

Parker Hannifin Corporation

Investor Meeting 2018



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Robin Davenport
Vice President, Corporate Finance

ENGINEERING YOUR SUCCESS.

March 7, 2018

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

Among other factors which may affect future performance and earnings projections are: economic conditions within the company's key markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of the U.S. Tax Cuts and Jobs Act may affect future performance and earnings projections as the amounts reflected in this period are preliminary estimates and exact amounts will not be determined until a later date, and there may be other judicial or regulatory interpretations of the U.S. Tax Cuts and Jobs Act that may also affect these estimates and the actual impact on the company. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance of the company are, as applicable: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; competitive market conditions and resulting effects on sales and pricing; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

This presentation reconciles (a) sales amounts reported in accordance with U.S. GAAP to sales amounts adjusted to remove the effects of acquisitions and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow from operating activities and cash flow from operating activities as a percent of sales without the effect of a discretionary pension plan contribution, (c) 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 (d) 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 acquisitions, currency exchange rates, the 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 sales, and cash flow from operating activities as a percent of sales, operating margins, and earnings per diluted share on a comparable basis from period to period.

Please visit www.PHstock.com for more information



Today's Presenters

Parker Leaders



Tom Williams
Chairman & CEO



Lee Banks
President & COO



Cathy Suever
EVP – Finance &
Administration and CFO



Roger Sherrard
VP & President –
Aerospace Group



Jennifer Parmentier
VP & President –
Engineered Materials
Group



Rob Malone
VP & President –
Filtration Group



Today's Program

Win Strategy Performance & New 5 Year Targets

Tom Williams, Chairman & CEO

Engineered for Growth & Productivity

Lee Banks, President & COO

Accelerated Financial Performance

Cathy Suever, EVP, Finance & Administration and CFO

Operating Group Presentations

Roger Sherrard, VP & President, Aerospace Group

Jenny Parmentier, VP & President, Engineered Materials Group

Rob Malone, VP & President, Filtration Group

Q&A

Tom Williams, Lee Banks, Cathy Suever



Win Strategy™ Performance & New 5 Year Targets

Investor Meeting 2018



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Tom Williams

Chairman & Chief Executive Officer

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March 7, 2018

Agenda

- **New Win Strategy™ Progress Report**
- **CLARCOR Executive Summary**
- **Portfolio Strategy**
- **Updated Corporate Targets**
- **Capital Allocation**
- **Summary**

FY15-FY20 Progress Report Card



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**

FY15 – FY20 Report Card

Progress to Date

- ✓ Launched The New Win Strategy™
- ✓ Safety: 54% reduction in injuries since 12/14
- ✓ Exceptional financial performance during recession
- ✓ CLARCOR Acquisition – Strategic Portfolio Transformation
- ✓ Organic growth of 6.5% FY18 guide vs. 3.4% GIP
- ✓ Adj. Operating Margin of 16.3% FY18 guide vs. 17% FY20 target
- ✓ Free Cash Flow Conversion >100%
- ✓ 11% Adjusted EPS CAGR FY18 guide vs. 8% target
- ✓ 50% TSR since 1/15 vs. 42% S&P 500 Industrials

Repositioning Parker for Sustainable Top Quartile Performance

The New Win Strategy™



The Win Strategy™

Our Vision: Engineering Your Success

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

Premier Customer Experience

STRATEGIES

- Quality Solutions On Time
- eBusiness Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES

- 
- A Venn diagram with three overlapping circles: a teal circle at the top labeled 'Organic', a blue circle at the bottom left labeled 'Acquisitions', and an orange circle at the bottom right labeled 'Services'. Below the diagram is a list of strategies.
- Market-Driven Innovation
 - System Solutions
 - Strong Distribution
 - Grow Share
 - Engineering Expertise

Financial Performance

STRATEGIES

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

Parker Culture



SEPTEMBER 2012

The Win Strategy™

Engineering Your Success

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

Goals

Customer

Profitable Growth

Financial Performance

STRATEGIES

STRATEGIES



- Market-Driven Innovation
- System Solutions
- Strong Distribution
- Grow Share
- Engineering Expertise

