

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): January 30, 2020

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)

1-4982  
(Commission File Number)

34-0451060  
(I.R.S. Employer  
Identification No.)  
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 January 30, 2020, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended December 31, 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 9.01 Financial Statements and Exhibits**

(c) Exhibits:

[99.1 Press release issued by Parker-Hannifin Corporation, dated January 30, 2020.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated January 30, 2020.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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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: January 30, 2020



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

**Contact:** **Media -**  
Aidan Gormley - Director, Global Communications and Branding 216-896-3258  
[aidan.gormley@parker.com](mailto:aidan.gormley@parker.com)

**Financial Analysts -**  
Robin J. Davenport, Vice President, Corporate Finance 216-896-2265  
[rjdavenport@parker.com](mailto:rjdavenport@parker.com)

**Stock Symbol:** PH - NYSE

## Parker Reports Fiscal 2020 Second Quarter Results

- Sales were a second quarter record at \$3.50 billion
- EPS were \$1.57 as reported, or \$2.54 adjusted
- Total segment operating margin was 13.9% as reported, or 15.8% adjusted
- EBITDA margin was 13.8% as reported, or 18.5% adjusted
- Cash flow from operations was a Q2 YTD record at \$826.0 million and reached 12.1% of sales
- Company increases fiscal 2020 full year guidance

**CLEVELAND, January 30, 2020** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2020 second quarter ended December 31, 2019. Fiscal 2020 second quarter sales were \$3.50 billion, compared with \$3.47 billion in the prior year quarter. Net income was \$204.5 million, compared with \$311.7 million in the second quarter of fiscal 2019. Fiscal 2020 second quarter earnings per share were \$1.57, compared with \$2.36 in the prior year quarter. Adjusted earnings per share were \$2.54, an increase compared with adjusted earnings per share of \$2.51 in the second quarter of fiscal 2019. Fiscal year-to-date cash flow from operations was a second quarter record at \$826.0 million and reached 12.1% of sales, compared with 7.8% in the prior year period, or 10.7% when adjusted for a fiscal 2019 discretionary pension contribution. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"With effective execution of The Win Strategy™, we delivered strong financial performance in the period," said Chairman and Chief Executive Officer, Tom Williams. "Despite macro-economic headwinds, we have maintained strong adjusted total segment operating margin, adjusted EBITDA margin of 18.5%, solid earnings and impressive cash flow. Cash flow from operations reached 12.1% of sales, despite the incumbrance of significant transaction costs from our two recently closed, transformative acquisitions. Great progress has been made in integrating LORD Corporation and Exotic Metals Forming Company, and we remain on track to realize our previously announced synergies."

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## **Segment Results**

*Diversified Industrial Segment:* North American second quarter sales decreased 1% to \$1.6 billion, and operating income was \$211.3 million, compared with \$257.8 million in the same period a year ago. International second quarter sales decreased 6% to \$1.1 billion, and operating income was \$153.8 million, compared with \$189.1 million in the same period a year ago.

*Aerospace Systems Segment:* Second quarter sales increased 19% to \$735.0 million, and operating income was \$121.0 million, compared with \$121.5 million in the same period a year ago.

Parker reported the following orders for the quarter ending December 31, 2019, compared with the same quarter a year ago:

- Orders decreased 3% for total Parker
- Orders decreased 7% in the Diversified Industrial North America businesses
- Orders decreased 6% in the Diversified Industrial International businesses
- Orders increased 12% in the Aerospace Systems Segment on a rolling 12-month average basis

## **Outlook**

For the fiscal year ending June 30, 2020, the company has increased guidance for earnings per share to the range of \$8.78 to \$9.38, or \$10.25 to \$10.85 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, and one-time acquisition expenses of approximately \$185 million pertaining to the LORD Corporation and Exotic Metals Forming Company transactions. Guidance assumes an organic sales decline in the range of 7.6% to 5.1%. A reconciliation of forecasted earnings per share to adjusted forecasted earnings per share is included in the financial tables of this press release.

Williams added, "The actions we have taken under the Win Strategy to strengthen our operations have positioned Parker for a strong second half of fiscal 2020. Thanks to our global team members for their continued focus and dedication. We are optimistic about the future and the prospect of reaching our targeted financial goals for fiscal 2023."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2020 second 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

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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 a century the company has been enabling engineering breakthroughs that lead to a better tomorrow. 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 margin; EBITDA margin; adjusted EBITDA margin; and (d) adjusted forecasted earnings 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, EBITDA margin and adjusted EBITDA margin. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Although EBITDA, EBITDA margin and adjusted 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

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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 Forming Company; 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 December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net sales</b>	\$ 3,497,974	\$ 3,472,045	\$ 6,832,485	\$ 6,951,339
Cost of sales	2,682,765	2,602,339	5,162,506	5,197,162
Selling, general and administrative expenses	491,121	397,259	890,300	791,581
Interest expense	82,891	47,518	152,847	91,857
Other (income), net	(13,549)	(6,225)	(61,070)	(20,138)
Income before income taxes	254,746	431,154	687,902	890,877
Income taxes	50,148	119,241	144,263	203,065
Net income	204,598	311,913	543,639	687,812
Less: Noncontrolling interests	124	176	267	364
<b>Net income attributable to common shareholders</b>	<b>\$ 204,474</b>	<b>\$ 311,737</b>	<b>\$ 543,372</b>	<b>\$ 687,448</b>
<b>Earnings per share attributable to common shareholders:</b>				
Basic earnings per share	\$ 1.59	\$ 2.39	\$ 4.23	\$ 5.23
Diluted earnings per share	\$ 1.57	\$ 2.36	\$ 4.17	\$ 5.15
Average shares outstanding during period - Basic	128,396,933	130,361,273	128,430,463	131,361,464
Average shares outstanding during period - Diluted	130,495,381	132,311,210	130,154,079	133,449,674

## CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Cash dividends per common share</b>	<b>\$ 0.88</b>	<b>\$ 0.76</b>	<b>\$ 1.76</b>	<b>\$ 1.52</b>

