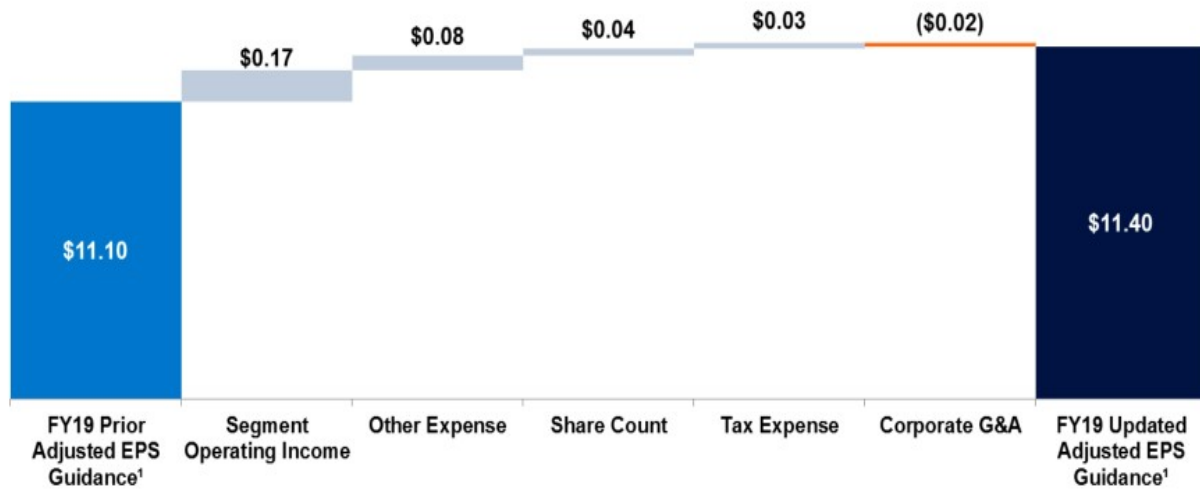
Shares	
Diluted Shares Outstanding	<b>134.7</b>

Earnings Per Share	As Reported	Adjusted <sup>1</sup>
Range	<b>\$10.90 - \$11.50</b>	<b>\$11.10 - \$11.70</b>

<sup>1</sup>Expected FY19 Adjusted Segment Operating Margins and Expected Adjusted Earnings Per Share exclude FY19 Business Realignment Charges, Clarcor Costs to Achieve