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

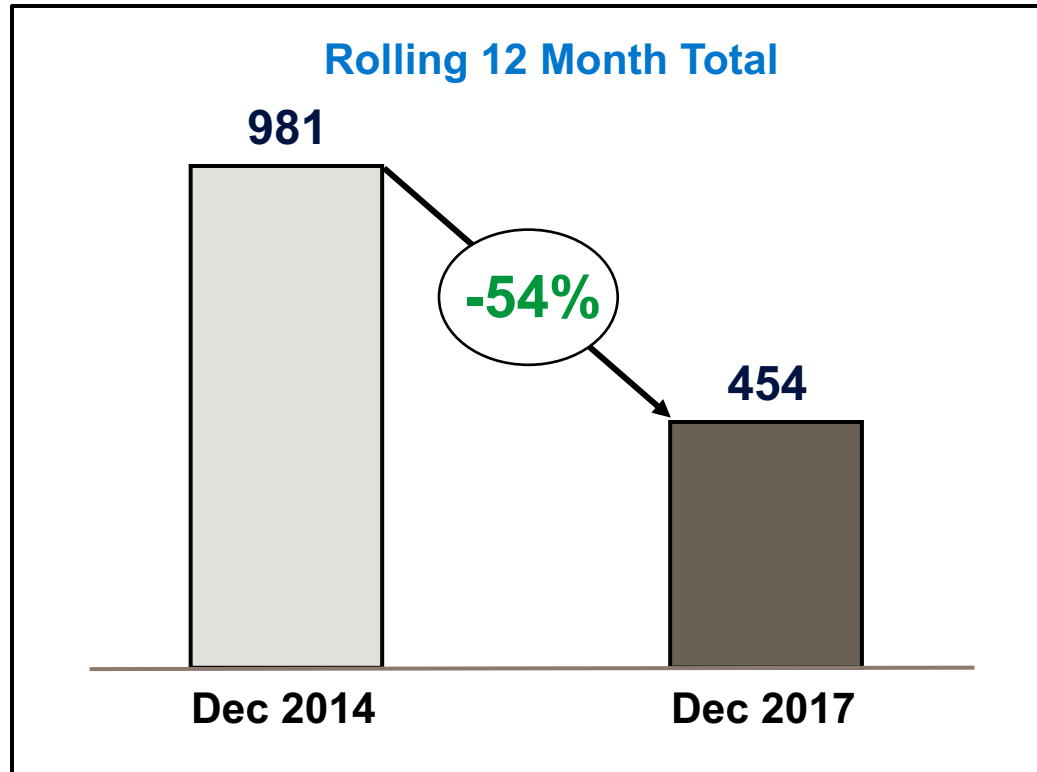
Work Culture

Parker

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Safety Comparison 2014 – 2017

Recordable Injuries



Cultivating a Zero Accident Safety Culture

Sustainability Summary

Metric

Result

Energy use over 10 years

54% Reduction

Carbon emissions over 10 years

52% Reduction

**Peer Company Ranking
Carbon Disclosure**

1st Quartile

Parker Foundation

\$20M over 3 years



Engaged People – Key Strategies

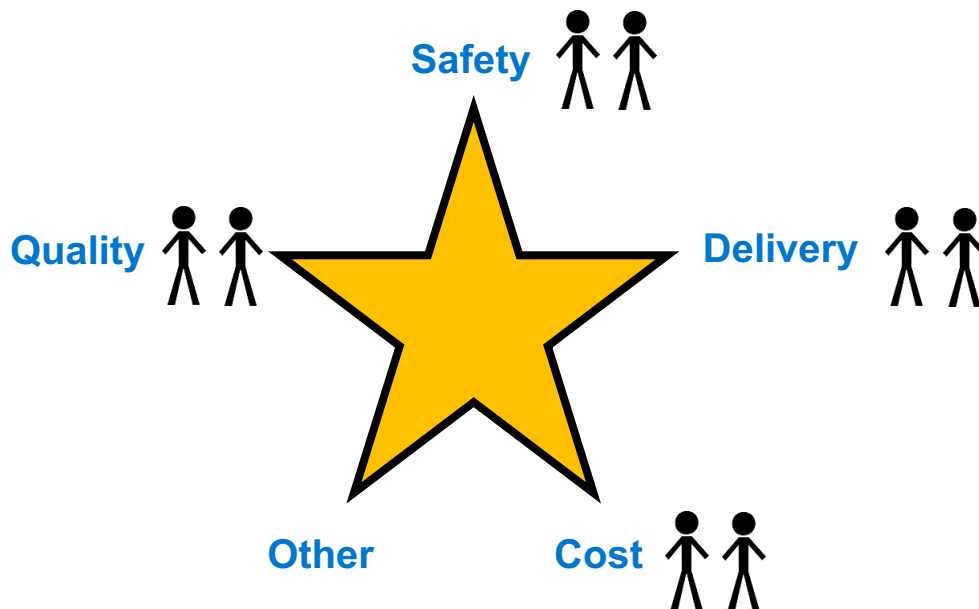
- **High Performance Teams**
- **Engagement Survey – leadership linkage**
- **Focus on front line leaders**

Building an ownership culture

Engaged People

Operationalize High Performance Teams

- Assign every team member to a Star Point



- Today...Safety

- Future...Quality, Cost, Delivery



Engaged People... A cultural competitive advantage



The Win Strategy™

Our Vision Our Success

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

Premier Customer Experience

STRATEGIES

- Quality Solutions On Time
- eBusiness Leadership
- Ease of Doing Business

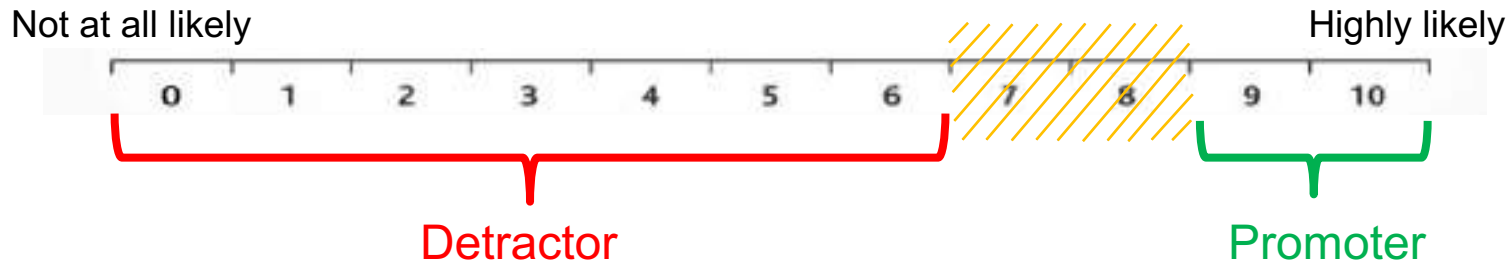
Financial Performance

STRATEGIES

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

Likelihood to Recommend (LTR)

‘How likely are you to recommend that your company conducts business in the future with Parker?’



