

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): October 31, 2019

PARKER-HANNIFIN CORPORATION

(Exact Name of Registrant as Specified in Charter)

Ohio  
(State or other jurisdiction of  
Incorporation or Organization)

1-4982  
(Commission File Number)

34-0451060  
(I.R.S. Employer  
Identification No.)

6035 Parkland Boulevard, Cleveland, Ohio  
(Address of Principal Executive Offices)

44124-4141  
(Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report.)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Shares, \$.50 par value	PH	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## **Item 2.02 Results of Operations and Financial Condition**

On October 31, 2019, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended September 30, 2019. 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 7.01 Regulation FD Disclosure**

In the press release issued by the Company earlier today, the purchase price for the LORD Corporation acquisition contained an inadvertent transposition, listing a purchase price for LORD of \$3.765 billion instead of \$3.675 billion. The purchase price for the LORD acquisition is \$3.675 billion. Exhibit 99.1 to this Current Report on Form 8-K contains the correct purchase price information.

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

(c) Exhibits:

[99.1 Press release issued by Parker-Hannifin Corporation, dated October 31, 2019.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated October 31, 2019.](#)

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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: October 31, 2019

# Parker Hannifin Corporation

1<sup>st</sup> Quarter Fiscal Year 2020

Earnings Release



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ENGINEERING YOUR SUCCESS.

October 31, 2019



# 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. Parker cautions readers not to place undue reliance on these statements. 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. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretation thereof on future performance and earnings projections may impact the company's tax calculations. 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 are: 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, LORD Corporation or Exotic Metals; 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 contains references to non-GAAP financial information for Parker, including organic sales for Parker and by segment, adjusted cash flow from operating activities, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin, and free cash flow. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. For Parker, adjusted EBITDA is defined as EBITDA before business realignment, Integration costs to achieve, and acquisition related expenses. Free cash flow is defined as cash flow from operations less capital expenditures. Although organic sales, adjusted cash flow from operating activities, adjusted earnings per share, adjusted operating margin for Parker and by segment, EBITDA, adjusted EBITDA, EBITDA margin and free cash flow 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 period presented. The presentation also references non-GAAP financial information related to Parker's acquisitions of LORD Corporation and Exotic Metals, including adjusted operating income and earnings per share. Detailed reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures have been included in the appendix to this presentation.

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



# Agenda

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• **Chairman & CEO Comments**

• **Results & Outlook**

• **Questions & Answers**

# Highlights of Quarter Results

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## Summary of fiscal 2020 first quarter

- Safety: 25% reduction in recordable incidents; Top Quartile safety incident rate
- Strong Q1 margins and operating cashflow; sales reflect challenging macro conditions
- EBITDA margin increased to 18.4% as reported and 19.1% adjusted
- Cash flow from operations 13.5%, a Q1 record at \$449 million; 12.0% FCF, and 118% FCF conversion

## Exciting Recent Announcements

- Launched The Win Strategy™ 3.0 and Purpose Statement
- Closed both LORD Corporation and Exotic Metals Forming acquisitions

## Outlook

- Revising guidance: weakened order entry from macro conditions and trade uncertainties
- Business realignment expenses increased to \$40 million
- Expect continued strong cash flow from operations
- Future outlook remains very positive

# Parker's Competitive Differentiators

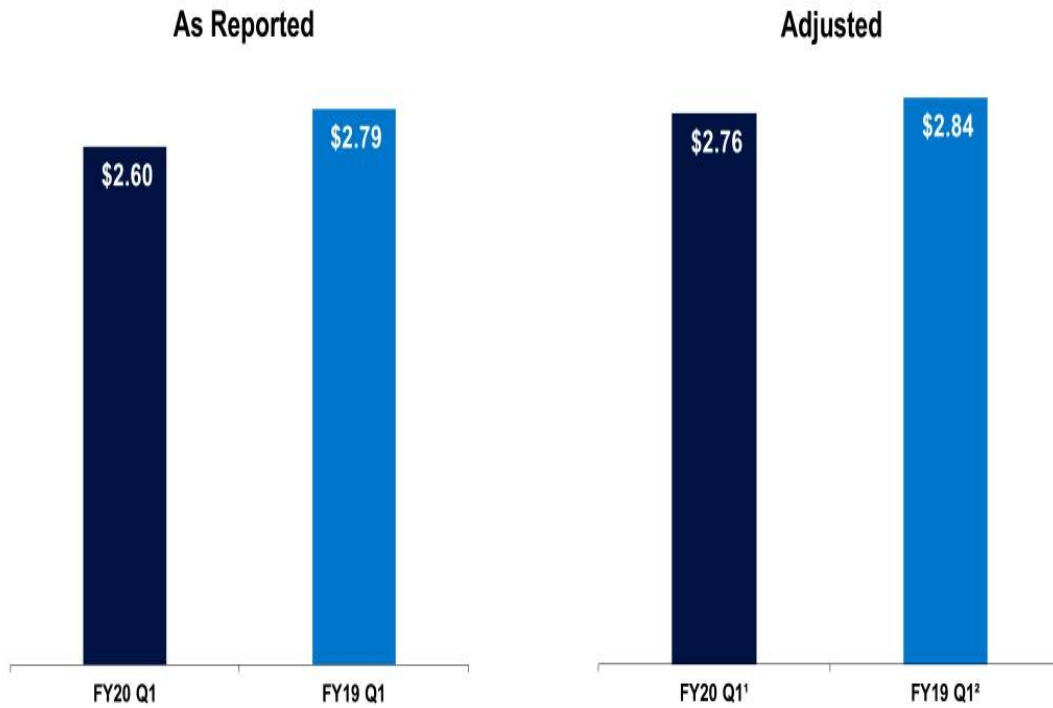
- The Win Strategy™
- Decentralized business model
- Technology breadth & interconnectivity
- Engineered products with intellectual property
- Long product life cycles
- Global distribution, service & support
- Low capital investment requirements
- Great generators and deployers of cash over the cycle