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

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Earnings per diluted share</b>	<b>\$ 1.57</b>	<b>\$ 2.36</b>	<b>\$ 4.17</b>	<b>\$ 5.15</b>
Adjustments:				
Business realignment charges	0.08	0.02	0.12	0.04
Clarcor costs to achieve	—	0.04	—	0.09
Lord costs to achieve	0.05	—	0.08	—
Exotic costs to achieve	—	—	0.01	—
Acquisition-related expenses	1.14	—	1.28	—
Tax effect of adjustments <sup>1</sup>	(0.30)	(0.02)	(0.36)	(0.04)
Tax expense related to U.S. Tax Reform	—	0.11	—	0.11
<b>Adjusted earnings per diluted share</b>	<b>\$ 2.54</b>	<b>\$ 2.51</b>	<b>\$ 5.30</b>	<b>\$ 5.35</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)

(Dollars in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net sales</b>	\$ 3,497,974	\$ 3,472,045	\$ 6,832,485	\$ 6,951,339
Net income	\$ 204,598	\$ 311,913	\$ 543,639	\$ 687,812
Income taxes	50,148	119,241	144,263	203,065
Depreciation and amortization	144,229	110,052	253,300	222,543
Interest expense	82,891	47,518	152,847	91,857
<b>EBITDA</b>	<b>481,866</b>	<b>588,724</b>	<b>1,094,049</b>	<b>1,205,277</b>
Adjustments:				
Business realignment charges	9,836	2,515	14,559	4,918
Clarcor costs to achieve	—	5,087	—	11,297
Lord costs to achieve	6,725	—	10,139	—
Exotic costs to achieve	489	—	1,084	—
Acquisition-related expenses	148,467	—	165,916	—
<b>Adjusted EBITDA</b>	<b>\$ 647,383</b>	<b>\$ 596,326</b>	<b>\$ 1,285,747</b>	<b>\$ 1,221,492</b>
<b>EBITDA margin</b>	<b>13.8 %</b>	<b>17.0 %</b>	<b>16.0 %</b>	<b>17.3 %</b>
<b>Adjusted EBITDA margin</b>	<b>18.5 %</b>	<b>17.2 %</b>	<b>18.8 %</b>	<b>17.6 %</b>

## BUSINESS SEGMENT INFORMATION

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net sales</b>				
Diversified Industrial:				
North America	\$ 1,615,852	\$ 1,632,059	\$ 3,240,457	\$ 3,313,103
International	1,147,084	1,223,679	2,225,934	2,457,445
Aerospace Systems	735,038	616,307	1,366,094	1,180,791
<b>Total net sales</b>	<b>\$ 3,497,974</b>	<b>\$ 3,472,045</b>	<b>\$ 6,832,485</b>	<b>\$ 6,951,339</b>
<b>Segment operating income</b>				
Diversified Industrial:				
North America	\$ 211,339	\$ 257,774	\$ 486,531	\$ 532,885
International	153,816	189,085	322,389	395,179
Aerospace Systems	121,039	121,463	244,019	231,318
<b>Total segment operating income</b>	<b>486,194</b>	<b>568,322</b>	<b>1,052,939</b>	<b>1,159,382</b>
Corporate general and administrative expenses	35,660	63,890	84,562	114,215
Income before interest expense and other expense	450,534	504,432	968,377	1,045,167
Interest expense	82,891	47,518	152,847	91,857
Other expense	112,897	25,760	127,628	62,433
<b>Income before income taxes</b>	<b>\$ 254,746</b>	<b>\$ 431,154</b>	<b>\$ 687,902</b>	<b>\$ 890,877</b>

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

(Unaudited)

(Dollars in thousands)

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 486,194	13.9 %	\$ 568,322	16.4 %
Adjustments:				
Business realignment charges	9,719		2,515	
Clarcor costs to achieve	—		4,867	
Lord costs to achieve	6,725		—	
Exotic costs to achieve	489		—	
Acquisition-related expenses	48,725		—	
<b>Adjusted total segment operating income</b>	\$ 551,852	15.8 %	\$ 575,704	16.6 %

	Six Months Ended December 31, 2019		Six Months Ended December 31, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 1,052,939	15.4 %	\$ 1,159,382	16.7 %
Adjustments:				
Business realignment charges	14,437		4,918	
Clarcor costs to achieve	—		11,022	
Lord costs to achieve	10,139		—	
Exotic costs to achieve	1,084		—	
Acquisition-related expenses	51,244		—	
<b>Adjusted total segment operating income</b>	\$ 1,129,843	16.5 %	\$ 1,175,322	16.9 %

## CONSOLIDATED BALANCE SHEET

(Unaudited)	December 31,	June 30,	December 31,
(Dollars in thousands)	2019	2019	2018
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 948,355	\$ 3,219,767	\$ 1,047,385
Marketable securities and other investments	145,120	150,931	30,956
Trade accounts receivable, net	1,973,187	2,131,054	1,938,709
Non-trade and notes receivable	319,126	310,708	324,254
Inventories	2,014,260	1,678,132	1,804,564
Prepaid expenses and other	261,103	182,494	188,868
<b>Total current assets</b>	<b>5,661,151</b>	<b>7,673,086</b>	<b>5,334,736</b>
Plant and equipment, net	2,335,940	1,768,287	1,793,805
Deferred income taxes	114,032	150,462	98,779
Goodwill	7,955,170	5,453,805	5,462,555
Intangible assets, net	4,036,108	1,783,277	1,883,825
Investments and other assets	941,588	747,773	733,987
<b>Total assets</b>	<b>\$ 21,043,989</b>	<b>\$ 17,576,690</b>	<b>\$ 15,307,687</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable and long-term debt payable within one year	\$ 1,604,318	\$ 587,014	\$ 1,144,347
Accounts payable, trade	1,311,733	1,413,155	1,307,178
Accrued payrolls and other compensation	372,549	426,285	319,787
Accrued domestic and foreign taxes	165,265	167,312	182,617
Other accrued liabilities	637,257	558,007	555,005
<b>Total current liabilities</b>	<b>4,091,122</b>	<b>3,151,773</b>	<b>3,508,934</b>
Long-term debt	8,141,220	6,520,831	4,303,331
Pensions and other postretirement benefits	1,366,814	1,304,379	937,938
Deferred income taxes	569,582	193,066	286,622
Other liabilities	532,750	438,489	449,696
Shareholders' equity	6,330,175	5,961,969	5,815,209
Noncontrolling interests	12,326	6,183	5,957
<b>Total liabilities and equity</b>	<b>\$ 21,043,989</b>	<b>\$ 17,576,690</b>	<b>\$ 15,307,687</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Six Months Ended December 31,