% Promoters – % Detractors = LTR

Goal >30

What Our Customers are Saying...

- **Issue resolution**
- **Speed**
- **Communication**

Our Action...

Improve customer engagement processes

Premier Customer Experience

Digital Initiatives



eBusiness



IoT

**Search & Select
Best in Class**

**Productivity
& Reliability**



The Win Strategy™

Our Vision: Engineer

Goal

**Engaged
People**

**Premier Customer
Experience**

STRATEGIES

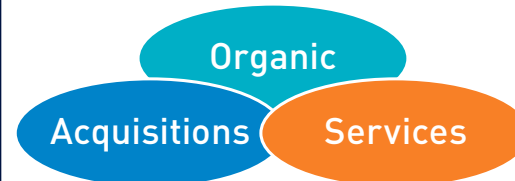
- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

STRATEGIES

- Quality Solutions On Time
- eBusiness Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES



- **Market-Driven Innovation**
- **System Solutions**
- **Strong Distribution**
- **Grow Share**
- **Engineering Expertise**

Parker C

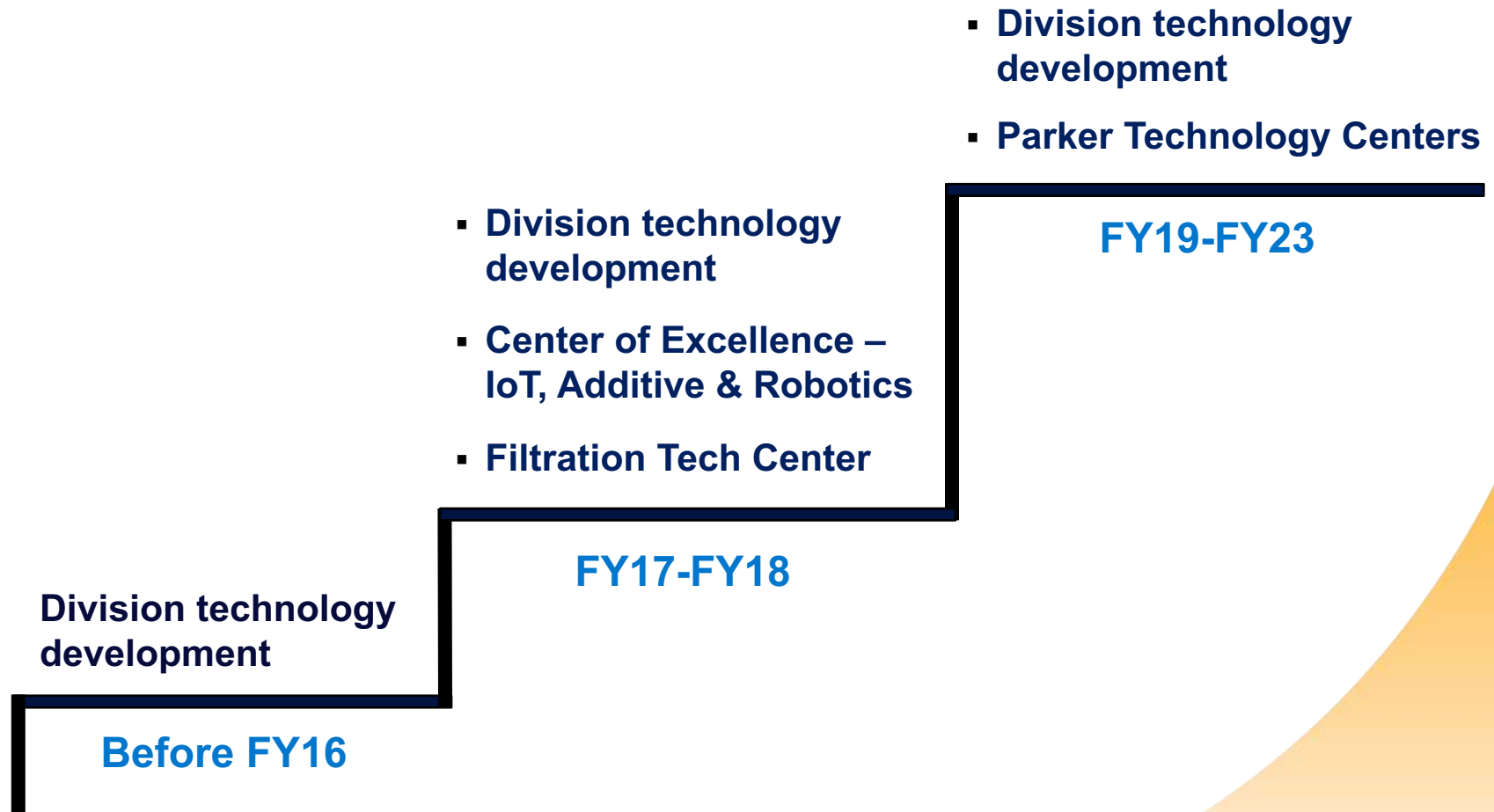
Profitable Growth

Key Initiatives

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

Enhanced by improved growth incentive plan

Technology Development Evolution



Best of Both Worlds...Divisions + Cross Parker Leverage



Parker Technology Centers

Next 5 Years

- Advanced process development – IoT, additive & robotics
- Filtration Technology Center – CLARCOR + 
- Motion Technology Center – 
Aerospace Motion Systems
- Advanced Material Center – Fluid Connectors & Engineered Materials

Small, focused & accountable...Engineering cost neutral



The Win Strategy™

Our Vision: Engineering Y

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

Premier Customer Experience

STRATEGIES

- Quality Solutions On Time
- eBusiness Leadership
- Ease of Doing Business

Profit Growth

STRATEGIES

- Market-Driven
- System Solutions
- Strong Distribution
- Grow Share
- Engineering