# Diluted Earnings per Share

## 1<sup>st</sup> Quarter FY2020 vs. FY2019



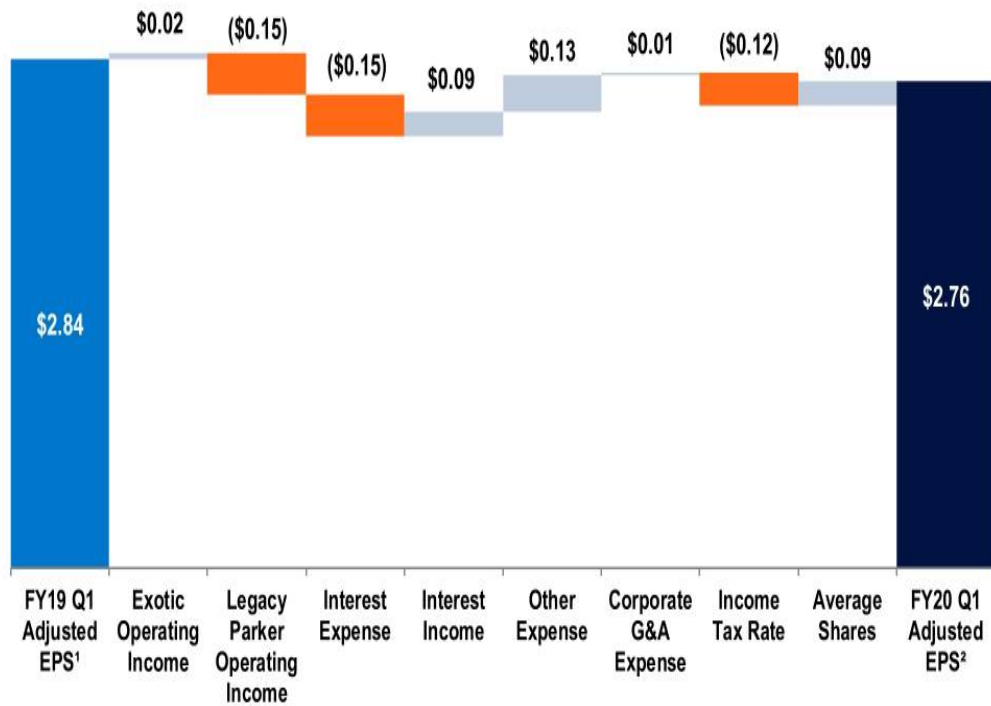
1 Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses and the tax effect of such adjustments

2 Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments



# Influences on Adjusted Earnings per Share

## 1<sup>st</sup> Quarter FY2020 vs. FY2019



1 Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments

2 Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



# Sales & Segment Operating Margin

## Total Parker

\$ in millions	1st Quarter				
	FY2020	% Change	FY2019	FY2020	% of Sales
Sales					
As Reported	\$ 3,335	(4.2)%	\$ 3,479	\$ 567	17.0 %
Acquisitions <sup>1</sup>	21	0.6 %		5	
Currency	(51)	(1.5)%		4	
Organic Sales	\$ 3,365	(3.3)%		2	
Segment Operating Margin				\$ 578	17.3 %
As Reported				\$ 600	17.2 %
Business Realignment					
Integration Costs to Achieve <sup>2</sup>					
Acquisition Related Expenses <sup>3</sup>					
Adjusted					



## FY2020 Q1 Acquisitions Impact on Segment Margins

As Reported	FY19 Q1	FY20 Q1		
\$M	Total Parker	Total Parker	Exotic	Legacy Parker
Sales	\$3,479	\$3,335	\$21	\$3,313
Operating Income	\$591	\$567	\$0.2	\$567
Operating Margin	17.0%	17.0%	1.1%	17.1%

Adjusted*	FY19 Q1	FY20 Q1		
\$M	Total Parker	Total Parker	Exotic	Legacy Parker
Sales	\$3,479	\$3,335	\$21	\$3,313
Operating Income	\$600	\$578	\$3.3	\$575
Operating Margin	17.2%	17.3%	15.7%	17.3%

# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions	1st Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 1,625	(3.4)%	\$ 1,681		
Acquisitions	-	- %			
Currency	(3)	(0.2)%			
Organic Sales	\$ 1,628	(3.2)%			
Segment Operating Margin					
As Reported	\$ 275	16.9 %	\$ 275	16.4 %	
Business Realignment	3		1		
Integration Costs to Achieve <sup>1</sup>	3		4		
Adjusted	\$ 281	17.3 %	\$ 280	16.6 %	

# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions	1st Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 1,079	(12.6)%	\$ 1,234		
Acquisitions	-	- %			
Currency	(48)	(3.9)%			
Organic Sales	\$ 1,127	(8.7)%			
Segment Operating Margin					
As Reported	\$ 169	15.6 %	\$ 206	16.7 %	
Business Realignment	2		2		
Integration Costs to Achieve <sup>1</sup>	0		2		
Adjusted	\$ 171	15.9 %	\$ 210	17.0 %	

# Sales & Segment Operating Margin

## Aerospace Systems

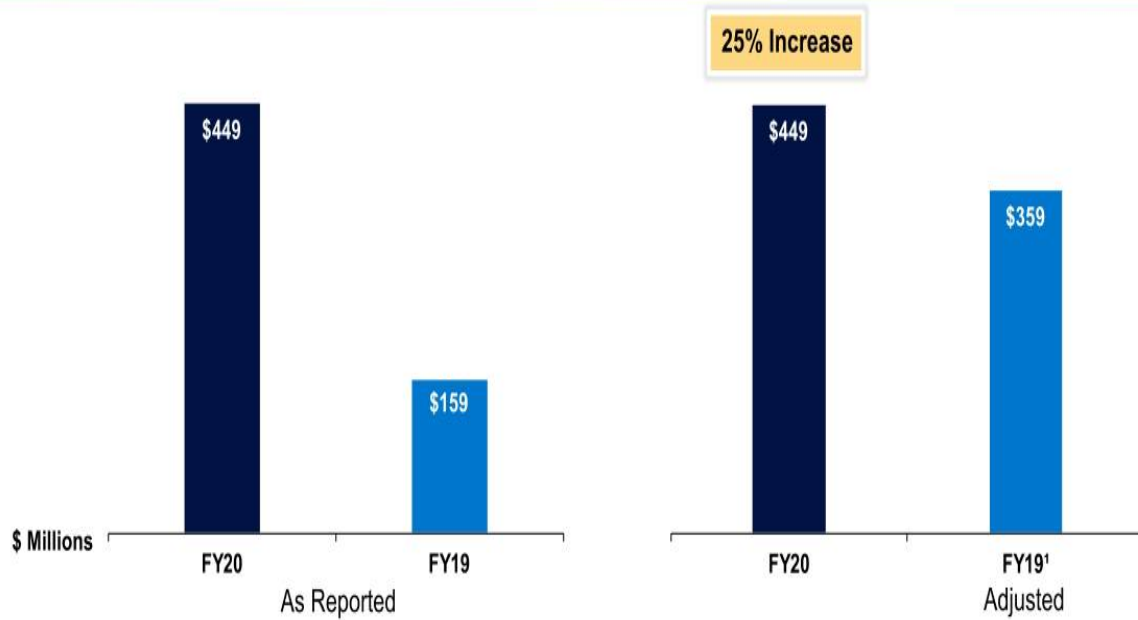
\$ in millions	1st Quarter			
	FY2020		FY2019	
		% Change		% of Sales
<b>Sales</b>				
As Reported	\$ 631	11.8 %	\$ 564	
Acquisitions <sup>1</sup>	21	3.7 %		
Currency	(1)	(0.1)%		
Organic Sales	\$ 611	8.2 %		
<b>Segment Operating Margin</b>				
As Reported	\$ 123	19.5 %	\$ 110	19.5 %
Business Realignment	(0)		-	
Integration Costs to Achieve <sup>1</sup>	1		-	
Acquisition Related Expenses <sup>1</sup>	2		-	
Adjusted	\$ 126	20.0 %	\$ 110	19.5 %