# FY2019 Guidance

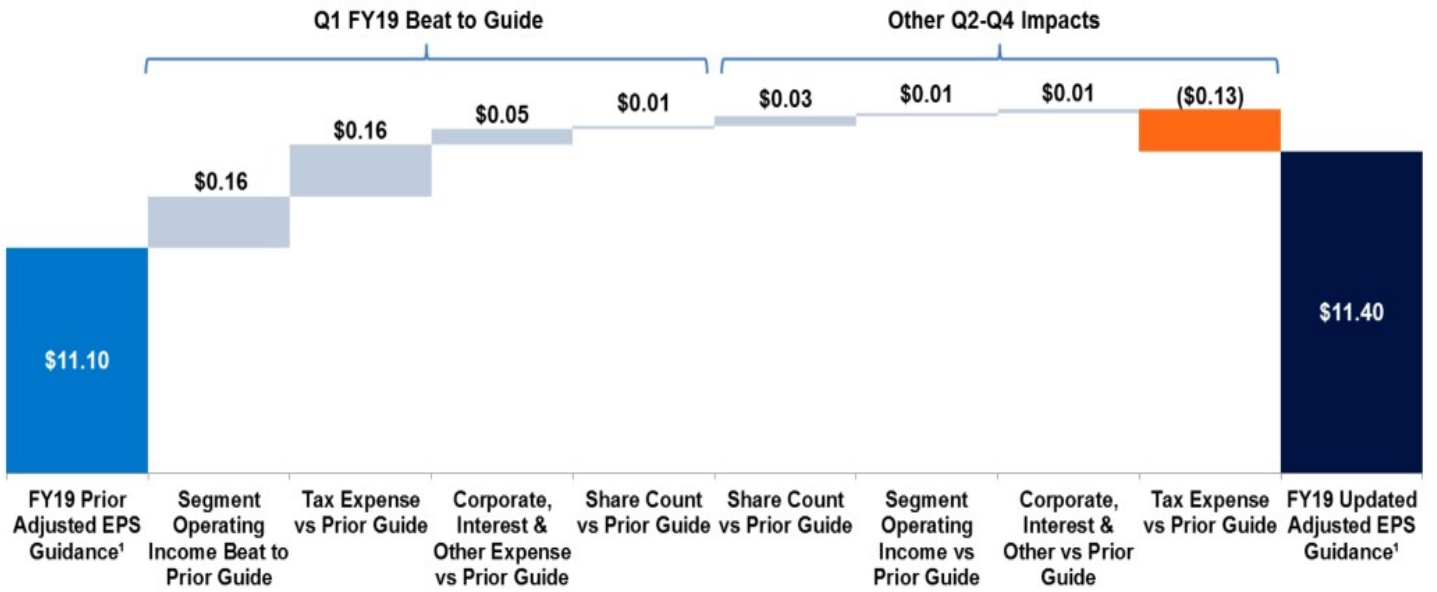
## Reconciliation to Prior Guidance



<sup>1</sup>Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve

# FY2019 Guidance

## Reconciliation of Q1 Beat and Updated Guidance



<sup>1</sup>Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve



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# Appendix

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms



# Consolidated Statement of Income

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended September 30,	
	2018	2017
<b>Net sales</b>	\$ 3,479,294	\$ 3,364,651
Cost of sales	2,594,823	2,523,294
Selling, general and administrative expenses	394,322	396,984
Interest expense	44,339	53,555
Other (income) expense, net	(13,913)	16,516
Income before income taxes	459,723	374,302
Income taxes	83,824	88,767
Net income	375,899	285,535
Less: Noncontrolling interests	188	138
<b>Net income attributable to common shareholders</b>	<b>\$ 375,711</b>	<b>\$ 285,397</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 2.84	\$ 2.14
Diluted earnings per share	\$ 2.79	\$ 2.10
Average shares outstanding during period - Basic	132,361,654	133,176,964
Average shares outstanding during period - Diluted	134,664,496	135,794,270
Cash dividends per common share	\$ 0.76	\$ 0.66

# Adjusted Amounts Reconciliation

## FIRST QUARTER 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION INCOME STATEMENT

	FIRST QUARTER FY 2019			
	As Reported Sep-18	Business Realignment	Costs to Achieve	Adjusted Sep-18
<b>Net sales</b>	3,479,294	-	-	<b>3,479,294</b>
Cost of sales	2,594,823	1,593	2,806	<b>2,590,424</b>
Gross profit	884,471	(1,593)	(2,806)	<b>888,870</b>
Selling, general and administrative expenses	394,322	810	3,349	<b>390,163</b>
Interest expense	44,339	-	-	<b>44,339</b>
Other expense (income), net	(13,913)	-	55	<b>(13,968)</b>
Income before income taxes	459,723	(2,403)	(6,210)	<b>468,336</b>
Income taxes	83,824	565	1,459	<b>85,848</b>
Net income	375,899	(1,838)	(4,751)	<b>382,488</b>
Less: Noncontrolling interests	188	-	-	<b>188</b>
<b>Net income attributable to common shareholders</b>	<b>375,711</b>	<b>(1,838)</b>	<b>(4,751)</b>	<b>382,300</b>
<b>EPS attributable to common shareholders:</b>				
Diluted earnings per share	2.79	(0.01)	(0.04)	<b>2.84</b>

