

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

FORM 8-K

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

Date of report (Date of earliest event reported): November 5, 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 November 5, 2020, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended September 30, 2020. 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 September 30, 2020.](#)

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

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

---

**SIGNATURE**

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

PARKER-HANNIFIN CORPORATION  
By: /s/ Catherine A. Suever  
Catherine A. Suever  
Executive Vice President - Finance &  
Administration and Chief Financial Officer

Date: November 5, 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 2021 First Quarter Results

- First quarter EPS were \$2.47 as reported, or \$3.07 adjusted
- First quarter total segment operating margin was 16.8% as reported, or 19.9% adjusted
- First quarter EBITDA margin was 19.5% as reported, or 20.1% adjusted
- Cash flow from operations was a first quarter record at \$737.4 million, and reached 22.8% of sales
- Acquisition-related debt reduction of approximately \$2 billion in the last 11 months
- Company increases fiscal 2021 full year guidance

**CLEVELAND, November 5, 2020** -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2021 first quarter ended September 30, 2020. Fiscal 2021 first quarter sales were \$3.23 billion, compared with \$3.33 billion in the prior year quarter. Net income was \$321.4 million, compared with \$338.9 million in the first quarter of fiscal 2020. Fiscal 2021 first quarter earnings per share were \$2.47, compared with \$2.60 in the prior year quarter. Adjusted earnings per share were \$3.07, compared with adjusted earnings per share of \$3.05 in the first quarter of fiscal 2020. Fiscal year-to-date cash flow from operations was a first quarter record at \$737.4 million and reached 22.8% of sales, compared with \$449.1 million or 13.5% of sales in the prior year period. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"Thanks to the dedication of our global team executing The Win Strategy™, Parker continues to deliver excellent results in the midst of the ongoing challenging market conditions," said Chairman and Chief Executive Officer, Tom Williams. "We generated record operating cash flow and impressive margins in the quarter, reflecting both the near-term measures we have put in place to manage our cost structure and the portfolio and performance actions we have taken to strengthen our business. Notably, adjusted total segment operating margin increased 110 basis points compared with the prior year to 19.9% and adjusted EBITDA margin increased 100 basis points to 20.1% in the quarter, despite an organic sales decline of 13%. During the quarter, the balance sheet was further strengthened with debt repayment of

---

\$557 million, bringing our acquisition-related debt reduction to approximately \$2 billion over the last 11 months, which represents 37% of the LORD and Exotic transaction debt."

### **Segment Results**

*Diversified Industrial Segment:* North American first quarter sales decreased 6% to \$1.5 billion, and operating income was \$268.8 million, compared with \$275.2 million in the same period a year ago. International first quarter sales increased 5% to \$1.1 billion, and operating income was \$186.9 million, compared with \$168.6 million in the same period a year ago.

*Aerospace Systems Segment:* First quarter sales decreased 9% to \$573.2 million, and operating income was \$86.8 million, compared with \$123.0 million in the same period a year ago.

Parker reported the following orders for the quarter ending September 30, 2020, compared with the same quarter a year ago:

- Orders decreased 12% for total Parker
- Orders decreased 11% in the Diversified Industrial North America businesses
- Orders decreased 4% in the Diversified Industrial International businesses
- Orders decreased 25% in the Aerospace Systems Segment on a rolling 12-month average basis

### **Outlook**

For the fiscal year ending June 30, 2021, the company has increased guidance for earnings per share to the range of \$9.93 to \$10.53, or \$11.70 to \$12.30 on an adjusted basis. Guidance assumes an organic sales decline in the range of 9% to 6%. Fiscal year 2021 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$60 million, costs to achieve of approximately \$18 million, acquisition-related intangible asset amortization of approximately \$322 million and a gain on the sale of land of approximately \$101 million, which closed in October, 2020. 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, "Given our strong first quarter performance, we are updating our previously issued guidance but remain cautious about performance trends for the remainder of this fiscal year. While there are indicators that the worst of the economic downturn is behind us, the COVID-19 pandemic is likely to continue to create headwinds in the global environment. We are confident in our ability to perform in FY21 and in the future, driven by the Win Strategy 3.0 as our business system."

**NOTICE OF CONFERENCE CALL:** Parker Hannifin's conference call and slide presentation to discuss its fiscal 2021 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).

### **About Parker Hannifin**

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 64 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 total segment operating margin; EBITDA margin; and adjusted EBITDA margin. The adjusted earnings per share and total segment operating margin measures are presented to allow investors and the company to meaningfully evaluate changes in earnings per share 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," "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: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; 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, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

###

---

**PARKER HANNIFIN CORPORATION - SEPTEMBER 30, 2020**

Exhibit 99.1

**CONSOLIDATED STATEMENT OF INCOME**

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended September 30,	
	2020	2019
<b>Net sales</b>	\$ 3,230,540	\$ 3,334,511
Cost of sales	2,384,328	2,479,741
Selling, general and administrative expenses	369,851	399,179
Interest expense	65,958	69,956
Other (income), net	(4,892)	(47,521)
Income before income taxes	415,295	433,156
Income taxes	93,578	94,115
Net income	321,717	339,041
Less: Noncontrolling interests	308	143
<b>Net income attributable to common shareholders</b>	<b>\$ 321,409</b>	<b>\$ 338,898</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 2.50	\$ 2.64
Diluted earnings per share	\$ 2.47	\$ 2.60
Average shares outstanding during period - Basic	128,707,745	128,463,992
Average shares outstanding during period - Diluted	130,294,223	130,130,076

**CASH DIVIDENDS PER COMMON SHARE**

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2020	2019
<b>Cash dividends per common share</b>	<b>\$ 0.88</b>	<b>\$ 0.88</b>

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

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2020	2019
<b>Earnings per diluted share</b>	<b>\$ 2.47</b>	<b>\$ 2.60</b>
Adjustments:		
Acquired intangible asset amortization expense	0.63	0.38
Business realignment charges	0.12	0.04
Lord costs to achieve	0.03	0.03
Exotic costs to achieve	—	0.01
Acquisition-related expenses	—	0.14
Tax effect of adjustments <sup>1</sup>	(0.18)	(0.15)
<b>Adjusted earnings per diluted share</b>	<b>\$ 3.07</b>	<b>\$ 3.05</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 - SEPTEMBER 30, 2020**

Exhibit 99.1

**RECONCILIATION OF EBITDA TO ADJUSTED EBITDA**

(Unaudited)

(Dollars in thousands)