Financial Performance

STRATEGIES

- Simplification
- Lean Enterprise
- Strategic Supply Chain
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Parker Culture



SEPTEMBER 2003

Financial Performance

Key Initiatives

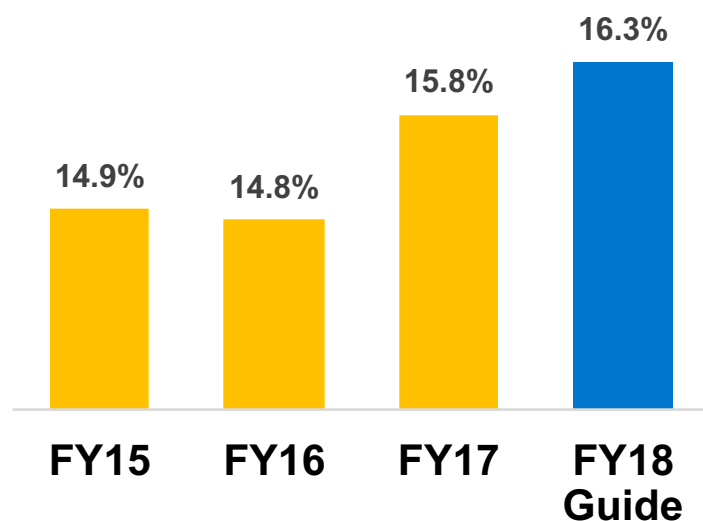
- **Simplification**
- **Lean Enterprise**
- **Strategic Supply Chain**
- **Value Pricing**

The “Big 4” Financial Initiatives

Financial Performance

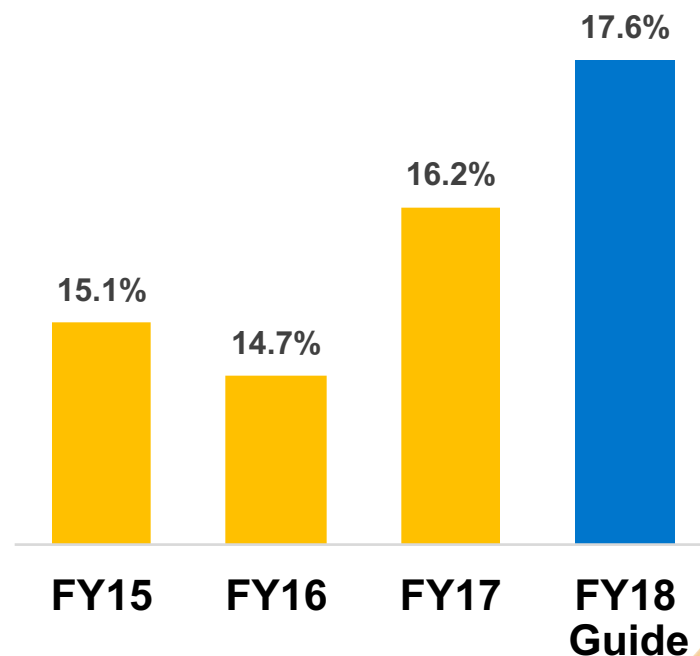
Expanding Profitability

Adjusted Operating Margin¹



Up 140 bps

Adjusted EBITDA¹



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



CLARCOR Executive Summary



Excellent Strategic Fit for Parker

Strategic portfolio acquisition – Doubles Filtration Group

Complementary products, markets and geographic presence

Strong recurring revenue – 80%+ of sales are aftermarket






























Increases resilience of Parker's portfolio

Expected accretive to Parker's organic growth & EBITDA margins



Complementary Filtration Technologies

Fills Existing Portfolio Gaps

Product Category	Capabilities		
			Combined
Engine and Mobile			
Fuel Filters			
Oil Filters			
Air Filters			
Industrial			
Hydraulic			
Industrial Air / HVAC Air			
Compressed Air			
Gas Turbine Inlet Air			
Natural Gas Coalescing			
Process Liquids and Water			



CLARCOR Report Card

Progress to Date

- ✓ **Cultural fit**
- ✓ **EPS accretive year 1**
- ✓ **Year 5 adjusted EBITDA margin increase of 300 bps - estimating 290 bps by FY18, 3 years ahead**
- ✓ **\$140M Cost synergies...Forecasted to exceed**
- ✓ **Achieved balance sheet priorities**

Updated CLARCOR Synergy Targets

<u>Synergies</u>	<u>Original FY20 Targets</u>	<u>New FY20 Targets</u>
Cost	\$140M	\$160M
Revenue	-----	\$100M