## FIRST QUARTER FY 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION SEGMENTS

	FIRST QUARTER FY 2019			
	As Reported Sep-18	Business Realignment	Costs to Achieve	Adjusted Sep-18
<b>Segment Operating Income</b>				
Industrial:				
North America	275,111	822	3,915	<b>279,848</b>
International	206,094	1,581	2,240	<b>209,915</b>
Aerospace	109,855	-	-	<b>109,855</b>
Total segment operating income	591,060	(2,403)	(6,155)	<b>599,618</b>
Corporate administration	50,325	-	-	<b>50,325</b>
Income before interest expense and other	540,735	(2,403)	(6,155)	<b>549,293</b>
Interest expense	44,339	-	-	<b>44,339</b>
Other expense	36,673	-	55	<b>36,618</b>
Income before income taxes	459,723	(2,403)	(6,210)	<b>468,336</b>



# Reconciliation of EPS

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,			
		2018		2017
<b>Earnings per diluted share</b>	\$	<b>2.79</b>	\$	2.10
Adjustments:				
Loss on sale of investment		-		0.07
Business realignment charges		0.01		0.04
Clarcor costs to achieve		0.04		0.03
<b>Adjusted earnings per diluted share</b>	\$	<b>2.84</b>	\$	2.24



# Business Segment Information

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2018	2017
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,681,044	\$ 1,594,691
International	1,233,766	1,238,774
Aerospace Systems	564,484	531,186
<b>Total net sales</b>	<b>\$ 3,479,294</b>	<b>\$ 3,364,651</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 275,111	\$ 256,027
International	206,094	191,791
Aerospace Systems	109,855	77,434
<b>Total segment operating income</b>	<b>591,060</b>	<b>525,252</b>
Corporate general and administrative expenses	50,325	41,350
<b>Income before interest and other expense</b>	<b>540,735</b>	<b>483,902</b>
Interest expense	44,339	53,555
Other expense	36,673	56,045
<b>Income before income taxes</b>	<b>\$ 459,723</b>	<b>\$ 374,302</b>

# Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 591,060	17.0%	\$ 525,252	15.6%
Adjustments:				
Business realignment charges	2,403		8,226	
Clarcor costs to achieve	6,155		5,800	
<b>Adjusted total segment operating income</b>	\$ 599,618	17.2%	\$ 539,278	16.0%

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,			
	2018		2017	
<b>Net sales</b>	<b>\$</b>	<b>3,479,294</b>	<b>\$</b>	<b>3,364,651</b>
Earnings before income taxes	<b>\$</b>	<b>459,723</b>	<b>\$</b>	<b>374,302</b>
Depreciation and amortization		<b>112,491</b>		<b>116,107</b>
Interest expense		<b>44,339</b>		<b>53,555</b>
<b>EBITDA</b>		<b>616,553</b>		<b>543,964</b>
Adjustments:				
Loss on sale of investment		-		13,777
Business realignment charges		<b>2,403</b>		<b>8,226</b>
Clarcor costs to achieve		<b>6,210</b>		<b>5,800</b>
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>625,166</b>	<b>\$</b>	<b>571,767</b>
<b>EBITDA margin</b>		<b>17.7%</b>		<b>16.2%</b>
<b>Adjusted EBITDA margin</b>		<b>18.0%</b>		<b>17.0%</b>