Three Months Ended September 30,

	2020	2019
<b>Net sales</b>	<b>\$ 3,230,540</b>	<b>\$ 3,334,511</b>
Net income	\$ 321,717	\$ 339,041
Income taxes	93,578	94,115
Depreciation and amortization	148,442	109,071
Interest expense	65,958	69,956
<b>EBITDA</b>	<b>629,695</b>	<b>612,183</b>
Adjustments:		
Business realignment charges	15,701	4,723
Lord costs to achieve	3,615	3,414
Exotic costs to achieve	332	595
Acquisition-related expenses	—	17,449
<b>Adjusted EBITDA</b>	<b>\$ 649,343</b>	<b>\$ 638,364</b>
<b>EBITDA margin</b>	<b>19.5 %</b>	<b>18.4 %</b>
<b>Adjusted EBITDA margin</b>	<b>20.1 %</b>	<b>19.1 %</b>

## BUSINESS SEGMENT INFORMATION

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2020	2019
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,528,111	\$ 1,624,605
International	1,129,251	1,078,850
Aerospace Systems	573,178	631,056
<b>Total net sales</b>	<b>\$ 3,230,540</b>	<b>\$ 3,334,511</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 268,833	\$ 275,192
International	186,901	168,573
Aerospace Systems	86,766	122,980
<b>Total segment operating income</b>	<b>542,500</b>	<b>566,745</b>
Corporate general and administrative expenses	36,735	48,902
Income before interest expense and other expense	505,765	517,843
Interest expense	65,958	69,956
Other expense	24,512	14,731
<b>Income before income taxes</b>	<b>\$ 415,295</b>	<b>\$ 433,156</b>

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

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	<b>\$ 542,500</b>	<b>16.8 %</b>	<b>\$ 566,745</b>	<b>17.0 %</b>
Adjustments:				
Acquired intangible asset amortization expense	81,703		49,433	
Business realignment charges	14,523		4,718	
Lord costs to achieve	3,615		3,414	
Exotic costs to achieve	332		595	
Acquisition-related expenses	—		2,519	
<b>Adjusted total segment operating income</b>	<b>\$ 642,673</b>	<b>19.9 %</b>	<b>\$ 627,424</b>	<b>18.8 %</b>

## CONSOLIDATED BALANCE SHEET

(Unaudited) (Dollars in thousands)	September 30, 2020	June 30, 2020	September 30, 2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 742,394	\$ 685,514	\$ 3,627,393
Marketable securities and other investments	33,463	70,805	282,102
Trade accounts receivable, net	1,860,324	1,854,398	1,983,242
Non-trade and notes receivable	273,991	244,870	288,762
Inventories	1,795,779	1,814,631	1,790,044
Prepaid expenses and other	163,533	214,986	166,536
<b>Total current assets</b>	<b>4,869,484</b>	<b>4,885,204</b>	<b>8,138,079</b>
Plant and equipment, net	2,292,880	2,292,735	1,880,157
Deferred income taxes	129,751	126,839	145,476
Investments and other assets	778,591	764,563	892,508
Intangible assets, net	3,743,314	3,798,913	2,693,756
Goodwill	7,971,897	7,869,935	5,818,613
<b>Total assets</b>	<b>\$ 19,785,917</b>	<b>\$ 19,738,189</b>	<b>\$ 19,568,589</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable and long-term debt payable within one year	\$ 884,450	\$ 809,529	\$ 1,736,779
Accounts payable, trade	1,264,991	1,111,759	1,287,420
Accrued payrolls and other compensation	332,110	424,231	310,417
Accrued domestic and foreign taxes	196,429	195,314	188,571
Other accrued liabilities	650,243	607,540	634,141
<b>Total current liabilities</b>	<b>3,328,223</b>	<b>3,148,373</b>	<b>4,157,328</b>
Long-term debt	7,057,723	7,652,256	7,366,912
Pensions and other postretirement benefits	1,864,506	1,887,414	1,261,493
Deferred income taxes	413,891	382,528	178,454
Other liabilities	577,325	539,089	501,610
Shareholders' equity	6,528,964	6,113,983	6,096,616
Noncontrolling interests	15,285	14,546	6,176
<b>Total liabilities and equity</b>	<b>\$ 19,785,917</b>	<b>\$ 19,738,189</b>	<b>\$ 19,568,589</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

Three Months Ended September 30,

	2020	2019
<b>Cash flows from operating activities:</b>		
Net income	\$ 321,717	\$ 339,041
Depreciation and amortization	148,442	109,071
Share incentive plan compensation	58,461	52,633
Gain on plant and equipment	(498)	(10,269)
(Gain) loss on marketable securities	(340)	201
Gain on investments	(970)	(498)
Net change in receivables, inventories and trade payables	194,350	53,526
Net change in other assets and liabilities	4,207	(77,794)
Other, net	12,005	(16,780)
<b>Net cash provided by operating activities</b>	<b>737,374</b>	<b>449,131</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$8,179 in 2019)	—	(1,696,456)
Capital expenditures	(42,117)	(50,345)
Proceeds from sale of plant and equipment	6,590	19,284
Purchases of marketable securities and other investments	(10,726)	(159,984)
Maturities and sales of marketable securities and other investments	49,107	26,477
Other	1,054	8,070
<b>Net cash provided by (used in) investing activities</b>	<b>3,908</b>	<b>(1,852,954)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(21,750)	(71,985)
Net (payments for) proceeds from debt	(557,442)	2,023,714
Dividends paid	(113,542)	(113,352)
<b>Net cash (used in) provided by financing activities</b>	<b>(692,734)</b>	<b>1,838,377</b>
Effect of exchange rate changes on cash	8,332	(26,928)
Net increase in cash and cash equivalents	56,880	407,626
Cash and cash equivalents at beginning of year	685,514	3,219,767
<b>Cash and cash equivalents at end of period</b>	<b>\$ 742,394</b>	<b>\$ 3,627,393</b>

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

(Unaudited) (Amounts in dollars)	<b>Fiscal Year 2021</b>
<b>Forecasted earnings per diluted share</b>	<b>\$9.93 to \$10.53</b>
Adjustments:	
Business realignment charges	0.46
Costs to achieve	0.14
Acquisition-related intangible asset amortization expense	2.47
Gain on sale of land	(0.77)
Tax effect of adjustments <sup>1</sup>	(0.53)
<b>Adjusted forecasted earnings per diluted share</b>	<b>\$11.70 to \$12.30</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

1st Quarter Fiscal Year 2021

Earnings Release



**PH**

LISTED

**NYSE**

ENGINEERING YOUR SUCCESS.