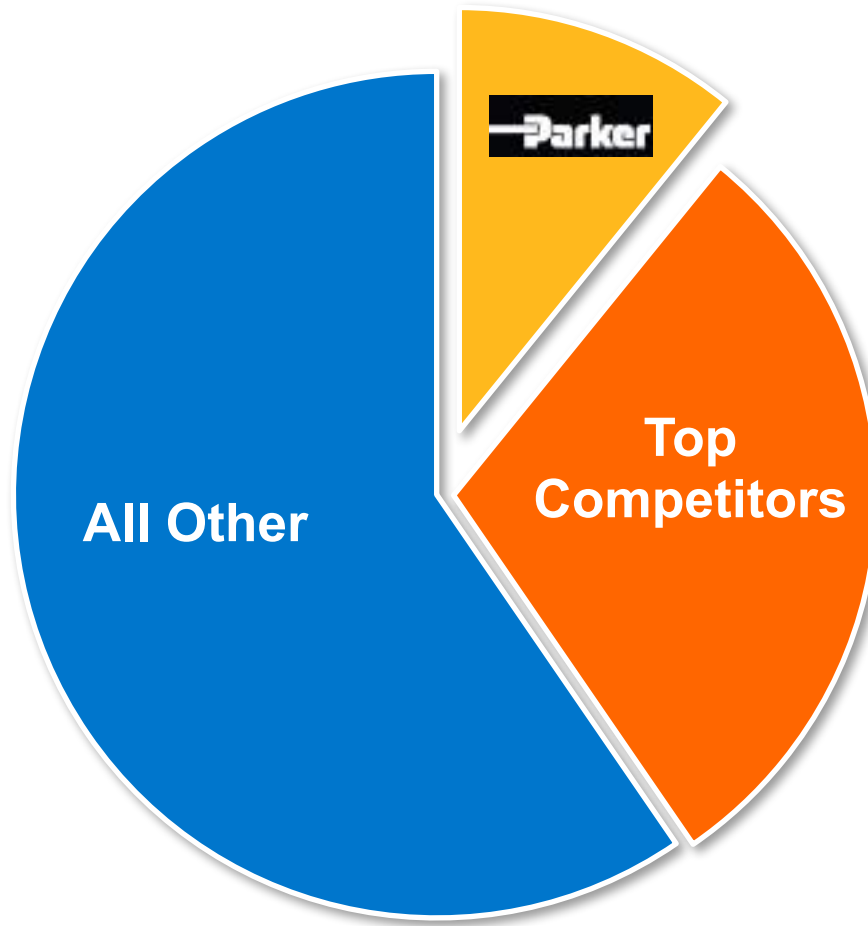
CLARCOR Acquisition Exceeding Expectations

Portfolio Strategy



#1 Position in Motion & Control Industry

Opportunity for Growth in a \$130 Billion Global Market



Unmatched Breadth of Technologies



Hydraulics



Pneumatics



Electromechanical



Filtration



Fluid & Gas Handling



Process Control



Climate Control



Sealing & Shielding

Stronger in combination ... IoT further increases

Portfolio Strategy

- ① Motion & Control Technology**
+
- ② Attractive Business Model**
+
- ③ Leading Positions**

Attractive Business Model Definition

- **Engineered products with intellectual property**
- **Long product life cycles**
- **Balanced OEM & aftermarket**
- **Moderate to low capital intensity**

Updated Corporate Targets



Updated Corporate Targets

	<u>FY20 Targets</u>	<u>FY23 Targets</u>
Growth	150 bps > GIPI	150 bps > GIPI
Segment OM%	17%	19%
EBITDA Margin	-----	20%
FCF Conversion	> 100%	> 100%
EPS CAGR	8%	10%+

Capital Allocation



Capital Allocation Priorities

Current

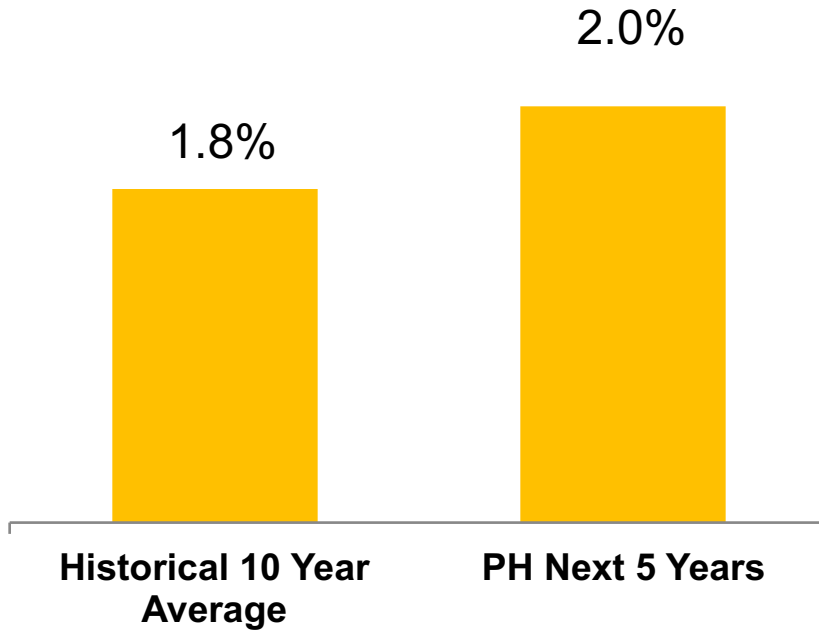
- **Dividends:**
 - Annual increase record
 - 30% of net income
(5 year average)
- **Capex for organic growth**
- **Debt reduction**
- **10b5-1 share repurchase**

As Debt Reduces

- **Continue current priorities**
- **Add...**
 - Acquisition
 - Discretionary share repurchase

Optimize Long Term Value Creation

CapEx Investment Strategy



Increasing allocation and shifting the mix to drive productivity & growth

Acquisition Strategy

Continue as consolidator of choice in Motion & Control

Focus on Engineered Materials, Aerospace, Instrumentation and Filtration

Evaluate attractive adjacencies and disruptors for potential investment

The Future



Leadership with a Purpose

- **Our Company creates value for society, customers, shareholders and our people**
- **With our customers, we help raise the standard of living**
- **Our performance and culture creates significant value**

Solving the World's Greatest Engineering Challenges



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



The Future...

**Top Quartile Performance
vs. Proxy Peers**

**Great Generators and
Deployers of Cash**

The Future...