# Cash Flow from Operating Activities

## YTD FY2020 vs. FY2019

**18** Consecutive years with 10%+ CFOA margins<sup>1</sup>



	YTD			
	FY 2020	% of Sales	FY 2019	% of Sales
As Reported Cash Flow From Operating Activities	\$ 449	13.5%	\$ 159	4.6%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 449	13.5%	\$ 359	10.3%

1: Adjusted for Discretionary Pension Plan Contributions





# Order Rates

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	<u>Sep 2019</u>	<u>Jun 2019</u>	<u>Sep 2018</u>	<u>Jun 2018</u>
<b>Total Parker</b>	<b>(2)%</b>	<b>(3)%</b>	<b>5 %</b>	<b>8 %</b>
Diversified Industrial North America	(6)%	(4)%	8 %	9 %
Diversified Industrial International	(10)%	(8)%	3 %	5 %
Aerospace Systems	22 %	10 %	3 %	10 %

**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**

# FY2020 Guidance Including Acquisitions

EPS Midpoint: \$8.93 As Reported, \$10.50 Adjusted

Sales Growth vs. Prior Year		
Diversified Industrial North America		(1.2)% - 1.8%
Diversified Industrial International		(11.2)% - (8.2)%
Aerospace Systems		18.2% - 21.2%
<b>Total Parker</b>		<b>(1.3)% - 1.7%</b>

Segment Operating Margins	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	14.8% - 15.4%	15.8% - 16.4%
Diversified Industrial International	12.6% - 13.2%	13.9% - 14.3%
Aerospace Systems	18.8% - 19.4%	19.7% - 20.1%
<b>Total Parker</b>	<b>15.0% - 15.5%</b>	<b>16.0% - 16.5%</b>

Below the Line Items	As Reported
Corporate General & Administrative Expense, Interest and Other	<b>\$ 677 M</b>

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

Shares	
Diluted Shares Outstanding	<b>130.3 M</b>

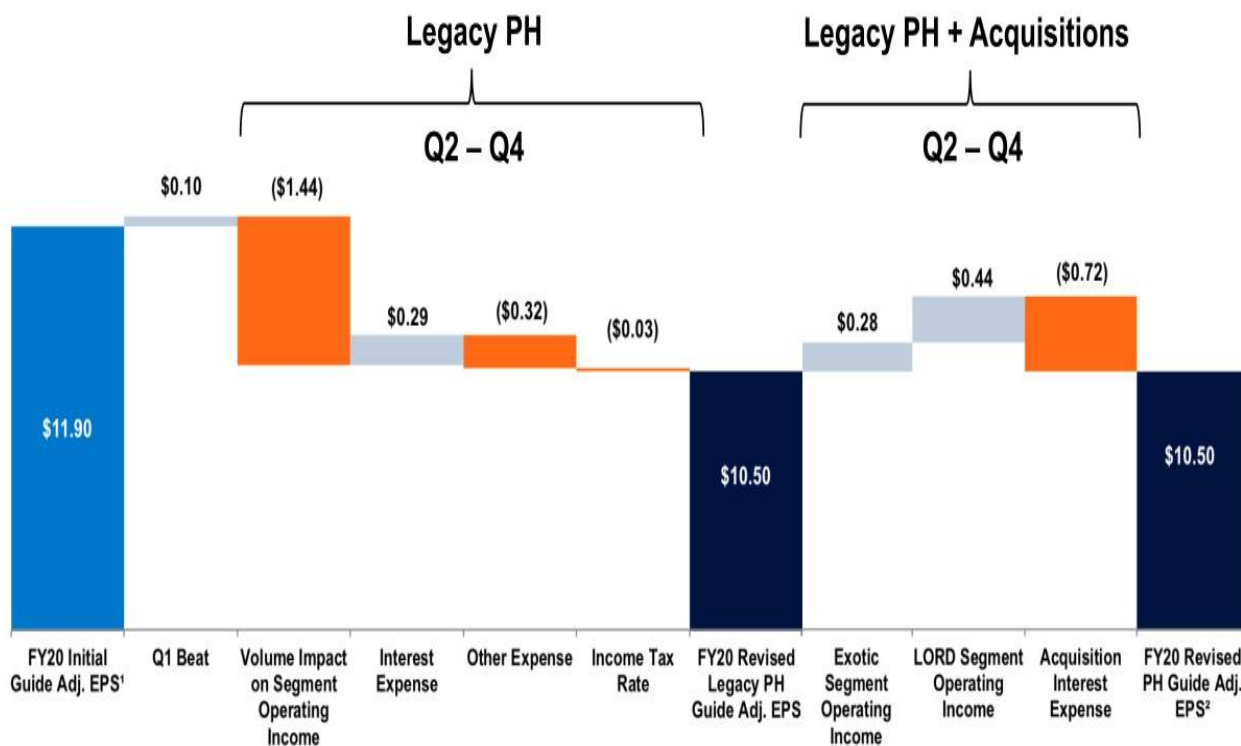
Earnings Per Share	As Reported	Adjusted <sup>1</sup>
Range	<b>\$8.53 - \$9.33</b>	<b>\$10.10 - \$10.90</b>

<sup>1</sup>: Expected FY20 Adjusted Segment Operating Margins and Expected Adjusted Earnings Per Share exclude FY20 Business Realignment Charges of \$40M, Costs to Achieve of \$27M, and one-time Acquisition Related Expenses of \$200M.