November 5, 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," "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: the impact of the global outbreak of COVID-19 and governmental and other actions taken in response; 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 cybersecurity 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, as well as uncertainties associated with the timing and conditions surrounding the return to service of the Boeing 737 MAX. 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 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 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

---

**CEO Comments and Highlights of Quarter Results**

**Results & Outlook**

**Questions & Answers**



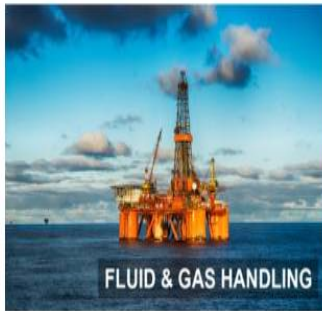
# Parker's Competitive Differentiators

- 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



# Unmatched Breadth of Technologies

---



## Outstanding Performance in FY21 First Quarter

---

- Top quartile safety performance; 31% reduction in recordable incidents
- Sales decline of 3.1% YoY; Organic decline of 13.0% YoY
- EBITDA margin was 19.5% as reported or 20.1% adjusted, +100 bps vs. prior
- Paid down \$557 million of debt
- Record cash flow from operations reached 22.8% of sales

<b><u>Total Parker</u></b>	<b><u>FY21 Q1</u></b>	<b><u>FY20 Q1</u></b>	<b><u>Change</u></b>
Total Segment Operating Margin, As Reported	16.8%	17.0%	
Total Segment Operating Margin, Adjusted <sup>1</sup>	19.9%	18.8%	+110 bps

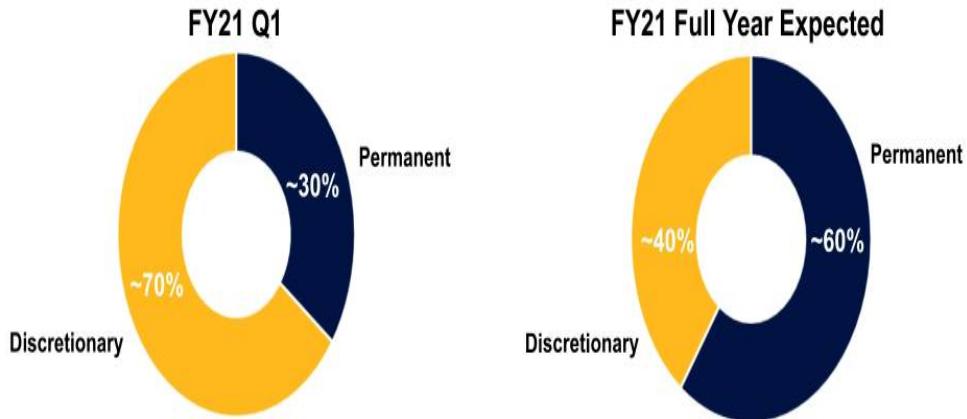
# Progress on Deleveraging

---

## Rapid Debt Reduction

- ~\$2 billion debt reduction in last eleven months
- Paid back 37% of the LORD & Exotic transaction debt
- Gross debt to EBITDA reduced to 3.4x from 3.6x at June 30, 2020
- Net debt to EBITDA reduced to 3.0x from 3.3x at June 30, 2020

# Savings from Cost Out Actions



## Savings

	<u>FY21 Q1</u>	<u>FY21</u>
Discretionary Actions	~125	~175
Permanent Actions	~60	~250
<b>Total</b>	<b>~\$185M</b>	<b>~\$425M*</b>

**Shifting to more permanent actions**



# Parker's Transformation

PH  
LISTED  
NYSE



# Parker Transformed by Portfolio & Performance Actions

---

- Two major updates to the Parker Business System:
  - 2015 – The Win Strategy™ 2.0
  - 2019 – The Win Strategy™ 3.0
- Simplification has streamlined organization structure:
  - 126 to 84 divisions inclusive of acquisitions
- Acquired companies with higher growth trajectory and margins:

CLARCOR

LORD

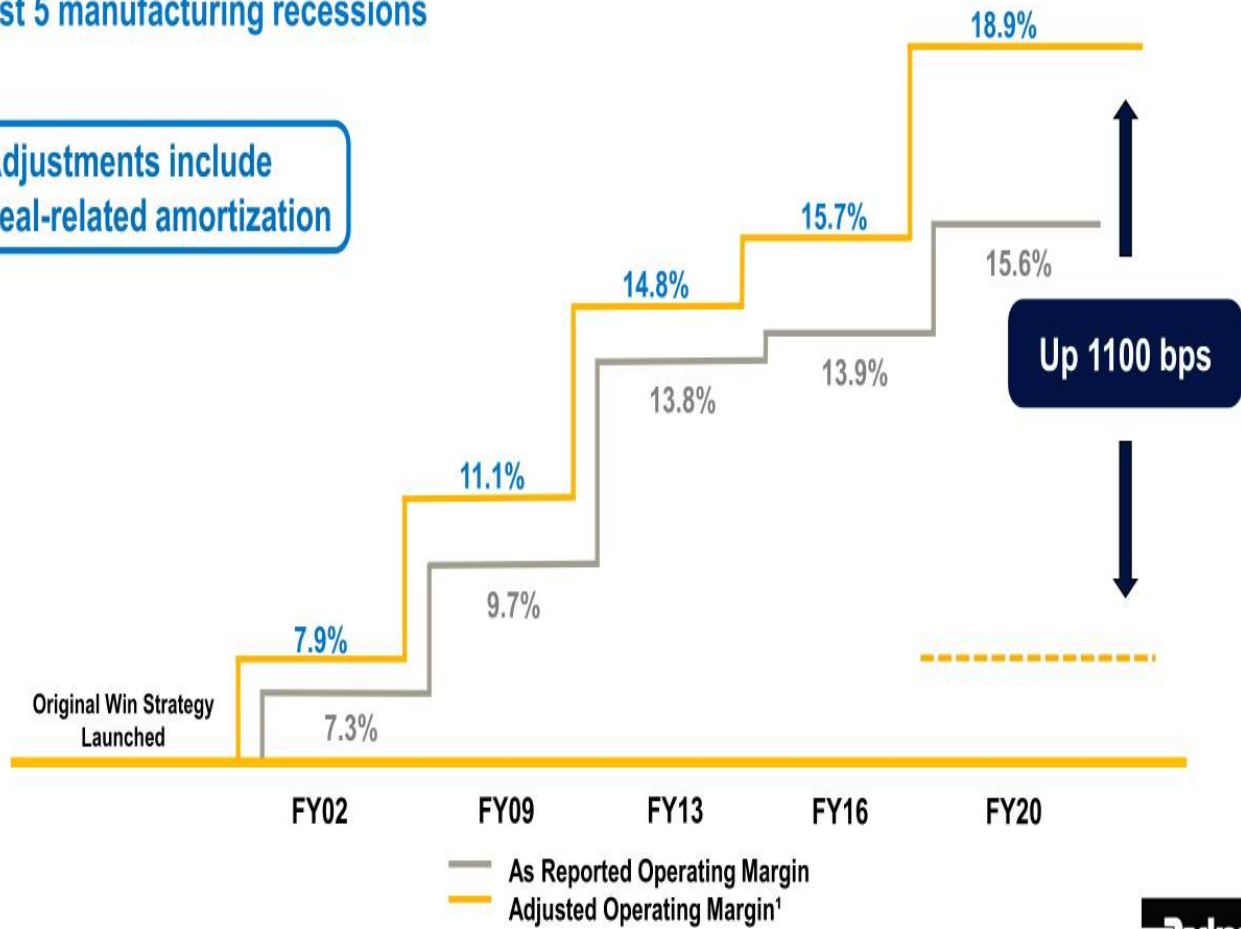


EXOTIC METALS  
FORMING

# Raising the Floor on Operating Margins

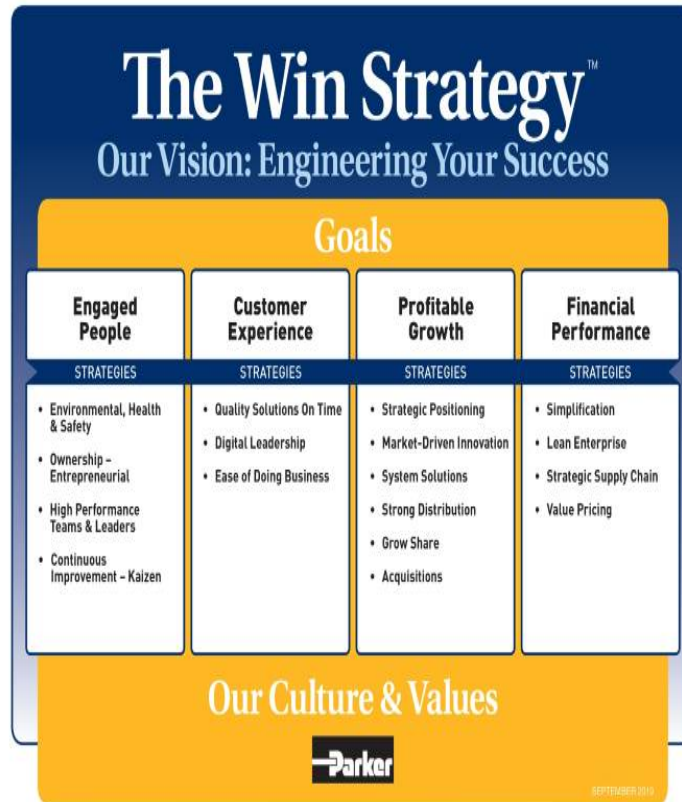
Last 5 manufacturing recessions

Adjustments include deal-related amortization





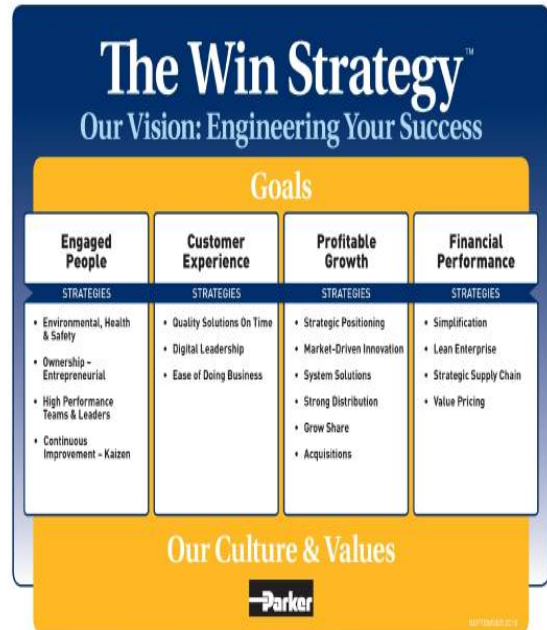
# The Win Strategy™ 3.0



Enabling Engineering Breakthroughs that Lead to a Better Tomorrow

# Win Strategy 3.0 Accelerates Performance

- Simplification – 80/20 + Simple by Design™
- Innovation - Winovation Updates
- Digital Leadership
- Expand and Grow Distribution
- Kaizen, HPT and Lean
- Acquisitions – Consolidator of Choice
- Annual Cash Incentive Program (ACIP)



**Portfolio & Performance Transformation Continues**



# Catherine A. Suever

Executive Vice President – Finance & Administration and Chief Financial Officer



- Will retire effective January 1, 2021 as part of her long-term plan after 33 years of dedicated service to the company
- Helped guide Parker through economic recessions and expansions, drive implementation of the Win Strategy, manage major acquisitions and achieve record financial performance
- We thank Cathy for her skillful leadership and distinguished character, which has long served as an example of Parker's values and leading with purpose

# Todd M. Leombruno

Executive Vice President and Chief Financial Officer



- Currently Vice President and Controller, will succeed Cathy as CFO on January 1, 2021
- 27 years with Parker, in-depth knowledge of our organization and business groups
- Has worked closely with our shareholders and analysts in the IR function
- Strong financial expertise and proven leadership make Todd an excellent fit and enables a seamless transition