**Keep Changing, because
when you're through
changing... You're through!**

*Bert-Olaf Svanholm
Past Volvo Chairman*



Thank You

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Lee Banks

President & Chief Operating Officer

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Simplification



Simplification Initiative

Key Focus Areas:

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

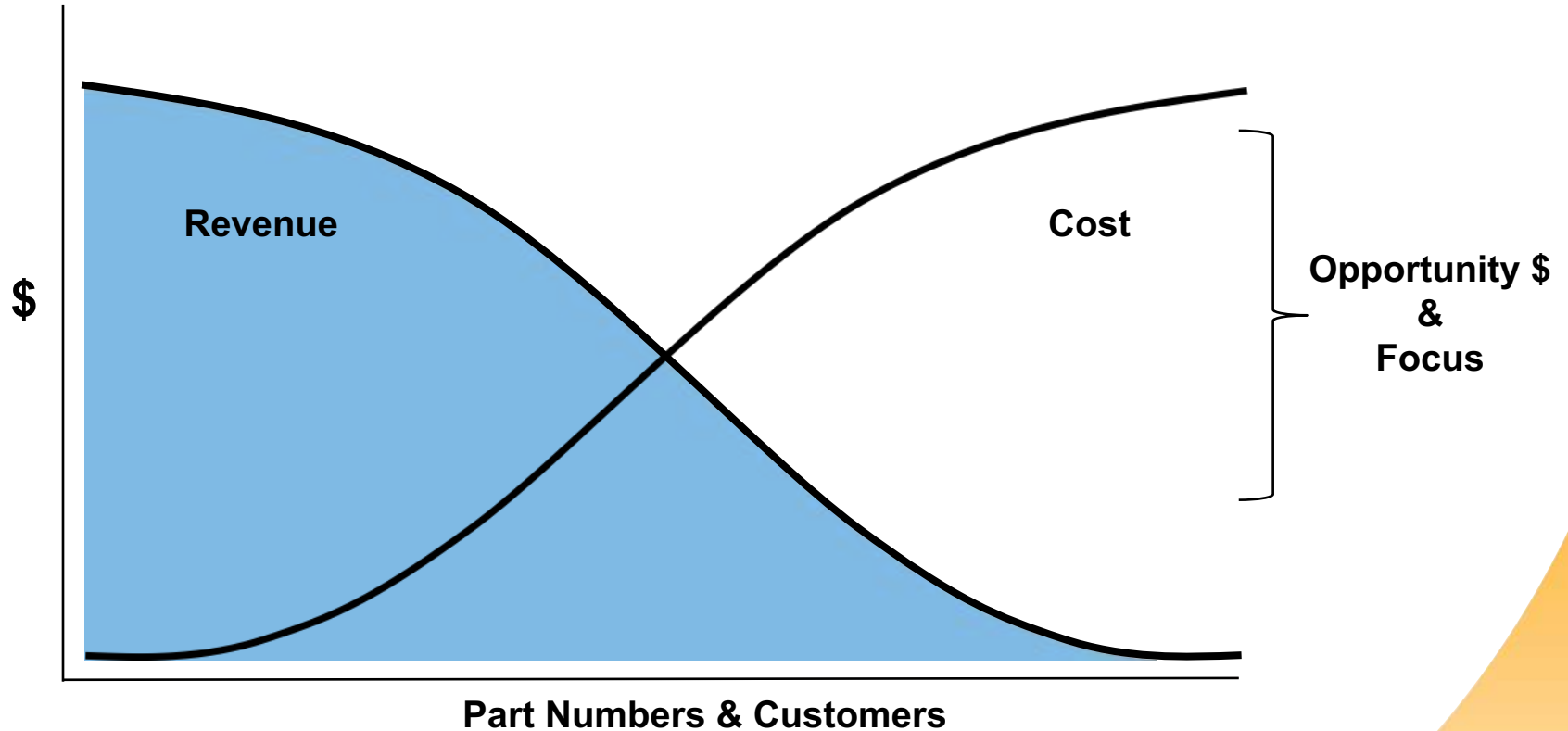
Enables speed & growth at reduced costs

Division Consolidation

FY15 to Today (includes CLARCOR)

122 → 88 Divisions

Revenue Complexity



Last 4% revenue drives disproportionate \$ cost

Parker Revenue Profiling

Actions to reduce cost and improve revenue:

- **Pricing on non-standard products**
- **Non-standard products to standard**
- **Third-party sourcing**
- **Move to distribution**

Tailored playbook to reduce complexity

Simplification...

- **Focus...80/20 Concept**
- **Speed**
- **Better experience**
- **Redesign work – processes & organization**
- **Enables growth and financial performance**

Simplification applies to everything we do!

Profitable Growth



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

Global Distribution Network



Distribution Growth Strategies

- **Channel is decades in the making**
- **Most valuable off-balance sheet asset**
- **Extra focus on international growth**
 - **Senior executive dedicated to this initiative**
 - **100+ former Parker personnel operating a distributor**
 - **362 new distributors added since FY15**