# FY2020 Guidance

## Reconciliation of Q1 Beat and Updated Guidance



<sup>1</sup> Adjusted for Business Realignment Charges and the tax effect of such adjustments

<sup>2</sup> Adjusted for Business Realignment Charges, Integration Costs to Achieve, and Acquisition Related Expenses and the tax effect of such adjustments

Note: Segment Operating Income includes FY20 Amortization expense estimated at \$38M for Exotic and \$65M for LORD.



# Impact of Acquisitions

<b>As Reported</b>	<b>FY19</b>	<b>FY20 Q1</b>	<b>FY20</b>		
<b>\$M</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>Exotic + LORD</b>	<b>Legacy Parker</b>
Sales	\$14,320	\$3,335	\$14,348	\$1,057	\$13,291
Operating Income	\$2,431	\$567	\$2,187	\$21	\$2,166
Operating Margin	17.0%	17.0%	15.2%	2.0%	16.3%
EBITDA Margin	17.9%	18.4%	16.8%	3.7%	17.9%
<b>Adjusted</b>	<b>FY19</b>	<b>FY20 Q1</b>	<b>FY20</b>		
<b>\$M</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>Exotic + LORD</b>	<b>Legacy Parker</b>
Sales	\$14,320	\$3,335	\$14,348	\$1,057	\$13,291
Operating Income	\$2,460	\$578	\$2,335	\$127	\$2,209
Operating Margin	17.2%	17.3%	16.3%	12.0%	16.6%
EBITDA Margin	18.2%	19.1%	18.7%	24.8%	18.2%

# Key Messages

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- Pleased with continued progress
- Cash flow and operating margin resilience
- Parker's transformation continues
- Well on our way to best-in-class company
- Confidence in reaching our FY'23 5-year targets

Thanks again to our Global Team Members



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# Appendix

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- Acquisitions Impact on FY2020 Guidance
- 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 Free Cash Flow Conversion
- Reconciliation of Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms



# Acquisitions Impact on FY2020 Guidance

## Acquisitions EPS Impact – FY2020 Guide

\$M	Q1 A Exotic	Q2 G Exotic	2H G Exotic	FY20 Exotic	Q2 G LORD	2H G LORD	FY20 LORD	Combined Exotic + LORD
Sales	\$21	\$107	\$227	\$355	\$181	\$521	\$702	\$1,057
Operating Income (As Reported)	\$0	\$0	\$33	\$33	(\$29)	\$17	(\$12)	\$21
Operating Income (Adjusted) <sup>1</sup>	\$3	\$14	\$34	\$51	\$21	\$55	\$76	\$127
Incremental Interest Expense	\$3	\$13	\$26	\$42	\$21	\$63	\$83	\$126
Incremental Pre-tax Income (Adjusted)*	\$0	\$1	\$8	\$9	(\$0)	(\$8)	(\$8)	\$1
EPS Accretion	\$0.00	\$0.00	\$0.04	\$0.05	\$(0.00)	\$(0.05)	\$(0.05)	\$0.00

\*Acquisition Related Expenses  
& Integration Costs to Achieve

Adjustments to Operating Income	\$3	\$14	\$1	\$18	\$50	\$38	\$88	\$106
Adjustments below Operating Income	\$14	-	-	\$14	\$104	-	\$104	\$118



# Consolidated Statement of Income

(Unaudited) (Dollars in thousands except per share amounts)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>	\$ 3,334,511	\$ 3,479,294
Cost of sales	2,479,741	2,594,823
Selling, general and administrative expenses	399,179	394,322
Interest expense	69,956	44,339
Other (income) expense, net	(47,521)	(13,913)
Income before income taxes	433,156	459,723
Income taxes	94,115	83,824
Net income	339,041	375,899
Less: Noncontrolling interests	143	188
<b>Net income attributable to common shareholders</b>	<b>\$ 338,898</b>	<b>\$ 375,711</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 2.64	\$ 2.84
Diluted earnings per share	\$ 2.60	\$ 2.79
Average shares outstanding during period - Basic	128,463,992	132,361,654
Average shares outstanding during period - Diluted	130,130,076	134,664,496

## CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2019	2018
Cash dividends per common share	\$ 0.88	\$ 0.76

# Adjusted Amounts Reconciliation

(Dollars in thousands, except per share data)

(Unaudited)

	Year-to-Date FY 2020							
	As Reported		Business	Lord	Exotic	Acquisition	Adjusted	
	September 30, 2019	% of Sales	Realignment	Costs to	Costs to	Related	September 30, 2019	% of Sales
		Charges	Achieve	Achieve	Expenses			
<b>Net sales</b>	\$ 3,334,511	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ 3,334,511	100.0 %
Cost of sales	2,479,741	74.4 %	3,345	-	-	2,519	2,473,877	74.2 %
Selling, general and admin. expenses	399,179	12.0 %	1,378	3,414	595	14,930	378,862	11.4 %
Interest expense	69,956	2.1 %	-	-	-	-	69,956	2.1 %
Other (income) expense, net	(47,521)	(1.4)%	-	-	-	-	(47,521)	(1.4)%
Income before income taxes	433,156	13.0 %	(4,723)	(3,414)	(595)	(17,449)	459,337	13.8 %
Income taxes	94,115	2.8 %	1,100	795	139	4,066	100,215	3.0 %
Net income	339,041	10.2 %	(3,623)	(2,619)	(456)	(13,383)	359,122	10.8 %
Less: Noncontrolling interests	143	0.0 %	-	-	-	-	143	0.0 %
<b>Net income - common shareholders</b>	<b>\$ 338,898</b>	<b>10.2 %</b>	<b>\$ (3,623)</b>	<b>\$ (2,619)</b>	<b>\$ (456)</b>	<b>\$ (13,383)</b>	<b>\$ 358,979</b>	<b>10.8 %</b>
Diluted earnings per share	\$ 2.60		\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ 2.76	

# Adjusted Amounts Reconciliation

(Dollars in thousands)  
(Unaudited)

	Year-to-Date FY 2020									
	As Reported September 30, 2019		Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted September 30, 2019		% of Sales <sup>2</sup>	
Diversified Industrial:										
North America <sup>1</sup>	\$	275,192	16.9%	\$ 2,278	\$ 3,038	\$ -	\$ -	\$ 280,508	17.3%	
International <sup>1</sup>		168,573	15.6%	2,447	376	-	-	171,396	15.9%	
Aerospace Systems <sup>1</sup>		122,980	19.5%	(7)	-	595	2,519	126,087	20.0%	
Total segment operating income		566,745	17.0%	(4,718)	(3,414)	(595)	(2,519)	577,991	17.3%	
Corporate administration		48,902	1.5%	5	-	-	-	48,897	1.5%	
Interest expense		69,956	2.1%	-	-	-	-	69,956	2.1%	
Other (income) expense		14,731	0.4%	-	-	-	14,930	(199)	0.0%	
Income before income taxes	\$	433,156	13.0%	\$ (4,723)	\$ (3,414)	\$ (595)	\$ (17,449)	\$ 459,337	13.8%	

<sup>1</sup>Segment operating income as a percent of sales is calculated on segment sales.