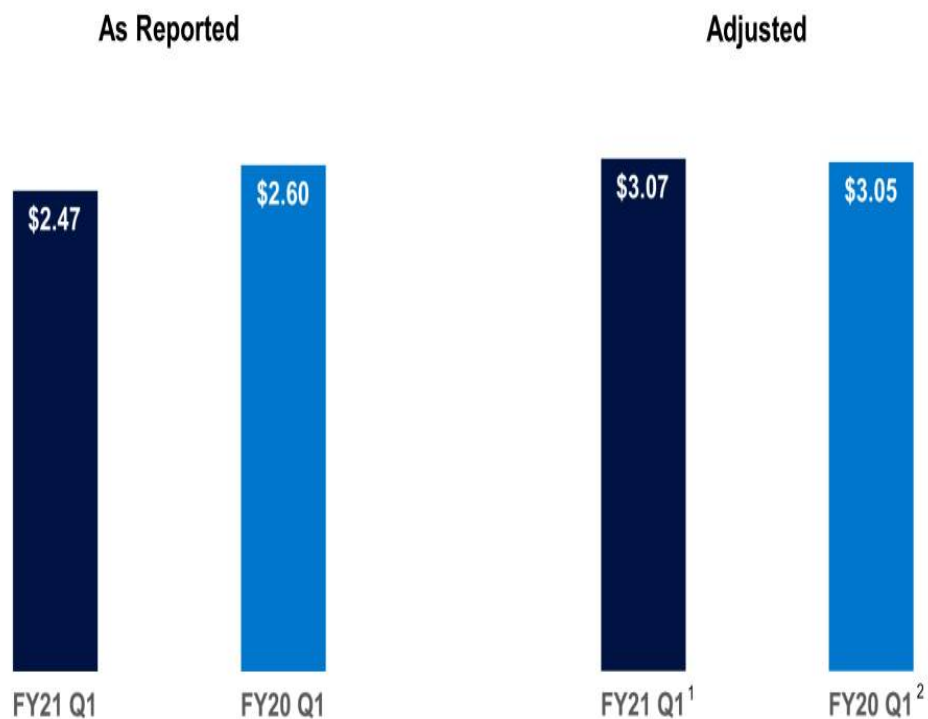
# Summary of Fiscal 2021 1st Quarter Results

PH  
LISTED  
NYSE



# Diluted Earnings per Share

## 1st Quarter FY2021 vs. FY2020



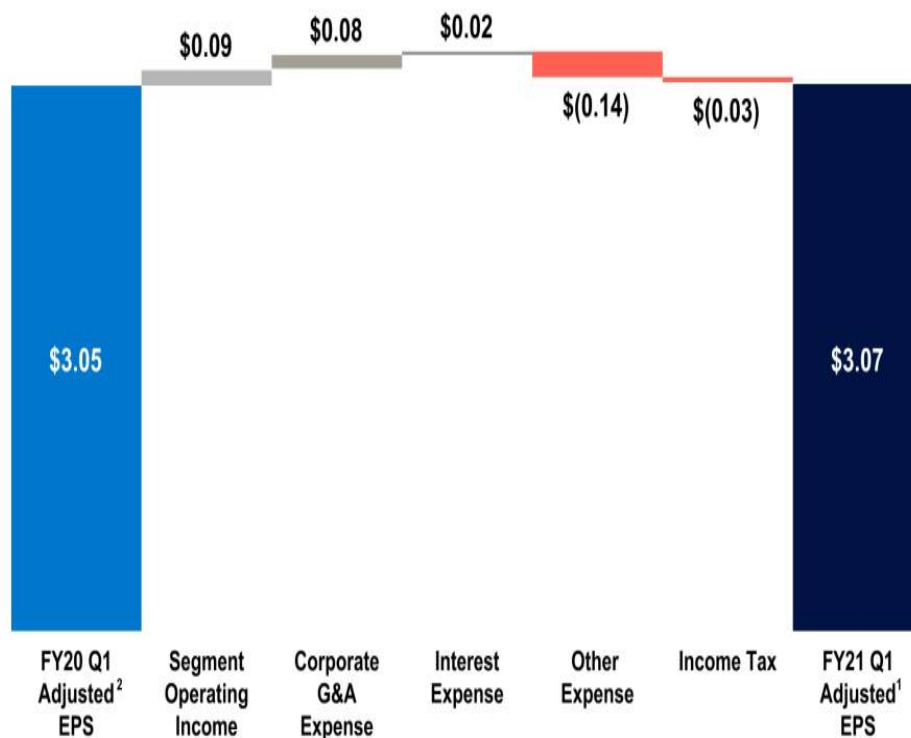
1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments

2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



# Influences on Adjusted Earnings per Share

## 1st Quarter FY2021 vs. FY2020



1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments

2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Acquisition Related Expenses, and the tax effect of such adjustments



# Sales & Segment Operating Margin

## Total Parker

\$ in millions	1st Quarter			
	FY2021	% Change	FY2020	
<u>Sales</u>				
As Reported	\$ 3,231	(3.1)%	\$ 3,335	
Acquisitions <sup>1</sup>	305	9.1 %		
Currency	26	0.8 %		
Organic Sales	\$ 2,900	(13.0)%		
	FY2021	% of Sales	FY2020	% of Sales
<u>Segment Operating Margin</u>				
As Reported	\$ 543	16.8 %	\$ 567	17.0 %
Acquired Intangible Asset Amortization	82		49	
Business Realignment	14		5	
Integration Costs to Achieve <sup>2</sup>	4		4	
Acquisition-Related Expenses <sup>3</sup>	—		2	
Adjusted	\$ 643	19.9 %	\$ 627	18.8 %

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

2: Integration Costs to Achieve for LORD and Exotic

3: Acquisition Related Expenses for LORD and Exotic



# Sales & Segment Operating Margin

## Diversified Industrial North America

\$ in millions	1st Quarter			
	FY2021	% Change	FY2020	
<b>Sales</b>				
As Reported	\$ 1,528	(5.9)%	\$ 1,625	
Acquisitions <sup>1</sup>	138	8.5 %		
Currency	(6)	(0.3)%		
Organic Sales	\$ 1,396	(14.1)%		
	FY2021	% of Sales	FY2020	% of Sales
<b>Segment Operating Margin</b>				
As Reported	\$ 269	17.6 %	\$ 275	16.9 %
Acquired Intangible Asset Amortization	48		34	
Business Realignment	3		3	
Integration Costs to Achieve <sup>2</sup>	2		3	
Adjusted	\$ 322	21.0 %	\$ 315	19.4 %

# Sales & Segment Operating Margin

## Diversified Industrial International

\$ in millions	1st Quarter			
	FY2021	% Change	FY2020	
<b>Sales</b>				
As Reported	\$ 1,129	4.7 %	\$ 1,079	
Acquisitions <sup>1</sup>	99	9.1 %		
Currency	30	2.9 %		
Organic Sales	\$ 1,000	(7.3)%		
	FY2021	% of Sales	FY2020	% of Sales
<b>Segment Operating Margin</b>				
As Reported	\$ 187	16.6 %	\$ 169	15.6 %
Acquired Intangible Asset Amortization	21		13	
Business Realignment	8		2	
Integration Costs to Achieve <sup>2</sup>	1		—	
Adjusted	\$ 217	19.2 %	\$ 184	17.0 %

