The Global Leader in Motion and Control Technologies

BAML Global Industrials Conference
London, UK

Tom Williams
Chairman & CEO
Forward-Looking Statements and Non-GAAP Financial Measures

Safe Harbor 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. All statements regarding future performance, earnings projections, events or developments are forward-looking 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. 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; 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, the ability to implement successfully the Company’s capital allocation initiatives, including the timing, price and execution of share repurchases; threats associated with and efforts to combat terrorism; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; increases in raw material costs that cannot be recovered in product pricing; the company’s ability to manage costs related to insurance and employee retirement and health care benefits; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

This presentation reconciles (a) cash flow from operating activities in accordance with U.S. GAAP to cash flow from operating activities without the effect of a discretionary pension plan contribution, (b) operating margins reported in accordance with U.S. GAAP to operating margins without the effect of business realignment charges, Clarcor costs to achieve, Clarcor acquisition expenses and voluntary retirement expense (c) forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve, the gain on sale and write-down of assets, net and U.S. tax reform one-time impact, net. This presentation also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, and a loss related to the sale of an investment. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus one year ago. The effects of discretionary pension plan contributions, business realignment charges, Clarcor costs to achieve, Clarcor acquisition expenses, voluntary retirement expense, the gain on sale and write-down of assets, net and U.S. tax reform one-time impact, net are removed to allow investors and the company to meaningfully evaluate changes in cash flow from operating activities, operating margins, and earnings per diluted share on a comparable basis from period to period.

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Parker’s Unique Competitive Advantages

- The Win Strategy™
- Decentralized Divisional Structure
- Global Distribution, Service and Support
- Intellectual Property
- Globally Balanced
- Breadth of Technologies & System Solutions
Unmatched Breadth of Technologies

- Hydraulics
- Pneumatics
- Electromechanical
- Filtration
- Fluid & Gas Handling
- Process Control
- Climate Control
- Sealing & Shielding
# The Win Strategy

**Our Vision:** Engineering Your Success

## Goals

<table>
<thead>
<tr>
<th>Engaged People</th>
<th>Premier Customer Experience</th>
<th>Profitable Growth</th>
<th>Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRATEGIES</strong></td>
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<tr>
<td>- Environmental, Health &amp; Safety</td>
<td>- Quality Solutions On Time</td>
<td>- Organic Acquisitions</td>
<td>- Simplification</td>
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<tr>
<td>- Entrepreneurial</td>
<td>- eBusiness Leadership</td>
<td>- Services</td>
<td>- Lean Enterprise</td>
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<td>- High Performance Teams &amp; Leaders</td>
<td>- Ease of Doing Business</td>
<td>- Market-Driven Innovation</td>
<td>- Strategic Supply Chain</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td><strong>From Service to Experience</strong></td>
<td><strong>Growth &gt; Market</strong></td>
<td><strong>Grow DNE$ YOY</strong></td>
</tr>
<tr>
<td>- From Service to Experience</td>
<td></td>
<td>- System Solutions</td>
<td>- Value Pricing</td>
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<tr>
<td></td>
<td></td>
<td>- Strong Distribution</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Grow Share</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Engineering Expertise</td>
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</tbody>
</table>
Profitable Growth

Key Initiatives

- Distribution Growth
- Share Gain – Key Accounts
- Systems Engineering
- e-Business, IoT and Services
- Market Driven Innovation

Enhanced by improved growth incentive plan
Financial Performance

Key Initiatives

- Simplification
- Lean Enterprise
- Strategic Supply Chain
- Value Pricing

The “Big 4” Financial Initiatives
Simplification Initiative

Key Focus Areas:

- Revenue profile complexity
- Optimize organization & processes
- Division consolidations
- Reduce bureaucracy

Enables speed & growth at reduced costs
Financial Performance
Expanding Profitability

Adjusted Operating Margin\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 Guide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>14.9%</td>
<td>14.8%</td>
<td>15.8%</td>
<td>16.3%</td>
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</table>

Up 140 bps

Adjusted EBITDA\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 Guide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>15.1%</td>
<td>14.7%</td>
<td>16.2%</td>
<td>17.6%</td>
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</table>

Up 250 bps

Note 1: 
FY18 Excludes Business Realignment Charges and Clarcor Costs to Achieve. 
FY17 Excludes Business Realignment Charges and Clarcor Acquisition Expenses. 
FY16 Excludes Business Realignment Charges 
FY15 Excludes Business Realignment Charges and Voluntary Retirement Expense
## Updated CLARCOR Synergy Targets

<table>
<thead>
<tr>
<th>Synergies</th>
<th>Original FY20 Targets</th>
<th>New FY20 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$140M</td>
<td>$160M</td>
</tr>
<tr>
<td>Revenue</td>
<td>-----</td>
<td>$100M</td>
</tr>
</tbody>
</table>

CLARCOR Acquisition Exceeding Expectations
Driving Free Cash Flow

Free Cash Flow / Net Income

* Free Cash Flow = Cash Provided by Operating Activities - Capital Expenditures + Discretionary Pension Contribution

>15 consecutive years with 100% + FCF conversion
## Updated Corporate Targets

<table>
<thead>
<tr>
<th></th>
<th>FY20 Targets</th>
<th>FY23 Targets</th>
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<tbody>
<tr>
<td><strong>Growth</strong></td>
<td>150 bps &gt; GIPI</td>
<td>150 bps &gt; GIPI</td>
</tr>
<tr>
<td><strong>Segment OM%</strong></td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>------</td>
<td>20%</td>
</tr>
<tr>
<td><strong>FCF Conversion</strong></td>
<td>&gt; 100%</td>
<td>&gt; 100%</td>
</tr>
<tr>
<td><strong>EPS CAGR</strong></td>
<td>8%</td>
<td>10%+</td>
</tr>
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Targeted Metrics by FY23

Revenue Growth

FY18E: $14.1
FY23: $16.5

Profitability

FY18 Guide FY23
Seg Op Margin 16% 19%
EBITDA 17% 20%
Free Cash Flow $1.1B $2.2B
Adjusted EPS $9.85 $15.50

Note: FY23 data based on organic growth only

Adjusted EPS Target CAGR >10%

*Expected FY18 Adjusted Segment Operating Margins exclude FY18 Business Realignment Charges, Clarcor Costs to Achieve. Expected FY18 Adjusted Earnings Per Share excludes FY18 Business Realignment Charges, Clarcor Costs to Achieve, the Gain on Sale and Write-down of Assets and U.S. Tax Reform one-time impact, net
Operating Margin Drivers to 19% in FY23

As Reported

ROS FY18E: 15.5%
- Clarcor Synergies: 90 bps
- Simplification: 60 bps
- Productivity: 50 bps
- Supply Chain: 40 bps
- Lower Restructuring: 20 bps
- Distribution Growth: 19.0%

ROS FY23: 19.0%
Capital Allocation Priorities

**Current**
- Dividends:
  - Annual increase record
  - 30% of net income (5 year average)
- Capex for organic growth
- Debt reduction
- 10b5-1 share repurchase

**As Debt Reduces**
- Continue current priorities
- Add…
  - Acquisition
  - Discretionary share repurchase

Optimize Long Term Value Creation
Key Messages

- Substantial progress against FY20 targets
- CLARCOR synergies ahead of initial targets
- Strength and interconnectivity of Parker portfolio
- New 5 year targets. Raising performance bar.
- Capital allocation – Great generators and deployers of cash
- New Win Strategy™ is working...early days still