<sup>2</sup>Adjusted amounts as a percent of sales are calculated on as reported sales.

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

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2019	2018
<b>Earnings per diluted share</b>	<b>\$ 2.60</b>	<b>\$ 2.79</b>
Adjustments:		
Business realignment charges	0.04	0.02
Clarcor costs to achieve	-	0.05
Lord costs to achieve	0.03	-
Exotic costs to achieve	0.01	-
Acquisition-related expenses	0.14	-
Tax effect of adjustments <sup>1</sup>	(0.06)	(0.02)
<b>Adjusted earnings per diluted share</b>	<b>\$ 2.76</b>	<b>\$ 2.84</b>

<sup>1</sup>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.

# Business Segment Information

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,624,605	\$ 1,681,044
International	1,078,850	1,233,766
Aerospace Systems	631,056	564,484
<b>Total net sales</b>	<b>\$ 3,334,511</b>	<b>\$ 3,479,294</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 275,192	\$ 275,111
International	168,573	206,094
Aerospace Systems	122,980	109,855
<b>Total segment operating income</b>	<b>566,745</b>	<b>591,060</b>
Corporate general and administrative expenses	48,902	50,325
Income before interest expense and other expense	517,843	540,735
Interest expense	69,956	44,339
Other expense	14,731	36,673
<b>Income before income taxes</b>	<b>\$ 433,156</b>	<b>\$ 459,723</b>

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

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 566,745	17.0 %	\$ 591,060	17.0 %
Adjustments:				
Business realignment charges	4,718		2,403	
Clarcor costs to achieve	-		6,155	
Lord costs to achieve	3,414		-	
Exotic costs to achieve	595		-	
Acquisition-related expenses	2,519		-	
<b>Adjusted total segment operating income</b>	<b>\$ 577,991</b>	<b>17.3 %</b>	<b>\$ 599,618</b>	<b>17.2 %</b>

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>	\$ 3,334,511	\$ 3,479,294
Net income	\$ 339,041	\$ 375,899
Income taxes	94,115	83,824
Depreciation and amortization	109,071	112,491
Interest expense	69,956	44,339
<b>EBITDA</b>	<b>612,183</b>	<b>616,553</b>
Adjustments:		
Business realignment charges	4,723	2,403
Clarcor costs to achieve	-	6,210
Lord costs to achieve	3414	-
Exotic costs to achieve	595	-
Acquisition-related expenses	17,449	-
<b>Adjusted EBITDA</b>	<b>\$ 638,364</b>	<b>\$ 625,166</b>
EBITDA margin	18.4 %	17.7 %
Adjusted EBITDA margin	19.1 %	18.0 %

# Reconciliation of EBITDA to Adjusted EBITDA

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

(Unaudited) (Dollars in thousands)	Twelve Months Ended	
	June 30, 2019	
	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 2,431,233	17.0 %
Adjustments:		
Business realignment charges	15,503	
Clarcor costs to achieve	12,327	
LORD acquisition and integration costs	912	
<b>Adjusted total segment operating income</b>	<b>\$ 2,459,975</b>	<b>17.2 %</b>

## RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited) (Dollars in thousands)	Twelve Months Ended	
	June 30, 2019	
<b>Net sales</b>	\$ 14,320,324	
Net income	1,512,931	
Income taxes	420,494	
Depreciation and amortization	436,189	
Interest expense	190,138	
<b>EBITDA</b>	<b>2,559,752</b>	
Adjustments:		
Business realignment charges	15,677	
Clarcor costs to achieve	12,458	
Lord acquisition and integration costs	17,146	
<b>Adjusted EBITDA</b>	<b>\$ 2,605,033</b>	
<b>EBITDA margin</b>		17.9 %
<b>Adjusted EBITDA margin</b>		18.2 %



# Reconciliation of Forecasted FY2020 Total Segment Operating Margin to Adjusted Total Segment Operating Margin and EBITDA to Adjusted EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker		LORD & Exotic		Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 2,187	15.2 %	\$ 21	2.0 %	\$ 2,166	16.3 %
Adjustments:						
Business realignment charges	40		-		40	
Costs to achieve	27		24		3	
One-time acquisition expenses	82		82		-	
<b>Adjusted total segment operating income</b>	<b>\$ 2,335</b>	<b>16.3 %</b>	<b>\$ 127</b>	<b>12.0 %</b>	<b>\$ 2,209</b>	<b>16.6 %</b>

## RECONCILIATION OF FORECASTED FISCAL 2020 EBITDA TO FORECASTED FISCAL 2020 ADJUSTED EBITDA

(Unaudited)

(Dollars in millions)

	Total Parker	LORD & Exotic	Legacy Parker
<b>Net sales</b>	\$ 14,348	\$ 1,057	\$ 13,291
Net income	1,165	(172)	1,337
Income taxes	345	(54)	399
Depreciation and amortization	576	140	436
Interest expense	328	126	202
<b>EBITDA</b>	<b>2,414</b>	<b>39</b>	<b>2,374</b>
Adjustments:			
Business realignment charges	40	-	40
Costs to achieve	27	24	3
One-time acquisition expenses	200	200	-
<b>Adjusted EBITDA</b>	<b>\$ 2,681</b>	<b>\$ 263</b>	<b>\$ 2,417</b>
<b>EBITDA margin</b>	<b>16.8 %</b>	<b>3.7 %</b>	<b>17.9 %</b>
<b>Adjusted EBITDA margin</b>	<b>18.7 %</b>	<b>24.8 %</b>	<b>18.2 %</b>