# Sales & Segment Operating Margin

## Aerospace Systems

\$ in millions	1st Quarter			
	FY2021	% Change	FY2020	
<b>Sales</b>				
As Reported	\$ 573	(9.2)%	\$ 631	
Acquisitions <sup>1</sup>	68	10.8 %		
Currency	1	0.1 %		
Organic Sales	\$ 504	(20.1)%		
	FY2021	% of Sales	FY2020	% of Sales
<b>Segment Operating Margin</b>				
As Reported	\$ 87	15.1 %	\$ 123	19.5 %
Acquired Intangible Asset Amortization	13		3	
Business Realignment	4		—	
Integration Costs to Achieve <sup>2</sup>	—		1	
Acquisition-Related Expenses <sup>3</sup>	—		2	
<b>Adjusted</b>	<b>\$ 104</b>	<b>18.1 %</b>	<b>\$ 129</b>	<b>20.4 %</b>

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

2: Integration Costs to Achieve for Exotic

3: Acquisition Related Expenses for Exotic

# Cash Flow

## 1st Quarter FY2021 vs. FY2020

---

### Q1 FY2021 Highlights

- Cash Flow from Operations of 22.8% of Sales
- Free Cash Flow of 21.5% of Sales
- Free Cash Flow Conversion of 216%

Cash Flow from Operations  
\$ Millions



# Order Rates

	Sep 2020	Jun 2020	Sep 2019	Jun 2019
<b>Total Parker</b>	(12)%	(22)%	(2)%	(3)%
Diversified Industrial North America	(11)%	(29)%	(6)%	(4)%
Diversified Industrial International	(4)%	(21)%	(10)%	(8)%
Aerospace Systems	(25)%	(5)%	22 %	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



# FY2021 Guidance Increased

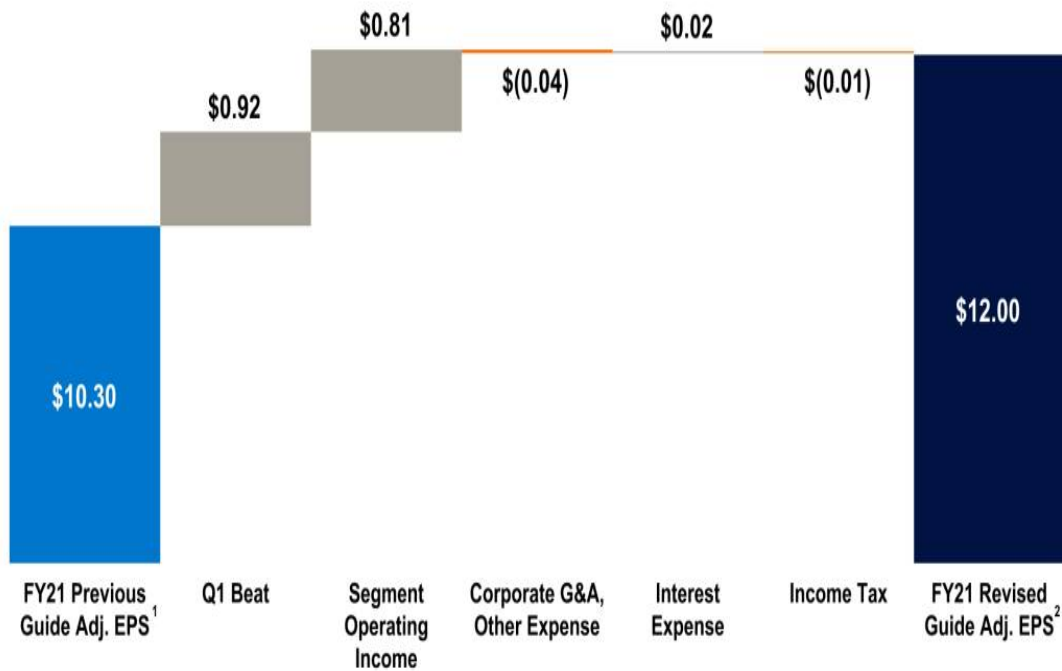
## EPS Midpoint: \$10.23 As Reported, \$12.00 Adjusted

Sales Growth vs. Prior Year		
Diversified Industrial North America	(4.0)% - (1.0)%	
Diversified Industrial International	0.3% - 3.3%	
Aerospace Systems	(16.0)% - (13.0)%	
<b>Total Parker</b>	<b>(5.0)% - (2.0)%</b>	
Segment Operating Margins		
	As Reported	Adjusted <sup>1</sup>
Diversified Industrial North America	16.2% - 16.6%	19.8% - 20.2%
Diversified Industrial International	15.6% - 16.0%	18.2% - 18.6%
Aerospace Systems	15.9% - 16.3%	18.4% - 18.8%
<b>Total Parker</b>	<b>16.0% - 16.4%</b>	<b>19.0% - 19.4%</b>
Below the Line Items		
	As Reported	Adjusted <sup>2</sup>
Corporate General & Administrative Expenses, Interest and Other	\$400M	\$500M
Tax Rate		
	As Reported	
Full Year	23.0%	
Shares		
Diluted Shares Outstanding	130.4M	
Earnings Per Share		
	As Reported	Adjusted <sup>1,2</sup>
Range	\$9.93 - \$10.53	\$11.70 - \$12.30
1: Detail of Pre-Tax Adjustments to Segment Margins		
Acquired Intangible Asset Amortization	\$322M	
Business Realignment Charges	\$60M	
Integration Costs to Achieve	\$18M	
2: Detail of Pre-Tax Adjustments to Below the Line Items		
Gain on Land Sale	(\$101M)	



# FY2021 Guidance

## Reconciliation of Q1 Beat and Updated Guidance



1: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, and the tax effect of such adjustments

2: Adjusted for Acquired Intangible Asset Amortization, Business Realignment Charges, Integration Costs to Achieve, Gain on land sale, and the tax effect of such adjustments



# Key Messages

---

- Strength & interconnectivity of Parker's portfolio
- Strategic portfolio transformation – CLARCOR, LORD & Exotic
- Improving financial performance over the cycle
- The Win Strategy™ 3.0 & Purpose Statement will accelerate performance

**Confident in achieving updated FY23 Targets**





**PH**  

---

**LISTED**  

---

**NYSE**

---

# Appendix

---

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of 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 September 30,	
	2020	2019
<b>Net sales</b>	\$ 3,230,540	\$ 3,334,511
Cost of sales	2,384,328	2,479,741
Selling, general and administrative expenses	369,851	399,179
Interest expense	65,958	69,956
Other (income), net	(4,892)	(47,521)
Income before income taxes	415,295	433,156
Income taxes	93,578	94,115
Net income	321,717	339,041
Less: Noncontrolling interests	308	143
<b>Net income attributable to common shareholders</b>	<b>\$ 321,409</b>	<b>\$ 338,898</b>
<b>Earnings per share attributable to common shareholders:</b>		
Basic earnings per share	\$ 2.50	\$ 2.64
Diluted earnings per share	\$ 2.47	\$ 2.60
Average shares outstanding during period - Basic	128,707,745	128,463,992
Average shares outstanding during period - Diluted	130,294,223	130,130,076