(Dollars in thousands)

	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 543,639	\$ 687,812
Depreciation and amortization	253,300	222,543
Stock incentive plan compensation	73,069	64,615
Loss on sale of businesses	—	623
(Gain) loss on plant and equipment and intangible assets	(4,478)	3,428
(Gain) loss on marketable securities	(1,969)	5,701
Gain on investments	(1,849)	(3,213)
Net change in receivables, inventories and trade payables	227,247	(110,709)
Net change in other assets and liabilities	(278,168)	(379,687)
Other, net	15,177	49,927
<b>Net cash provided by operating activities</b>	<b>825,968</b>	<b>541,040</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$82,192 in 2019 and \$690 in 2018)	(5,075,605)	(2,042)
Capital expenditures	(118,593)	(94,426)
Proceeds from sale of plant and equipment	20,993	34,121
Proceeds from sale of businesses	—	19,540
Purchases of marketable securities and other investments	(190,129)	(2,845)
Maturities and sales of marketable securities and other investments	198,872	14,432
Other	9,374	(90)
<b>Net cash used in investing activities</b>	<b>(5,155,088)</b>	<b>(31,310)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(134,892)	(565,335)
Net proceeds from debt	2,416,222	505,811
Dividends paid	(227,025)	(200,459)
<b>Net cash provided by (used in) financing activities</b>	<b>2,054,305</b>	<b>(259,983)</b>
Effect of exchange rate changes on cash	3,403	(24,499)
Net (decrease) increase in cash and cash equivalents	(2,271,412)	225,248
Cash and cash equivalents at beginning of period	3,219,767	822,137
<b>Cash and cash equivalents at end of period</b>	<b>\$ 948,355</b>	<b>\$ 1,047,385</b>

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

(Unaudited)

(Dollars in thousands)

	Six Months Ended		Six Months Ended	
	December 31, 2019	Percent of sales	December 31, 2018	Percent of sales
<b>As reported cash flow from operations</b>	<b>\$ 825,968</b>	<b>12.1 %</b>	<b>\$ 541,040</b>	<b>7.8 %</b>
Discretionary pension contribution	—		200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 825,968</b>	<b>12.1 %</b>	<b>\$ 741,040</b>	<b>10.7 %</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>\$8.78 - \$9.38</b>
Adjustments:	
Business realignment charges	<b>0.30</b>
Costs to achieve	<b>0.20</b>
One-time acquisition expenses	<b>1.43</b>
Tax effect of adjustments <sup>1</sup>	<b>(0.46)</b>
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$10.25 - \$10.85</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.

# Parker Hannifin Corporation

Exhibit 99.2

2<sup>nd</sup> Quarter Fiscal Year 2020

Earnings Release



**PH**

LISTED

**NYSE**

ENGINEERING YOUR SUCCESS.

January 30, 2020



# 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. 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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• **CEO Comments and Highlights of Quarter Results**

• **Results & Outlook**

• **Questions & Answers**

# Highlights

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## Strategic Highlights

- Margin and cash flow at all-time high relative to previous downturns
- Q2 FY20 adjusted operating margin w/o acquisitions at 16.1% versus 13.5% in Q2 FY16 (last recession)
- Cash flow from operations Q2 YTD record
- Driven by Win Strategy and stronger portfolio through acquisitions

## Summary of fiscal 2020 second quarter

- Safety: 25% reduction in recordable incidents
- Organic sales softness offset by acquisition revenue
- Adjusted EBITDA margin 18.5%
- Record first half cash flow from operations, free cash flow margin >10%, free cash flow conversion 130%

## Outlook

- Well positioned for growth with excellent margins and cash flow as economic conditions improve
- Confidence from: Win Strategy™ 3.0, transformative acquisitions, Purpose Statement