# Consolidated Balance Sheet

(Unaudited)	September 30,	June 30,	September 30,
(Dollars in thousands)	2019	2019	2018
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,627,393	\$ 3,219,767	\$ 952,122
Marketable securities and other investments	282,102	150,931	40,787
Trade accounts receivable, net	1,983,242	2,131,054	2,065,158
Non-trade and notes receivable	288,762	310,708	312,162
Inventories	1,790,044	1,678,132	1,762,640
Prepaid expenses and other	166,536	182,494	165,213
<b>Total current assets</b>	<b>8,138,079</b>	<b>7,673,086</b>	<b>5,298,082</b>
Plant and equipment, net	1,880,157	1,768,287	1,828,034
Deferred income taxes	145,476	150,462	99,886
Goodwill	5,818,613	5,453,805	5,485,144
Intangible assets, net	2,693,756	1,783,277	1,956,101
Investments and other assets	892,508	747,773	757,795
<b>Total assets</b>	<b>\$ 19,568,589</b>	<b>\$ 17,576,690</b>	<b>\$ 15,425,042</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable	\$ 1,736,779	\$ 587,014	\$ 796,861
Accounts payable	1,287,420	1,413,155	1,404,716
Accrued payrolls and other compensation	310,417	426,285	318,730
Accrued domestic and foreign taxes	188,571	167,312	238,423
Other accrued liabilities	634,141	558,007	549,791
<b>Total current liabilities</b>	<b>4,157,328</b>	<b>3,151,773</b>	<b>3,308,521</b>
Long-term debt	7,366,912	6,520,831	4,313,221
Pensions and other postretirement benefits	1,261,493	1,304,379	958,937
Deferred income taxes	178,454	193,066	265,418
Other liabilities	501,610	438,489	471,839
Shareholders' equity	6,096,616	5,961,969	6,101,380
Noncontrolling interests	6,176	6,183	5,726
<b>Total liabilities and equity</b>	<b>\$ 19,568,589</b>	<b>\$ 17,576,690</b>	<b>\$ 15,425,042</b>



# Consolidated Statement of Cash Flows

(Unaudited)	Three Months Ended September 30,	
(Dollars in thousands)	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 339,041	\$ 375,899
Depreciation and amortization	109,071	112,491
Stock incentive plan compensation	52,633	42,941
Loss on sale of businesses	-	3,029
Gain on plant and equipment and intangible assets	(10,269)	(3,826)
Loss (gain) on marketable securities	201	(3,204)
Gain on investments	(498)	(2,536)
Net change in receivables, inventories and trade payables	53,526	(70,973)
Net change in other assets and liabilities	(77,794)	(329,726)
Other, net	(16,780)	35,293
<b>Net cash provided by operating activities</b>	<b>449,131</b>	<b>159,388</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$8,179 in 2019 and \$690 in 2018)	(1,696,456)	(2,042)
Capital expenditures	(50,345)	(42,106)
Proceeds from sale of plant and equipment	19,284	10,969
Proceeds from sale of businesses	-	4,515
Purchases of marketable securities and other investments	(159,984)	(2,844)
Maturities and sales of marketable securities and other investments	26,477	14,127
Other	8,070	2,318
<b>Net cash used in investing activities</b>	<b>(1,852,954)</b>	<b>(15,063)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(71,985)	(64,855)
Net proceeds from debt	2,023,714	158,477
Dividends	(113,352)	(100,869)
<b>Net cash provided by (used in) financing activities</b>	<b>1,838,377</b>	<b>(7,247)</b>
Effect of exchange rate changes on cash	(26,928)	(7,093)
Net increase in cash and cash equivalents	407,626	129,985
Cash and cash equivalents at beginning of period	3,219,767	822,137
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,627,393</b>	<b>\$ 952,122</b>



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

	Three Months Ended		Three Months Ended	
	September 30, 2019	Percent of sales	September 30, 2018	Percent of sales
(Unaudited) (Dollars in thousands)				
<b>As reported cash flow from operations</b>	\$ 449,131	13.5 %	\$ 159,388	4.6 %
Discretionary pension contribution	-		200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 449,131</b>	<b>13.5 %</b>	<b>\$ 359,388</b>	<b>10.3 %</b>

# Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2019
<b>Net income</b>	<b>\$ 339,041</b>
Cash flow from operations	\$ 449,131
Capital Expenditures	(50,345)
<b>Free cash flow</b>	<b>\$ 398,786</b>
<b>Free cash flow conversion (free cash flow / net income)</b>	<b>118 %</b>

# Reconciliation of EPS

## Fiscal Year 2020 Guidance

PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2019  
 RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED

(Unaudited) (Amounts in dollars)	<u>Fiscal Year 2020</u>
<b>Forecasted earnings per diluted share</b>	<b>\$8.53 - \$9.33</b>
Adjustments:	
Business realignment charges	0.30
Costs to achieve	0.20
One-time acquisition expenses	1.54
Tax effect of adjustments <sup>1</sup>	<u>(0.47)</u>
<b>Adjusted forecasted earnings per diluted share</b>	<b><u>\$10.10 - \$10.90</u></b>

<sup>1</sup>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.

# Supplemental Sales Information

## Global Technology Platforms

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>		
Diversified Industrial:		
Motion Systems	\$ 766,815	\$ 859,573
Flow and Process Control	1,011,354	1,061,064
Filtration and Engineered Material	925,286	994,173
Aerospace Systems	631,056	564,484
<b>Total</b>	<b>\$ 3,334,511</b>	<b>\$ 3,479,294</b>







**For Release:** **Immediately** Exhibit 99.1

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**Stock Symbol:** PH - NYSE

## Parker Reports Fiscal 2020 First Quarter Results

- *First quarter sales were \$3.33 billion; organic sales declined 3%*
- *First quarter EPS were \$2.60 as reported, or \$2.76 adjusted*
- *First quarter total segment operating margin was 17.0% as reported, or 17.3% adjusted*
- *EBITDA margin was 18.4% as reported, or 19.1% adjusted*
- *Cash flow from operations was a first quarter record at \$449 million, and reached 13.5% of sales*
- *LORD Corporation and Exotic Metals Forming Company acquisitions completed*
- *Company revises fiscal 2020 full year guidance*

**CLEVELAND, October 31, 2019** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2020 first quarter ended September 30, 2019. Fiscal 2020 first quarter sales were \$3.33 billion, compared with \$3.48 billion in the prior year quarter. Net income was \$338.9 million, compared with \$375.7 million in the first quarter of fiscal 2019. Fiscal 2020 first quarter earnings per share were \$2.60, compared with \$2.79 in the prior year quarter. Adjusted earnings per share were \$2.76, compared with adjusted earnings per share of \$2.84 in the prior year quarter. Fiscal year-to-date cash flow from operations was a first quarter record at \$449.1 million, and reached 13.5% of sales, compared with 4.6% in the prior year period. In the first quarter of fiscal 2019, cash flow from operations was 10.3% of sales, excluding a discretionary pension contribution. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"We delivered increased adjusted total segment operating margin, EBITDA margin and record cash flow in the first quarter despite softness in global economic conditions," said Chairman and Chief Executive Officer, Tom Williams. "Adjusted total segment operating margin of 17.3% increased 10 basis points compared with the prior year quarter and adjusted EBITDA margin increased 110 basis points year-over-year to 19.1%. This performance reflects the effort of our global teams and the effective implementation of The Win Strategy™."