## CASH DIVIDENDS PER COMMON SHARE

(Unaudited) (Amounts in dollars)	Three Months Ended September 30,	
	2020	2019
Cash dividends per common share	\$ 0.88	\$ 0.88

# Adjusted Amounts Reconciliation

## Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)	Quarter-to-Date FY 2021									
	As Reported September, 30 2020	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Adjusted September 30, 2020	% of Sales		
Net Sales	\$ 3,230,540	100.0 %	\$ —	\$ —	\$ —	\$ —	\$ 3,230,540	100.0 %		
Cost of Sales	2,384,328	73.8 %	—	12,150	331	—	2,371,847	73.4 %		
Selling, general, and admin. expenses	369,851	11.4 %	81,703	2,987	3,284	332	281,545	8.7 %		
Interest expense	65,958	2.0 %	—	—	—	—	65,958	2.0 %		
Other (income), net	(4,892)	(0.2)%	—	564	—	—	(5,456)	(0.2)%		
Income before income taxes	415,295	12.9 %	(81,703)	(15,701)	(3,615)	(332)	516,646	16.0 %		
Income taxes	93,578	2.9 %	18,792	3,611	831	76	116,888	3.6 %		
Net Income	321,717	10.0 %	(62,911)	(12,090)	(2,784)	(256)	399,758	12.4 %		
Less: Noncontrollable interests	308	0.0 %	—	—	—	—	308	0.0 %		
<b>Net Income - common shareholders</b>	<b>\$ 321,409</b>	<b>9.9 %</b>	<b>\$ (62,911)</b>	<b>\$ (12,090)</b>	<b>\$ (2,784)</b>	<b>\$ (256)</b>	<b>\$ 399,450</b>	<b>12.4 %</b>		
Diluted earnings per share	\$ 2.47		\$ (0.48)	\$ (0.10)	\$ (0.02)	\$ —	\$ 3.07			

# Adjusted Amounts Reconciliation Business Segment Information

(Dollars in thousands)

(Unaudited)

	Quarter-to-Date FY 2021							
	As Reported September 30, 2020	% of Sales	Acquired Intangible Asset Amortization	Business Realignment Charges	Lord Costs to Achieve	Exotic Costs to Achieve	Adjusted September 30, 2020	% of Sales <sup>2</sup>
Diversified Industrial								
North America <sup>1</sup>	\$ 268,833	17.6 %	\$ 48,104	\$ 2,311	\$ 2,262	\$ —	\$ 321,510	21.0 %
International <sup>1</sup>	186,901	16.6 %	20,832	8,261	1,353	—	217,347	19.2 %
Aerospace Systems <sup>1</sup>	86,766	15.1 %	12,767	3,951	—	332	103,816	18.1 %
Total segment operating income	542,500	16.8 %	(81,703)	(14,523)	(3,615)	(332)	642,673	19.9 %
Corporate administration	36,735	1.1 %	—	614	—	—	36,121	1.1 %
Income before interest and other	505,765	15.7 %	(81,703)	(15,137)	(3,615)	(332)	606,552	18.8 %
Interest expense	65,958	2.0 %	—	—	—	—	65,958	2.0 %
Other (income) expense	24,512	0.8 %	—	564	—	—	23,948	0.7 %
Income before income taxes	\$ 415,295	12.9 %	\$ (81,703)	\$ (15,701)	\$ (3,615)	\$ (332)	\$ 516,646	16.0 %

<sup>1</sup>Segment operating income as a percent of sales is calculated on as reported 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,	
	2020	2019
<b>Earnings per diluted share</b>	\$ 2.47	\$ 2.60
Adjustments:		
Acquired intangible asset amortization expense	0.63	0.38
Business realignment charges	0.12	0.04
Lord costs to achieve	0.03	0.03
Exotic costs to achieve	—	0.01
Acquisition-related expenses	—	0.14
Tax effect of adjustments <sup>1</sup>	(0.18)	(0.15)
<b>Adjusted earnings per diluted share</b>	\$ 3.07	\$ 3.05

<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,	
	2020	2019
<b>Net sales</b>		
Diversified Industrial:		
North America	\$ 1,528,111	\$ 1,624,605
International	1,129,251	1,078,850
Aerospace Systems	573,178	631,056
<b>Total net sales</b>	<b>\$ 3,230,540</b>	<b>\$ 3,334,511</b>
<b>Segment operating income</b>		
Diversified Industrial:		
North America	\$ 268,833	\$ 275,192
International	186,901	168,573
Aerospace Systems	86,766	122,980
<b>Total segment operating income</b>	<b>542,500</b>	<b>566,745</b>
Corporate general and administrative expenses	36,735	48,902
Income before interest expense and other expense	505,765	517,843
Interest expense	65,958	69,956
Other expense	24,512	14,731
<b>Income before income taxes</b>	<b>\$ 415,295</b>	<b>\$ 433,156</b>



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

(Unaudited)

(Dollars in millions)

	12 Months ended 6/30/02	12 Months ended 6/30/09	12 Months ended 6/30/13	12 Months ended 6/30/16	12 Months ended 6/30/20
<b>Net Sales</b>	\$ 6,149	\$ 10,309	\$ 13,016	\$ 11,361	\$ 13,696
<b>Total segment operating income</b>	\$ 446	\$ 1,004	\$ 1,791	\$ 1,576	\$ 2,138
Adjustments:					
Acquisition-related intangible asset amortization	3	99	118	101	285
Business realignment charges	37	45	12	107	74
Acquisition-related expenses & Costs to Achieve					92
<b>Adjusted total segment operating income*</b>	\$ 486	\$ 1,148	\$ 1,922	\$ 1,783	\$ 2,589
<b>Total segment operating margin</b>	7.3%	9.7%	13.8%	13.9%	15.6%
<b>Adjusted total segment operating margin</b>	7.9%	11.1%	14.8%	15.7%	18.9%