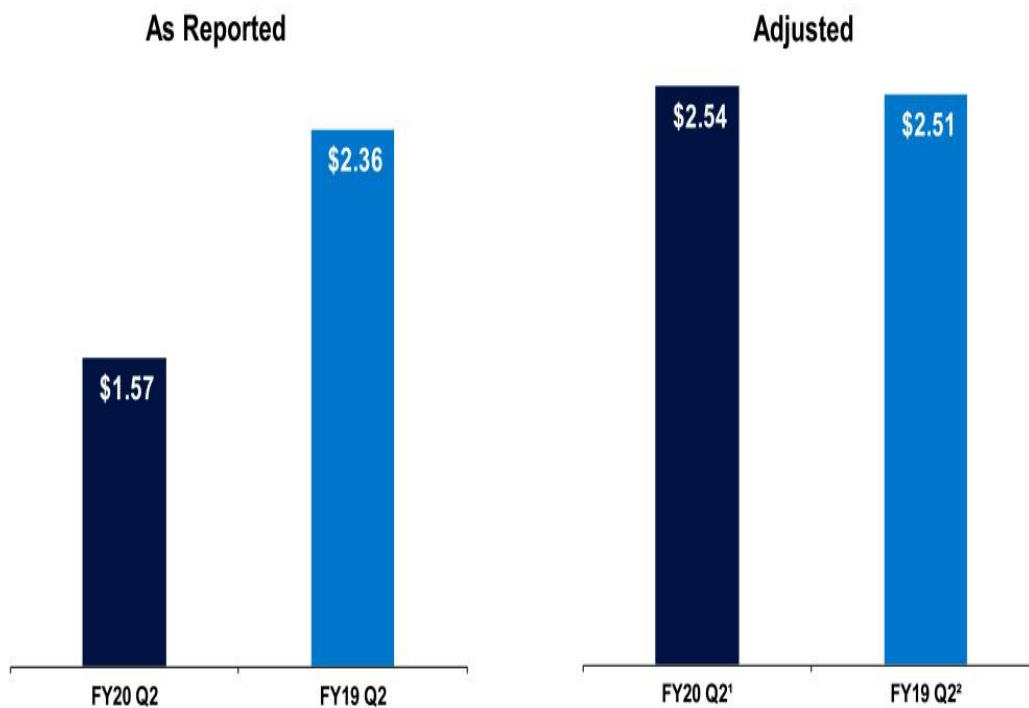
# Parker's Competitive Differentiators

- 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

## 2<sup>nd</sup> Quarter FY2020 vs. FY2019



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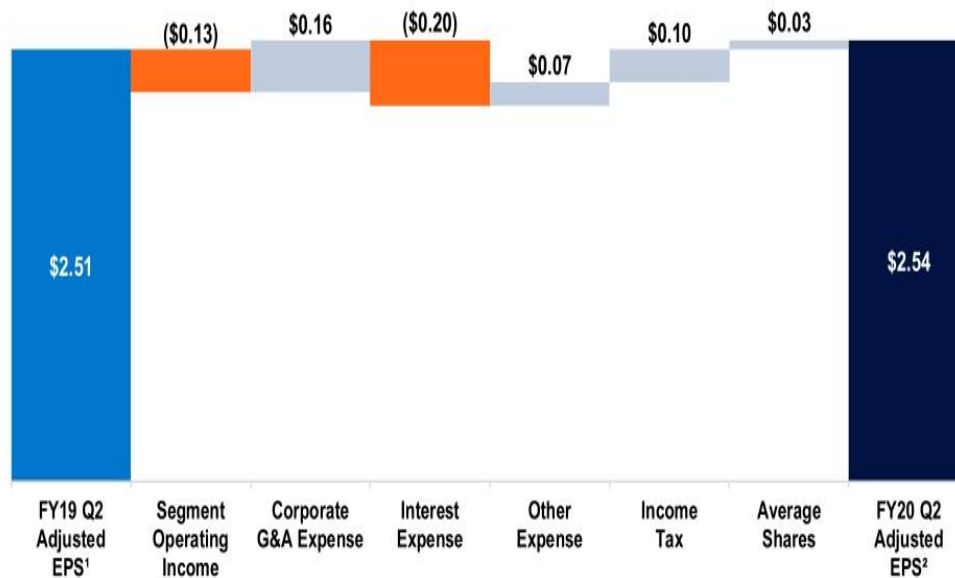
<sup>1</sup> Adjusted for Business Realignment Charges, LORD and Exotic Costs to Achieve, Acquisition Related Expenses and the tax effect of such adjustments

<sup>2</sup> Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, the tax effect of such adjustments, and tax expense related to U.S. Tax Reform



# Influences on Adjusted Earnings per Share

## 2<sup>nd</sup> Quarter FY2020 vs. FY2019



1 Adjusted for Business Realignment Charges, CLARCOR Costs to Achieve, and the tax effect of such adjustments, tax expense related to U.S. Tax Reform

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	2nd Quarter				
	FY2020	% Change	FY2019	FY2020	% of Sales
Sales					
As Reported	\$ 3,498	0.7 %	\$ 3,472	\$ 486	13.9 %
Acquisitions <sup>1</sup>	286	8.2 %		10	3
Currency	(15)	(0.4)%		7	5
Organic Sales	\$ 3,227	(7.1)%		49	-
Segment Operating Margin				\$ 552	15.8 %
As Reported				\$ 576	16.4 %
Business Realignment					
Integration Costs to Achieve <sup>2</sup>					
Acquisition Related Expenses <sup>3</sup>					
Adjusted					

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- 1: Acquisitions reflect Exotic (closed 9/16/19) and LORD (closed 10/29/19)  
 2: Integration Costs to Achieve for LORD and Exotic (FY20), CLARCOR (FY19)  
 3: Acquisition Related Expenses for Exotic and LORD (FY20).



## FY2020 Q2 Acquisitions Impact on Segment Margins

As Reported	FY19 Q2	FY20 Q2		
\$M	Total Parker	Total Parker	LORD + Exotic	Legacy Parker
Sales	\$3,472	\$3,498	\$286	\$3,212
Operating Income	\$568	\$486	(\$20)	\$506
Operating Margin	16.4%	13.9%	(7.0%)	15.8%

Adjusted*	FY19 Q2	FY20 Q2		
\$M	Total Parker	Total Parker	LORD + Exotic	Legacy Parker
Sales	\$3,472	\$3,498	\$286	\$3,212
Operating Income	\$576	\$552	\$36	\$516
Operating Margin	16.6%	15.8%	12.6%	16.1%

# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions	2nd Quarter			
	FY2020	Change	FY2019	
Sales		%		
As Reported	\$ 1,616	(1.0)%	\$ 1,632	
Acquisitions <sup>1</sup>	119	7.3 %		
Currency	4	0.2 %		
Organic Sales	\$ 1,493	(8.5)%		
		% of		% of
	FY2020	Sales	FY2019	Sales
Segment Operating Margin				
As Reported	\$ 211	13.1 %	\$ 258	15.8 %
Business Realignment	3		1	
Integration Costs to Achieve <sup>2</sup>	5		3	
Acquisition Related Expenses <sup>3</sup>	29		-	
Adjusted	\$ 248	15.4 %	\$ 262	16.0 %

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1: Acquisitions reflect LORD (closed 10/29/19)

2: Integration Costs to Achieve for LORD (FY20), CLARCOR (FY19)

3: Acquisition Related Expenses for LORD (FY20).





# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions	2nd Quarter			
	FY2020	Change	FY2019	
Sales		%		
As Reported	\$ 1,147	(6.3)%	\$ 1,224	
Acquisitions <sup>1</sup>	56	4.5 %		
Currency	(18)	(1.4)%		
Organic Sales	\$ 1,109	(9.4)%		
Segment Operating Margin		% of Sales		% of Sales
As Reported	\$ 154	13.4 %	\$ 189	15.5 %
Business Realignment	7		2	
Integration Costs to Achieve <sup>2</sup>	2		2	
Acquisition Related Expenses <sup>3</sup>	5		-	
Adjusted	\$ 168	14.6 %	\$ 193	15.7 %

1: Acquisitions reflect LORD (closed 10/29/19)

2: Integration Costs to Achieve for LORD (FY20), CLARCOR (FY19)

3: Acquisition Related Expenses for LORD (FY20).