# Consolidated Balance Sheet

(Unaudited)	September 30,		June 30,	September 30,		
(Dollars in thousands)	2018		2018	2017		
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$	952,122	\$	822,137	\$	874,766
Marketable securities and other investments		40,787		32,995		99,792
Trade accounts receivable, net		2,065,158		2,145,517		1,922,288
Non-trade and notes receivable		312,162		328,399		266,421
Inventories		1,762,640		1,621,304		1,707,001
Prepaid expenses and other		165,213		134,886		134,350
<b>Total current assets</b>		<b>5,298,082</b>		<b>5,085,238</b>		<b>5,004,618</b>
Plant and equipment, net		1,828,034		1,856,237		1,962,846
Deferred income taxes		99,886		57,623		35,194
Goodwill		5,485,144		5,504,420		5,679,239
Intangible assets, net		1,956,101		2,015,520		2,215,297
Other assets		757,795		801,049		834,085
<b>Total assets</b>	\$	<b>15,425,042</b>	\$	<b>15,320,087</b>	\$	<b>15,731,279</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Notes payable	\$	796,861	\$	638,466	\$	1,144,054
Accounts payable		1,404,716		1,430,306		1,304,260
Accrued liabilities		868,521		929,833		845,524
Accrued domestic and foreign taxes		238,423		198,878		173,286
<b>Total current liabilities</b>		<b>3,308,521</b>		<b>3,197,483</b>		<b>3,467,124</b>
Long-term debt		4,313,221		4,318,559		4,788,147
Pensions and other postretirement benefits		958,937		1,177,605		1,391,820
Deferred income taxes		265,418		234,858		212,334
Other liabilities		471,839		526,089		341,195
Shareholders' equity		6,101,380		5,859,866		5,524,940
Noncontrolling interests		5,726		5,627		5,719
<b>Total liabilities and equity</b>	\$	<b>15,425,042</b>	\$	<b>15,320,087</b>	\$	<b>15,731,279</b>

# Consolidated Statement of Cash Flows

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2018	2017
<b>Cash flows from operating activities:</b>		
Net income	\$ 375,899	\$ 285,535
Depreciation and amortization	112,491	116,107
Stock incentive plan compensation	42,941	43,211
Loss on sale of businesses	3,029	-
(Gain) on disposal of assets	(3,826)	(256)
(Gain) on sale of marketable securities	(3,204)	-
(Gain) loss on investments	(2,536)	13,777
Net change in receivables, inventories, and trade payables	(70,973)	(129,061)
Net change in other assets and liabilities	(329,726)	(105,127)
Other, net	35,293	13,814
<b>Net cash provided by operating activities</b>	<b>159,388</b>	<b>238,000</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$690 in 2018)	(2,042)	-
Capital expenditures	(42,106)	(79,336)
Proceeds from sale of plant and equipment	10,969	12,448
Proceeds from sale of businesses	4,515	-
Purchases of marketable securities and other investments	(2,844)	(70,253)
Maturities and sales of marketable securities and other investments	14,127	12,499
Other, net	2,318	7,329
<b>Net cash (used in) investing activities</b>	<b>(15,063)</b>	<b>(117,313)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(64,855)	(76,915)
Net proceeds from debt	158,477	29,606
Dividends	(100,869)	(88,104)
<b>Net cash (used in) financing activities</b>	<b>(7,247)</b>	<b>(135,413)</b>
Effect of exchange rate changes on cash	(7,093)	4,606
Net increase (decrease) in cash and cash equivalents	129,985	(10,120)
Cash and cash equivalents at beginning of period	822,137	884,886
<b>Cash and cash equivalents at end of period</b>	<b>\$ 952,122</b>	<b>\$ 874,766</b>

# Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
		Percent of sales		Percent of sales
<b>As reported cash flow from operations</b>	\$ 159,388	4.6%	\$ 238,000	7.1%
Discretionary pension contribution	200,000		-	
<b>Adjusted cash flow from operations</b>	<b>\$ 359,388</b>	<b>10.3%</b>	<b>\$ 238,000</b>	<b>7.1%</b>

# Reconciliation of Forecasted EPS

(Unaudited)	
(Amounts in dollars)	
	<b>Fiscal Year</b>
	<b>2019</b>
	<hr/>
<b>Forecasted earnings per diluted share</b>	<b>\$10.90 - \$11.50</b>
Adjustments:	
Business realignment charges	0.13
Clarcor costs to achieve	0.07
	<hr/>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$11.10 - \$11.70</b>
	<hr/>

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited)  
(Dollars in thousands)

	Three Months Ending	
	September 30, 2018	September 30, 2017
<b>Net sales</b>		
Diversified Industrial:		
Motion Systems	\$ 859,573	\$ 809,747
Flow and Process Control	1,061,064	995,347
Filtration and Engineered Materials	994,173	1,028,371
Aerospace Systems	564,484	531,186
<b>Total</b>	<b>\$ 3,479,294</b>	<b>\$ 3,364,651</b>