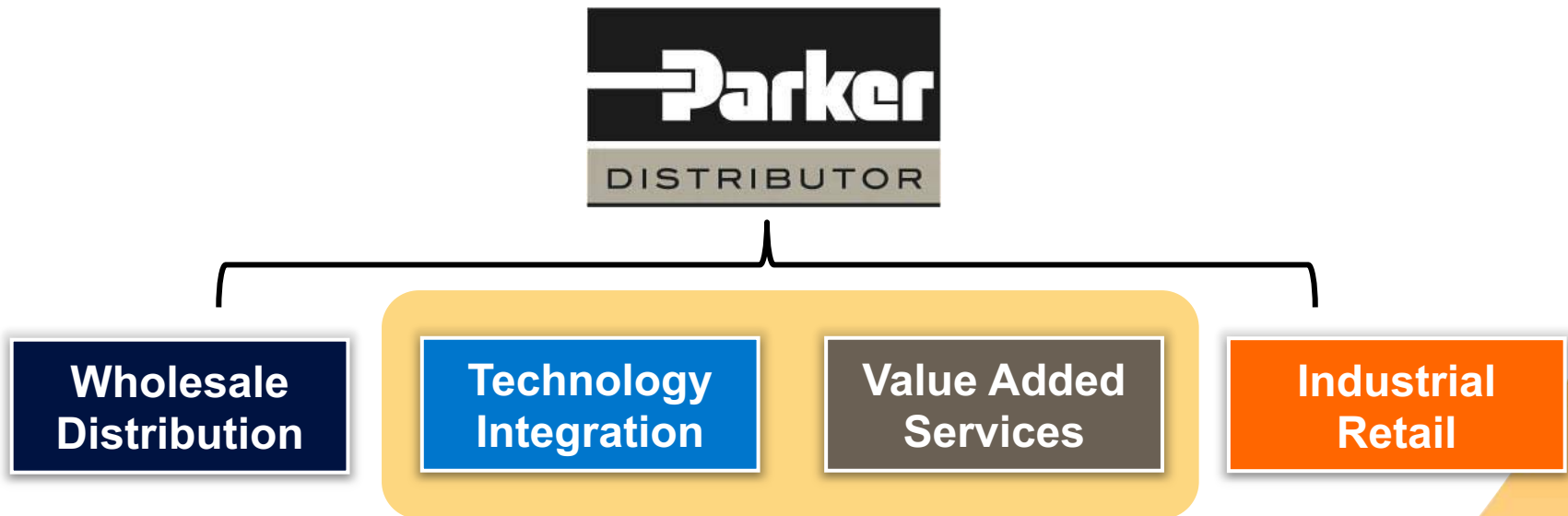
Distribution Success Factors

Focus and Alignment

- Dedicated sales force
- Channel management integrity
- Broad technology portfolio
- Executive engagement
- Distribution mind share



Distribution Capabilities



ParkerStore Facts

- Immediate need, MRO focus
- Servicing 96 countries
- 2018: 25th anniversary of the first ParkerStore
- Distribution owned



Profitable Growth

Key Initiatives

- **Distribution Growth**
- **Share Gain – Key Accounts**
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Enhanced by improved growth incentive plan



Key Account Growth Strategies

- **Key account manager structure**
- **Market share by technology strategy**
- **High Performance Teams**
- **Outside-in view of our performance**

Mobile Systems Application Centers



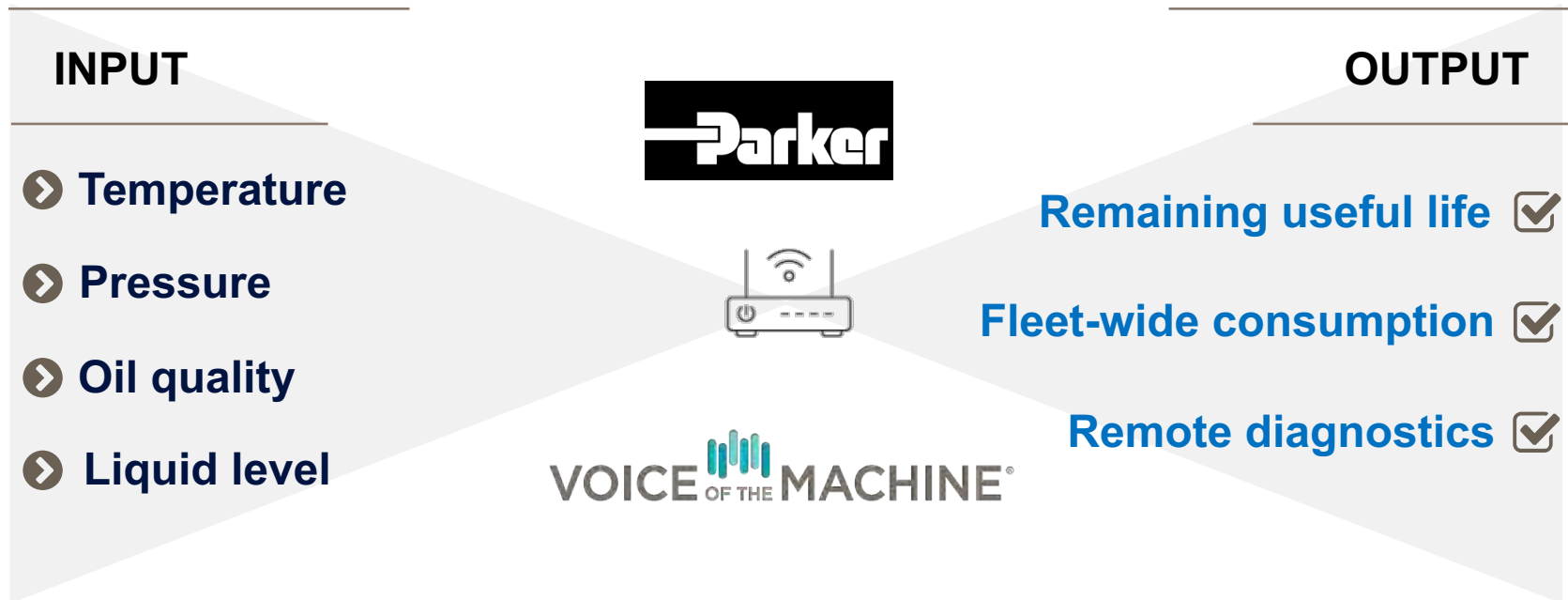
Profitable Growth

Key Initiatives

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Enhanced by improved growth incentive plan