# Sales & Segment Operating Margin

## Aerospace Systems

\$ in millions	2nd Quarter				
	FY2020	Change	FY2019	% of Sales	% of Sales
Sales					
As Reported	\$ 735	19.3 %	\$ 616		
Acquisitions <sup>1</sup>	111	18.0 %			
Currency	(0)	0.0 %			
Organic Sales	\$ 624	1.3 %			
Segment Operating Margin					
As Reported	\$ 121	16.5 %	\$ 121	19.7 %	
Business Realignment	0		-		
Integration Costs to Achieve <sup>2</sup>	1		-		
Acquisition Related Expenses <sup>3</sup>	14		-		
Adjusted	\$ 136	18.5 %	\$ 121	19.7 %	

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1: Acquisitions reflect Exotic (closed 9/16/19) and LORD (closed 10/29/19)

2: Integration Costs to Achieve for Exotic (FY20)

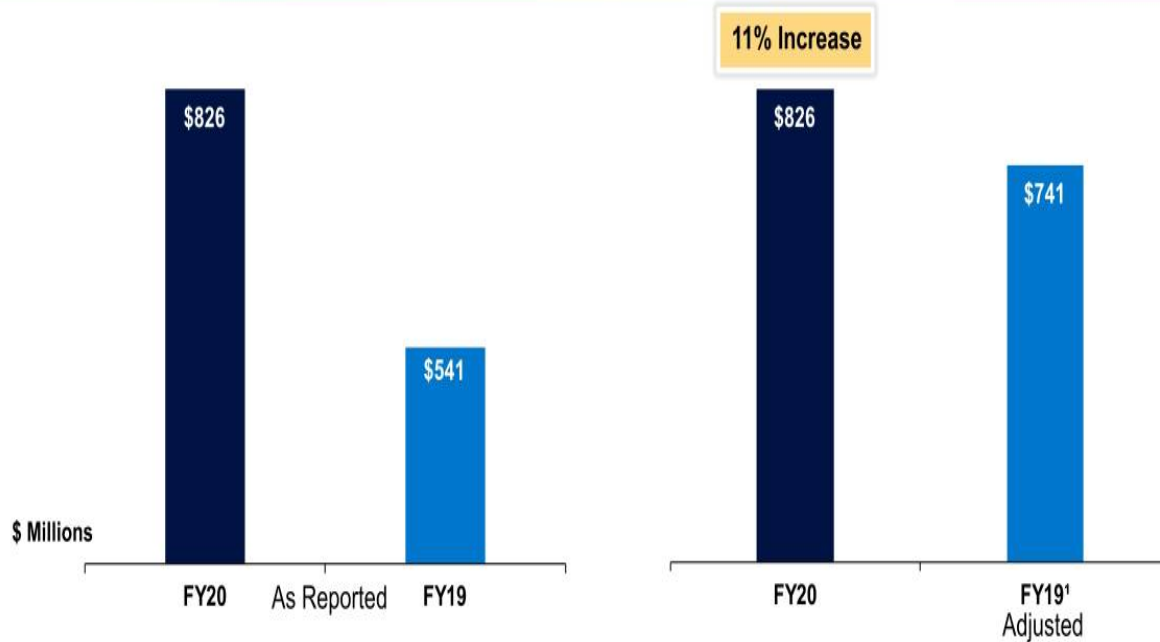
3: Acquisition Related Expenses for Exotic and LORD (FY20).



# 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	\$ 826	12.1%	\$ 541	7.8%
Discretionary Pension Plan Contribution	-		200	
Adjusted Cash Flow From Operating Activities	\$ 826	12.1%	\$ 741	10.7%



<sup>1</sup>: Adjusted for Discretionary Pension Plan Contributions

# Order Rates

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	<u>Dec 2019</u>	<u>Sep 2019</u>	<u>Dec 2018</u>	<u>Sep 2018</u>
<b>Total Parker</b>	<b>(3)%</b>	<b>(2)%</b>	<b>1 %</b>	<b>5 %</b>
Diversified Industrial North America	(7)%	(6)%	0 %	8 %
Diversified Industrial International	(6)%	(10)%	(2)%	3 %
Aerospace Systems	12 %	22 %	10 %	3 %

**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

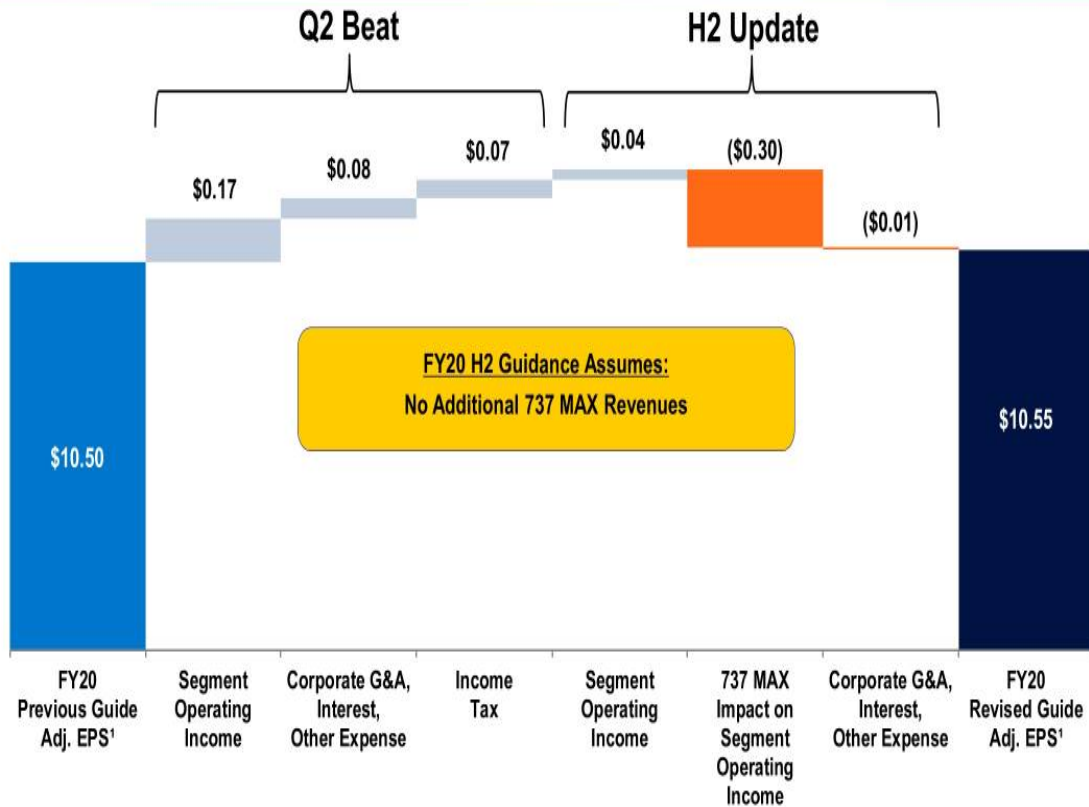
EPS Midpoint: \$9.08 As Reported, \$10.55 Adjusted