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## **Segment Results**

*Diversified Industrial Segment:* North American first quarter sales decreased 3% to \$1.6 billion, and operating income was \$275.2 million, compared with \$275.1 million in the same period a year ago. International first quarter sales decreased 13% to \$1.1 billion, and operating income decreased 18% to \$168.6 million, compared with \$206.1 million in the same period a year ago.

*Aerospace Systems Segment:* First quarter sales increased 12% to \$631.1 million, and operating income increased 12% to \$123.0 million, compared with \$109.9 million in the same period a year ago.

Parker reported the following orders for the quarter ending September 30, 2019, compared with the same quarter a year ago:

- Orders decreased 2% for total Parker
- Orders decreased 6% in the Diversified Industrial North America businesses
- Orders decreased 10% in the Diversified Industrial International businesses
- Orders increased 22% in the Aerospace Systems Segment on a rolling 12-month average basis

## **Acquisitions Update**

As previously announced on October 29, 2019, the company completed its acquisition of LORD Corporation, a leading manufacturer of advanced adhesives and coatings, as well as vibration and motion control technologies, for approximately \$3.675 billion in cash. LORD will be combined with Parker's Engineered Materials Group.

As previously announced on September 16, 2019, the company completed its acquisition of Exotic Metals Forming Company LLC for approximately \$1.725 billion in cash. Exotic Metals Forming is now a stand-alone division in the Aerospace Systems Group.

Detailed integration plans are underway for both acquisitions, which are expected to facilitate a smooth transition and drive synergies from the combination of the organizations.

## **Outlook**

For the fiscal year ending June 30, 2020, the company has revised guidance for earnings per share to the range of \$8.53 to \$9.33, or \$10.10 to \$10.90 on an adjusted basis. Fiscal year 2020 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$40 million, costs to achieve of approximately \$27 million, one-time acquisition expenses of approximately \$200 million, and has been updated to include LORD Corporation and Exotic Metals Forming. Guidance assumes an organic sales decline in the range of 7.5% to 4.5%. A reconciliation of forecasted earnings

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per share to adjusted forecasted earnings per share is included in the financial tables of this press release.

Williams added, "Continued execution of the Win Strategy will position us to deliver strong margins, earnings and cash flow for the full fiscal year. We have revised guidance based on the impact of the closing of the LORD Corporation and Exotic Metals Forming acquisitions and softening macroeconomic trends."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2020 first quarter results are available to all interested parties via live webcast today at 11:00 a.m. ET, at [www.phstock.com](http://www.phstock.com). A replay of the webcast will be available on the site 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 please visit [www.phstock.com](http://www.phstock.com).

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For more than 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 63 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 Financial Measures**

This press release contains references to non-GAAP financial information including (a) adjusted earnings per share; (b) adjusted cash flow from operations; (c) adjusted total segment operating

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margin; adjusted EBITDA margin; and (d) adjusted forecasted earnings from continuing operations per share. The adjusted earnings per share, cash flow from operations and total segment operating margin measures are presented to allow investors and the company to meaningfully evaluate changes in earnings per share, cash flows from operations and total segment operating margin on a comparable basis from period to period. This press release also contains references to EBITDA and EBITDA margin. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Although EBITDA and EBITDA margin are not measures of performance calculated in accordance with GAAP, we believe that they are useful to an investor in evaluating the results of this quarter versus the prior period. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

### **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. Parker cautions readers not to place undue reliance on these statements. 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. Additionally, the actual impact of changes in tax laws in the United States and foreign jurisdictions and any judicial or regulatory interpretations thereof on future performance and earnings projections may impact the company's tax calculations. 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 are: 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, LORD Corporation or Exotic Metals; 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)

(Dollars in thousands except per share amounts)

Three Months Ended September 30,

	2019		2018	
<b>Net sales</b>	<b>\$</b>	<b>3,334,511</b>	<b>\$</b>	<b>3,479,294</b>
Cost of sales		2,479,741		2,594,823
Selling, general and administrative expenses		399,179		394,322
Interest expense		69,956		44,339
Other (income) expense, net		(47,521)		(13,913)
Income before income taxes		433,156		459,723
Income taxes		94,115		83,824
Net income		339,041		375,899
Less: Noncontrolling interests		143		188
<b>Net income attributable to common shareholders</b>	<b>\$</b>	<b>338,898</b>	<b>\$</b>	<b>375,711</b>
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	<b>\$</b>	<b>2.64</b>	<b>\$</b>	<b>2.84</b>
Diluted earnings per share	<b>\$</b>	<b>2.60</b>	<b>\$</b>	<b>2.79</b>
Average shares outstanding during period - Basic		128,463,992		132,361,654
Average shares outstanding during period - Diluted		130,130,076		134,664,496

**CASH DIVIDENDS PER COMMON SHARE**

(Unaudited)

(Amounts in dollars)

Three Months Ended September 30,

	2019		2018	
<b>Cash dividends per common share</b>	<b>\$</b>	<b>0.88</b>	<b>\$</b>	<b>0.76</b>

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

(Unaudited)

(Amounts in dollars)

Three Months Ended September 30,

	2019		2018	
<b>Earnings per diluted share</b>	<b>\$</b>	<b>2.60</b>	<b>\$</b>	<b>2.79</b>
Adjustments:				
Business realignment charges		0.04		0.02
Clarcor costs to achieve		—		0.05
Lord costs to achieve		0.03		—
Exotic costs to achieve		0.01		—
Acquisition-related expenses		0.14		—
Tax effect of adjustments <sup>1</sup>		(0.06)		(0.02)
<b>Adjusted earnings per diluted share</b>	<b>\$</b>	<b>2.76</b>	<b>\$</b>	<b>2.84</b>

<sup>1</sup>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.

## RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited)

Three Months Ended September 30,

(Dollars in thousands)

	2019		2018
<b>Net sales</b>	<b>\$</b>	<b>3,334,511</b>	<b>\$ 3,479,294</b>
Net income	\$	339,041	\$ 375,899
Income taxes		94,115	83,824
Depreciation and amortization		109,071	112,491
Interest expense		69,956	44,339
<b>EBITDA</b>		<b>612,183</b>	<b>616,553</b>
Adjustments:			
Business realignment charges		4,723	2,403
Clarcor costs to achieve		—	6,210
Lord costs to achieve		3,414	—
Exotic costs to achieve		595	—
Acquisition-related expenses		17,449	—
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>638,364</b>	<b>\$ 625,166</b>
<b>EBITDA margin</b>		<b>18.4 %</b>	<b>17.7 %</b>
<b>Adjusted EBITDA margin</b>		<b>19.1 %</b>	<b>18.0 %</b>

## BUSINESS SEGMENT INFORMATION

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2019	2018
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,624,605	\$ 1,681,044
International	1,078,850	1,233,766
Aerospace Systems	631,056	564,484
<b>Total net sales</b>	<b>\$ 3,334,511</b>	<b>\$ 3,479,294</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 275,192	\$ 275,111
International	168,573	206,094
Aerospace Systems	122,980	109,855
<b>Total segment operating income</b>	<b>566,745</b>	<b>591,060</b>
Corporate general and administrative expenses	48,902	50,325
Income before interest expense and other expense	517,843	540,735
Interest expense	69,956	44,339
Other expense	14,731	36,673
<b>Income before income taxes</b>	<b>\$ 433,156</b>	<b>\$ 459,723</b>

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

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	<b>\$ 566,745</b>	<b>17.0 %</b>	<b>\$ 591,060</b>	<b>17.0 %</b>
Adjustments:				
Business realignment charges	4,718		2,403	
Clarcor costs to achieve	—		6,155	
Lord costs to achieve	3,414		—	
Exotic costs to achieve	595		—	
Acquisition-related expenses	2,519		—	
<b>Adjusted total segment operating income</b>	<b>\$ 577,991</b>	<b>17.3 %</b>	<b>\$ 599,618</b>	<b>17.2 %</b>

## CONSOLIDATED BALANCE SHEET

(Unaudited)	September 30,		June 30,		September 30,	
(Dollars in thousands)	2019		2019		2018	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$	3,627,393	\$	3,219,767	\$	952,122
Marketable securities and other investments		282,102		150,931		40,787
Trade accounts receivable, net		1,983,242		2,131,054		2,065,158
Non-trade and notes receivable		288,762		310,708		312,162
Inventories		1,790,044		1,678,132		1,762,640
Prepaid expenses and other		166,536		182,494		165,213
<b>Total current assets</b>		<b>8,138,079</b>		<b>7,673,086</b>		<b>5,298,082</b>
Plant and equipment, net		1,880,157		1,768,287		1,828,034
Deferred income taxes		145,476		150,462		99,886
Goodwill		5,818,613		5,453,805		5,485,144
Intangible assets, net		2,693,756		1,783,277		1,956,101
Investments and other assets		892,508		747,773		757,795
<b>Total assets</b>	<b>\$</b>	<b>19,568,589</b>	<b>\$</b>	<b>17,576,690</b>	<b>\$</b>	<b>15,425,042</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Notes payable	\$	1,736,779	\$	587,014	\$	796,861
Accounts payable		1,287,420		1,413,155		1,404,716
Accrued payrolls and other compensation		310,417		426,285		318,730
Accrued domestic and foreign taxes		188,571		167,312		238,423
Other accrued liabilities		634,141		558,007		549,791
<b>Total current liabilities</b>		<b>4,157,328</b>		<b>3,151,773</b>		<b>3,308,521</b>
Long-term debt		7,366,912		6,520,831		4,313,221
Pensions and other postretirement benefits		1,261,493		1,304,379		958,937
Deferred income taxes		178,454		193,066		265,418
Other liabilities		501,610		438,489		471,839
Shareholders' equity		6,096,616		5,961,969		6,101,380
Noncontrolling interests		6,176		6,183		5,726
<b>Total liabilities and equity</b>	<b>\$</b>	<b>19,568,589</b>	<b>\$</b>	<b>17,576,690</b>	<b>\$</b>	<b>15,425,042</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Three Months Ended September 30,

(Dollars in thousands)

	2019		2018	
<b>Cash flows from operating activities:</b>				
Net income	\$	339,041	\$	375,899
Depreciation and amortization		109,071		112,491
Stock incentive plan compensation		52,633		42,941
Loss on sale of businesses		—		3,029
Gain on plant and equipment and intangible assets		(10,269)		(3,826)
Loss (gain) on marketable securities		201		(3,204)
Gain on investments		(498)		(2,536)
Net change in receivables, inventories and trade payables		53,526		(70,973)
Net change in other assets and liabilities		(77,794)		(329,726)
Other, net		(16,780)		35,293
<b>Net cash provided by operating activities</b>		<b>449,131</b>		<b>159,388</b>
<b>Cash flows from investing activities:</b>				
Acquisitions (net of cash of \$8,179 in 2019 and \$690 in 2018)		(1,696,456)		(2,042)
Capital expenditures		(50,345)		(42,106)
Proceeds from sale of plant and equipment		19,284		10,969
Proceeds from sale of businesses		—		4,515
Purchases of marketable securities and other investments		(159,984)		(2,844)
Maturities and sales of marketable securities and other investments		26,477		14,127
Other		8,070		2,318
<b>Net cash used in investing activities</b>		<b>(1,852,954)</b>		<b>(15,063)</b>
<b>Cash flows from financing activities:</b>				
Net payments for common stock activity		(71,985)		(64,855)
Net proceeds from debt		2,023,714		158,477
Dividends		(113,352)		(100,869)
<b>Net cash provided by (used in) financing activities</b>		<b>1,838,377</b>		<b>(7,247)</b>
Effect of exchange rate changes on cash		(26,928)		(7,093)
Net increase in cash and cash equivalents		407,626		129,985
Cash and cash equivalents at beginning of period		3,219,767		822,137
<b>Cash and cash equivalents at end of period</b>	\$	<b>3,627,393</b>	\$	<b>952,122</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, 2019		September 30, 2018			
		Percent of sales		Percent of sales		
<b>As reported cash flow from operations</b>	\$	449,131	13.5 %	\$	159,388	4.6 %
Discretionary pension contribution		—			200,000	
<b>Adjusted cash flow from operations</b>	\$	<b>449,131</b>	<b>13.5 %</b>	\$	<b>359,388</b>	<b>10.3 %</b>

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

(Unaudited)

(Amounts in dollars)

	<b>Fiscal Year 2020</b>
<b>Forecasted earnings per diluted share</b>	<b>\$8.53 - \$9.33</b>
Adjustments:	
Business realignment charges	<b>0.30</b>
Costs to achieve	<b>0.20</b>
One-time acquisition expenses	<b>1.54</b>
Tax effect of adjustments <sup>1</sup>	<b>(0.47)</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$10.10 - \$10.90</b>

<sup>1</sup>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.