\*Totals may not foot due to rounding



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

(Unaudited) (Dollars in thousands)	Three Months Ended		Three Months Ended	
	September 30, 2020		September 30, 2019	
	Operating income	Operating margin	Operating income	Operating margin
<b>Total segment operating income</b>	\$ 542,500	16.8 %	\$ 566,745	17.0 %
Adjustments:				
Acquired intangible asset amortization expense	81,703		49,433	
Business realignment charges	14,523		4,718	
Lord costs to achieve	3,615		3,414	
Exotic costs to achieve	332		595	
Acquisition-related expenses	—		2,519	
<b>Adjusted total segment operating income</b>	<b>\$ 642,673</b>	<b>19.9 %</b>	<b>\$ 627,424</b>	<b>18.8 %</b>

# Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2020	2019
<b>Net sales</b>	\$ 3,230,540	\$ 3,334,511
Net income	\$ 321,717	\$ 339,041
Income taxes	93,578	94,115
Depreciation and amortization	148,442	109,071
Interest expense	65,958	69,956
<b>EBITDA</b>	<b>629,695</b>	<b>612,183</b>
Adjustments:		
Business realignment charges	15,701	4,723
Lord costs to achieve	3,615	3,414
Exotic costs to achieve	332	595
Acquisition-related expenses	—	17,449
<b>Adjusted EBITDA</b>	<b>\$ 649,343</b>	<b>\$ 638,364</b>
<b>EBITDA margin</b>	<b>19.5 %</b>	<b>18.4 %</b>
<b>Adjusted EBITDA margin</b>	<b>20.1 %</b>	<b>19.1 %</b>

# Consolidated Balance Sheet

(Unaudited)	September 30,	June 30,	September 30,
(Dollars in thousands)	2020	2020	2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 742,394	\$ 685,514	\$ 3,627,393
Marketable securities and other investments	33,463	70,805	282,102
Trade accounts receivable, net	1,860,324	1,854,398	1,983,242
Non-trade and notes receivable	273,991	244,870	288,762
Inventories	1,795,779	1,814,631	1,790,044
Prepaid expenses and other	163,533	214,986	166,536
<b>Total current assets</b>	<b>4,869,484</b>	<b>4,885,204</b>	<b>8,138,079</b>
Plant and equipment, net	2,292,880	2,292,735	1,880,157
Deferred income taxes	129,751	126,839	145,476
Investments and other assets	778,591	764,563	892,508
Intangible assets, net	3,743,314	3,798,913	2,693,756
Goodwill	7,971,897	7,869,935	5,818,613
<b>Total assets</b>	<b>\$ 19,785,917</b>	<b>\$ 19,738,189</b>	<b>\$ 19,568,589</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Notes payable and long-term debt payable within one year	\$ 884,450	\$ 809,529	\$ 1,736,779
Accounts payable, trade	1,264,991	1,111,759	1,287,420
Accrued payrolls and other compensation	332,110	424,231	310,417
Accrued domestic and foreign taxes	196,429	195,314	188,571
Other accrued liabilities	650,243	607,540	634,141
<b>Total current liabilities</b>	<b>3,328,223</b>	<b>3,148,373</b>	<b>4,157,328</b>
Long-term debt	7,057,723	7,652,256	7,366,912
Pensions and other postretirement benefits	1,864,506	1,887,414	1,261,493
Deferred income taxes	413,891	382,528	178,454
Other liabilities	577,325	539,089	501,610
Shareholders' equity	6,528,964	6,113,983	6,096,616
Noncontrolling interests	15,285	14,546	6,176
<b>Total liabilities and equity</b>	<b>\$ 19,785,917</b>	<b>\$ 19,738,189</b>	<b>\$ 19,568,589</b>



# Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Three Months Ended September 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net income	\$ 321,717	\$ 339,041
Depreciation and amortization	148,442	109,071
Share incentive plan compensation	58,461	52,633
Gain on plant and equipment	(498)	(10,269)
(Gain) loss on marketable securities	(340)	201
Gain on investments	(970)	(498)
Net change in receivables, inventories and trade payables	194,350	53,526
Net change in other assets and liabilities	4,207	(77,794)
Other, net	12,005	(16,780)
<b>Net cash provided by operating activities</b>	<b>737,374</b>	<b>449,131</b>
<b>Cash flows from investing activities:</b>		
Acquisitions (net of cash of \$8,179 in 2019)	—	(1,696,456)
Capital expenditures	(42,117)	(50,345)
Proceeds from sale of plant and equipment	6,590	19,284
Purchases of marketable securities and other investments	(10,726)	(159,984)
Maturities and sales of marketable securities and other investments	49,107	26,477
Other	1,054	8,070
<b>Net cash provided by (used in) investing activities</b>	<b>3,908</b>	<b>(1,852,954)</b>
<b>Cash flows from financing activities:</b>		
Net payments for common stock activity	(21,750)	(71,985)
Net (payments for) proceeds from debt	(557,442)	2,023,714
Dividends paid	(113,542)	(113,352)
<b>Net cash (used in) provided by financing activities</b>	<b>(692,734)</b>	<b>1,838,377</b>
Effect of exchange rate changes on cash	8,332	(26,928)
Net increase in cash and cash equivalents	56,880	407,626
Cash and cash equivalents at beginning of year	685,514	3,219,767
<b>Cash and cash equivalents at end of period</b>	<b>\$ 742,394</b>	<b>\$ 3,627,393</b>



# Reconciliation of Free Cash Flow Conversion

(Unaudited) (Dollars in thousands)	Three Months Ended September 30, 2020
<b>Net income</b>	<b>\$ 321,717</b>
Cash flow from operations	\$ 737,374
Capital Expenditures	(42,117)
<b>Free cash flow</b>	<b>\$ 695,257</b>
<b>Free cash flow conversion (free cash flow / net income)</b>	<b>216 %</b>

# Reconciliation of EPS

## Fiscal Year 2021 Guidance

(Unaudited)	
(Amounts in dollars)	<u>Fiscal Year 2021</u>
<b>Forecasted earnings per diluted share</b>	<b>\$9.93 to \$10.53</b>
Adjustments:	
Business realignment charges	0.46
Costs to achieve	0.14
Acquisition-related intangible asset amortization expense	2.47
Gain on sale of land	(0.77)
Tax effect of adjustments <sup>1</sup>	<u>(0.53)</u>
<b>Adjusted forecasted earnings per diluted share</b>	<b><u>\$11.70 to \$12.30</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,	
	2020	2019
<b>Net sales</b>		
Diversified Industrial:		
Motion Systems	657,141	766,815
Flow and Process Control	924,125	1,011,354
Filtration and Engineered Materials	1,076,096	925,286
Aerospace Systems	573,178	631,056
<b>Total</b>	<b>\$ 3,230,540</b>	<b>\$ 3,334,511</b>