Sales Growth vs. Prior Year		
Diversified Industrial North America	(1.1)% - 1.5%	
Diversified Industrial International	(8.8)% - (6.2)%	
Aerospace Systems	13.3% - 15.9%	
<b>Total Parker</b>	<b>(1.2)% - 1.3%</b>	
Segment Operating Margins		
	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	15.1% - 15.4%	16.2% - 16.6%
Diversified Industrial International	13.4% - 13.8%	14.1% - 14.5%
Aerospace Systems	17.8% - 18.2%	18.5% - 18.9%
<b>Total Parker</b>	<b>15.1% - 15.5%</b>	<b>16.0% - 16.4%</b>
Below the Line Items		
	As Reported	Adjusted <sup>1</sup>
Corporate General & Administrative Expense, Interest and Other	\$ 664 M	\$ 548 M
Tax Rate		
	As Reported	
Full Year	22.5%	
Shares		
Diluted Shares Outstanding	130.4 M	
Earnings Per Share		
	As Reported	Adjusted <sup>1</sup>
Range	\$8.78 - \$9.38	\$10.25 - \$10.85



# FY2020 Guidance

## Reconciliation of Q2 Beat and Updated Guidance



# Impact of Acquisitions

<b>As Reported</b>	<b>FY19</b>	<b>FY20</b>		
<b>\$M</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>LORD + Exotic</b>	<b>Legacy Parker</b>
Sales	\$14,320	\$14,324	\$993	\$13,331
Operating Income	\$2,431	\$2,187	\$13	\$2,174
Operating Margin	17.0%	15.3%	1.3%	16.3%
EBITDA Margin	17.9%	16.8%	3.9%	17.8%
<b>Adjusted*</b>	<b>FY19</b>	<b>FY20</b>		
<b>\$M</b>	<b>Total Parker</b>	<b>Total Parker</b>	<b>LORD + Exotic</b>	<b>Legacy Parker</b>
Sales	\$14,320	\$14,324	\$993	\$13,331
Operating Income	\$2,460	\$2,321	\$104	\$2,217
Operating Margin	17.2%	16.2%	10.5%	16.6%
EBITDA Margin	18.2%	18.6%	24.8%	18.1%

\*Adjusted for Business Realignment Charges, Integration Costs to Achieve, and Acquisition Related Expenses

Note: Segment Operating Income includes FY20 Amortization expense estimated at \$37M for Exotic and \$64M for LORD. LORD Sales split approximately 62% Diversified Industrial North America, 34% Diversified Industrial International, and 4% Aerospace Systems. Exotic Sales 100% in Aerospace Systems

# Key Messages

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- Excellent cash flow from operations
- Raising the floor on operating margins
- Parker's transformation continues
- Well on our way to top quartile performance
- Confidence in reaching our FY23 5-year targets

Thanks again to our Global Team Members





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**LISTED**  

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# Appendix

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- 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



# Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended December 31,	
	2019	2018
<b>Net sales</b>	<b>\$ 3,497,974</b>	<b>\$ 3,472,045</b>
Cost of sales	2,682,765	2,602,339
Selling, general and administrative expenses	491,121	397,259
Interest expense	82,891	47,518
Other (income), net	(13,549)	(6,225)
Income before income taxes	254,746	431,154
Income taxes	50,148	119,241
Net income	204,598	311,913
Less: Noncontrolling interests	124	176
<b>Net income attributable to common shareholders</b>	<b>\$ 204,474</b>	<b>\$ 311,737</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 1.59	\$ 2.39
Diluted earnings per share	\$ 1.57	\$ 2.36
Average shares outstanding during period - Basic	128,396,933	130,361,273
Average shares outstanding during period - Diluted	130,495,381	132,311,210

## CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,	
	2019	2018
Cash dividends per common share	\$ 0.88	\$ 0.76

# Adjusted Amounts Reconciliation Consolidated Statement of Income

(Dollars in thousands, except per share data)  
(Unaudited)

	Quarter-to-Date FY 2020							
	As Reported		Business	Lord	Exotic	Acquisition	Adjusted	
	December 31, 2019	% of Sales	Realignment Charges	Costs to Achieve	Costs to Achieve	Related Expenses	December 31, 2019	% of Sales
Net sales	\$ 3,497,974	100.0 %	\$ -	\$ -	\$ -	\$ -	\$ 3,497,974	100.0 %
Cost of sales	2,682,765	76.7 %	7,679	793	-	48,725	2,625,568	75.1 %
Selling, general and admin. expenses	491,121	14.0 %	2,157	5,932	489	99,742	382,801	10.9 %
Interest expense	82,891	2.4 %	-	-	-	-	82,891	2.4 %
Other (income) expense, net	(13,549)	(0.4)%	-	-	-	-	(13,549)	(0.4)%
Income before income taxes	254,746	7.3 %	(9,836)	(6,725)	(489)	(148,467)	420,263	12.0 %
Income taxes	50,148	1.4 %	2,282	1,560	113	34,445	88,548	2.5 %
Net income	204,598	5.8 %	(7,554)	(5,165)	(376)	(114,022)	331,715	9.5 %
Less: Noncontrolling interests	124	0.0 %	-	-	-	-	124	0.0 %
<b>Net income - common shareholders</b>	<b>\$ 204,474</b>	<b>5.8 %</b>	<b>\$ (7,554)</b>	<b>\$ (5,165)</b>	<b>\$ (376)</b>	<b>\$ (114,022)</b>	<b>\$ 331,591</b>	<b>9.5 %</b>
Diluted earnings per share	\$ 1.57		\$ (0.06)	\$ (0.04)	\$ -	\$ (0.87)	\$ 2.54	

# Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)  
(Unaudited)

	Quarter-to-Date FY 2020							
	As Reported December 31, 2019	% of Sales	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Acquisition Related Expenses	Adjusted December 31, 2019	% of Sales <sup>2</sup>
Diversified Industrial:								
North America <sup>1</sup>	\$ 211,339	13.1%	\$ 3,285	\$ 4,685	\$ -	\$ 29,126	\$ 248,435	15.4%
International <sup>1</sup>	153,816	13.4%	6,382	2,040	-	5,375	167,613	14.6%
Aerospace Systems <sup>1</sup>	121,039	16.5%	52	-	489	14,224	135,804	18.5%
Total segment operating income	486,194	13.9%	(9,719)	(6,725)	(489)	(48,725)	551,852	15.8%
Corporate administration	35,660	1.0%	117	-	-	-	35,543	1.0%
Income before interest and other	450,534	12.9%	(9,836)	(6,725)	(489)	(48,725)	516,309	14.8%
Interest expense	82,891	2.4%	-	-	-	-	82,891	2.4%
Other (income) expense	112,897	3.2%	-	-	-	99,742	13,155	0.4%
Income before income taxes	\$ 254,746	7.3%	\$ (9,836)	\$ (6,725)	\$ (489)	\$ (148,467)	\$ 420,263	12.0%

<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 December 31,	
	2019	2018
<b>Earnings per diluted share</b>	<b>\$ 1.57</b>	<b>\$ 2.36</b>
Adjustments:		
Business realignment charges	0.08	0.02
Clarcor costs to achieve	-	0.04
Lord costs to achieve	0.05	-
Acquisition-related expenses	1.14	-
Tax effect of adjustments <sup>1</sup>	(0.30)	(0.02)
Tax expense related to U.S. Tax Reform	-	0.11
<b>Adjusted earnings per diluted share</b>	<b>\$ 2.54</b>	<b>\$ 2.51</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 December 31,	
	2019	2018
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,615,852	\$ 1,632,059
International	1,147,084	1,223,679
Aerospace Systems	735,038	616,307
<b>Total net sales</b>	<b>\$ 3,497,974</b>	<b>\$ 3,472,045</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 211,339	\$ 257,774
International	153,816	189,085
Aerospace Systems	121,039	121,463
<b>Total segment operating income</b>	<b>486,194</b>	<b>568,322</b>
Corporate general and administrative expenses	35,660	63,890
Income before interest expense and other expense	450,534	504,432
Interest expense	82,891	47,518
Other expense	112,897	25,760
<b>Income before income taxes</b>	<b>\$ 254,746</b>	<b>\$ 431,154</b>

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

(Unaudited) (Dollars in thousands)	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 486,194	13.9 %	\$ 568,322	16.4 %
Adjustments:				
Business realignment charges	9,719		2,515	
Clarcor costs to achieve	-		4,867	
Lord costs to achieve	6,725		-	
Exotic costs to achieve	489		-	
Acquisition-related expenses	48,725		-	
<b>Adjusted total segment operating income</b>	<b>\$ 551,852</b>	<b>15.8 %</b>	<b>\$ 575,704</b>	<b>16.6 %</b>



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

(Unaudited) (Dollars in millions)	Three Months Ended December 31, 2019		Three Months Ended December 31, 2019		Three Months Ended December 31, 2019	
	Total Parker		LORD & Exotic		Legacy Parker	
	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 486	13.9 %	\$ (20)	(7.0)%	\$ 506	15.8 %
Adjustments:						
Business realignment charges	10		-		10	
Costs to achieve	7		7		-	
One-time acquisition expenses	49		49		-	
<b>Adjusted total segment operating income</b>	\$ 552	15.8 %	\$ 36	12.6 %	\$ 516	16.1 %

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

(Unaudited)	Three Months Ended	
(Dollars in thousands)	December 31, 2015	
	<u>Operating income</u>	<u>Operating margin</u>
<b>Total segment operating income</b>	\$ 330,712	12.2 %
Adjustments:		
Business realignment charges	34,800	
<b>Adjusted total segment operating income</b>	<u>\$ 365,512</u>	<u>13.5 %</u>

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,	
	2019	2018
<b>Net sales</b>	\$ 3,497,974	\$ 3,472,045
Net income	\$ 204,598	\$ 311,913
Income taxes	50,148	119,241
Depreciation and amortization	144,229	110,052
Interest expense	82,891	47,518
<b>EBITDA</b>	<b>481,866</b>	<b>588,724</b>
Adjustments:		
Business realignment charges	9,836	2,515
Clarcor costs to achieve	-	5,087
Lord costs to achieve	6,725	-
Exotic costs to achieve	489	-
Acquisition-related expenses	148,467	-
<b>Adjusted EBITDA</b>	<b>\$ 647,383</b>	<b>\$ 596,326</b>
<b>EBITDA margin</b>	<b>13.8 %</b>	<b>17.0 %</b>
<b>Adjusted EBITDA margin</b>	<b>18.5 %</b>	<b>17.2 %</b>

# Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin and 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>	<b>17.9 %</b>	
<b>Adjusted EBITDA margin</b>	<b>18.2 %</b>	

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

## RECONCILIATION OF FORECASTED FISCAL 2020 TOTAL SEGMENT OPERATING MARGIN TO FORECASTED FISCAL 2020 ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(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	15.3 %	\$ 13	1.3 %	\$ 2,174	16.3 %
Adjustments:						
Business realignment charges	40				40	
Costs to achieve	27		23		3	
One-time acquisition expenses	69		69		-	
<b>Adjusted total segment operating income</b>	<u>\$ 2,321</u>	<u>16.2 %</u>	<u>\$ 104</u>	<u>10.5 %</u>	<u>\$ 2,217</u>	<u>16.6 %</u>

## 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>	\$ 14,324	\$ 993	\$ 13,331
Net income	1,185	(169)	1,354
Income taxes	339	(51)	390
Depreciation and amortization	564	142	427
Interest expense	319	117	202
<b>EBITDA</b>	<u>2,407</u>	<u>39</u>	<u>2,373</u>
Adjustments:			
Business realignment charges	40	-	40
Costs to achieve	27	23	3
One-time acquisition expenses	185	185	-
<b>Adjusted EBITDA</b>	<u>\$ 2,658</u>	<u>\$ 247</u>	<u>\$ 2,416</u>
<b>EBITDA margin</b>	16.8 %	3.9 %	17.8 %
<b>Adjusted EBITDA margin</b>	18.6 %	24.8 %	18.1 %



# Consolidated Balance Sheet

(Unaudited)	December 31,	June 30,	December 31,
(Dollars in thousands)	2019	2019	2018
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 948,355	\$ 3,219,767	\$ 1,047,385
Marketable securities and other investments	145,120	150,931	30,956
Trade accounts receivable, net	1,973,187	2,131,054	1,938,709
Non-trade and notes receivable	319,126	310,708	324,254
Inventories	2,014,260	1,678,132	1,804,564
Prepaid expenses and other	261,103	182,494	188,868
<b>Total current assets</b>	<b>5,661,151</b>	<b>7,673,086</b>	<b>5,334,736</b>
Plant and equipment, net	2,335,940	1,768,287	1,793,805
Deferred income taxes	114,032	150,462	98,779
Goodwill	7,955,170	5,453,805	5,462,555
Intangible assets, net	4,036,108	1,783,277	1,883,825
Investments and other assets	941,588	747,773	733,987
<b>Total assets</b>	<b>\$ 21,043,989</b>	<b>\$ 17,576,690</b>	<b>\$ 15,307,687</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable and long-term debt payable within one year	\$ 1,604,318	\$ 587,014	\$ 1,144,347
Accounts payable, trade	1,311,733	1,413,155	1,307,178
Accrued payrolls and other compensation	372,549	426,285	319,787
Accrued domestic and foreign taxes	165,265	167,312	182,617
Other accrued liabilities	637,257	558,007	555,005
<b>Total current liabilities</b>	<b>4,091,122</b>	<b>3,151,773</b>	<b>3,508,934</b>
Long-term debt	8,141,220	6,520,831	4,303,331
Pensions and other postretirement benefits	1,366,814	1,304,379	937,938
Deferred income taxes	569,582	193,066	286,622
Other liabilities	532,750	438,489	449,696
Shareholders' equity	6,330,175	5,961,969	5,815,209
Noncontrolling interests	12,326	6,183	5,957
<b>Total liabilities and equity</b>	<b>\$ 21,043,989</b>	<b>\$ 17,576,690</b>	<b>\$ 15,307,687</b>



# Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Six Months Ended December 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 543,639	\$ 687,812
Depreciation and amortization	253,300	222,543
Stock incentive plan compensation	73,069	64,615
Loss on sale of businesses	-	623
(Gain) loss on plant and equipment and intangible assets	(4,478)	3,428
(Gain) loss on marketable securities	(1,969)	5,701
Gain on investments	(1,849)	(3,213)
Net change in receivables, inventories and trade payables	227,247	(110,709)
Net change in other assets and liabilities	(278,168)	(379,687)
Other, net	15,177	49,927
<b>Net cash provided by operating activities</b>	<b>825,968</b>	<b>541,040</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$82,192 in 2019 and \$690 in 2018)	(5,075,605)	(2,042)
Capital expenditures	(118,593)	(94,426)
Proceeds from sale of plant and equipment	20,993	34,121
Proceeds from sale of businesses	-	19,540
Purchases of marketable securities and other investments	(190,129)	(2,845)
Maturities and sales of marketable securities and other investments	198,872	14,432
Other	9,374	(90)
<b>Net cash used in investing activities</b>	<b>(5,155,088)</b>	<b>(31,310)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(134,892)	(565,335)
Net proceeds from debt	2,416,222	505,811
Dividends paid	(227,025)	(200,459)
<b>Net cash provided by (used in) financing activities</b>	<b>2,054,305</b>	<b>(259,983)</b>
Effect of exchange rate changes on cash	3,403	(24,499)
Net (decrease) increase in cash and cash equivalents	(2,271,412)	225,248
Cash and cash equivalents at beginning of period	3,219,767	822,137
<b>Cash and cash equivalents at end of period</b>	<b>\$ 948,355</b>	<b>\$ 1,047,385</b>



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

(Unaudited) (Dollars in thousands)	Six Months Ended		Six Months Ended	
	December 31, 2019	Percent of sales	December 31, 2018	Percent of sales
<b>As reported cash flow from operations</b>	\$ 825,968	12.1 %	\$ 541,040	7.8 %
Discretionary pension contribution	-		200,000	
<b>Adjusted cash flow from operations</b>	<b>\$ 825,968</b>	<b>12.1 %</b>	<b>\$ 741,040</b>	<b>10.7 %</b>



# Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Six Months Ended December 31, 2019
<b>Net income</b>	<b>\$ 543,639</b>
Cash flow from operations	\$ 825,968
Capital Expenditures	(118,593)
<b>Free cash flow</b>	<b>\$ 707,375</b>
<b>Free cash flow conversion (free cash flow / net income)</b>	<b>130 %</b>

# Reconciliation of EPS

## Fiscal Year 2020 Guidance

(Unaudited)	
(Amounts in dollars)	
	<u>Fiscal Year 2020</u>
<b>Forecasted earnings per diluted share</b>	<b>\$8.78 - \$9.38</b>
Adjustments:	
Business realignment charges	0.30
Costs to achieve	0.20
One-time acquisition expenses	1.43
Tax effect of adjustments <sup>1</sup>	<u>(0.46)</u>
<b>Adjusted forecasted earnings per diluted share</b>	<b><u>\$10.25 - \$10.85</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 December 31,	
	2019	2018
<b>Net sales</b>		
Diversified Industrial:		
Motion Systems	\$ 752,306	\$ 856,357
Flow and Process Control	942,249	1,015,200
Filtration and Engineered Material	1,068,381	984,181
Aerospace Systems	735,038	616,307
<b>Total</b>	<b>\$ 3,497,974</b>	<b>\$ 3,472,045</b>