From Data to Insights



Positions Parker with significant competitive advantages

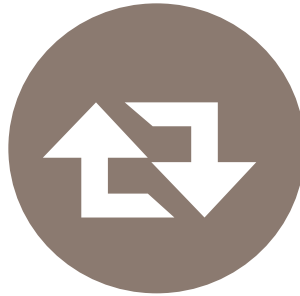


Emerging Commercial Platforms



Mobile

- Materials handling
- Utility vehicles
- Vocational trucks



Industrial

- Hydraulic power units
- Machine tools
- Compressed air



Energy

- Power generation
- Oil & gas

Profitable Growth

Key Initiatives

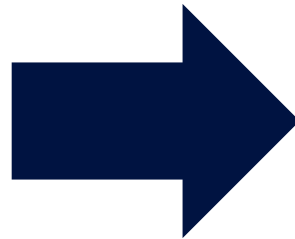
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Enhanced by improved growth incentive plan

Innovation Starts with Winovation



Simplification Applied to Winovation Pipeline



80%
Results

Market Driven Innovation Through...

- **New Product Blue Printing**
 - Start with customer or customer's customer
 - Training across the engineering team
- **Focus**
- **Speed**

Differentiated Solutions

Thank You

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Accelerated Financial Performance

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Cathy Suever

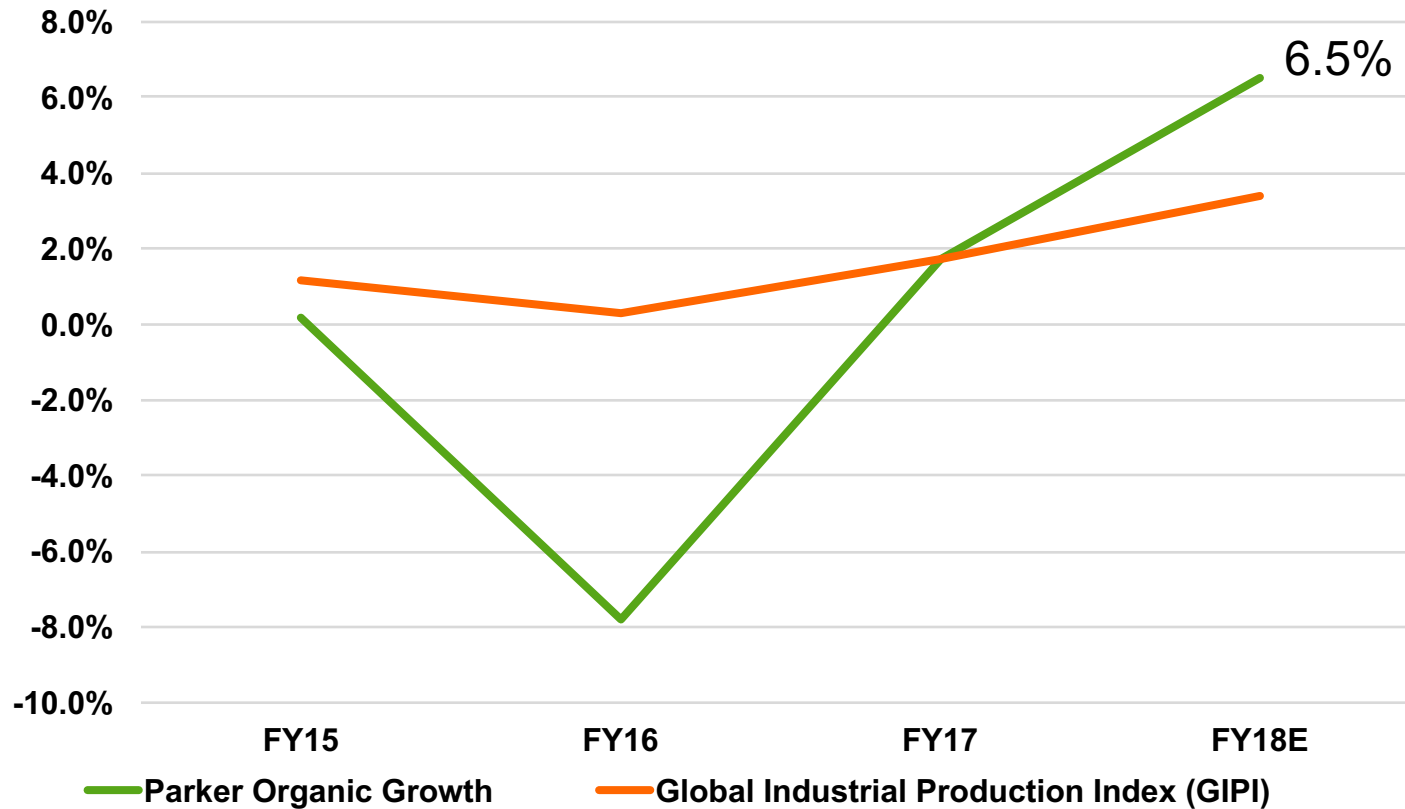
Executive Vice President –
Finance & Administration
and Chief Financial Officer

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Profitable Growth

Target: Organic Sales Growth 150bps > Market

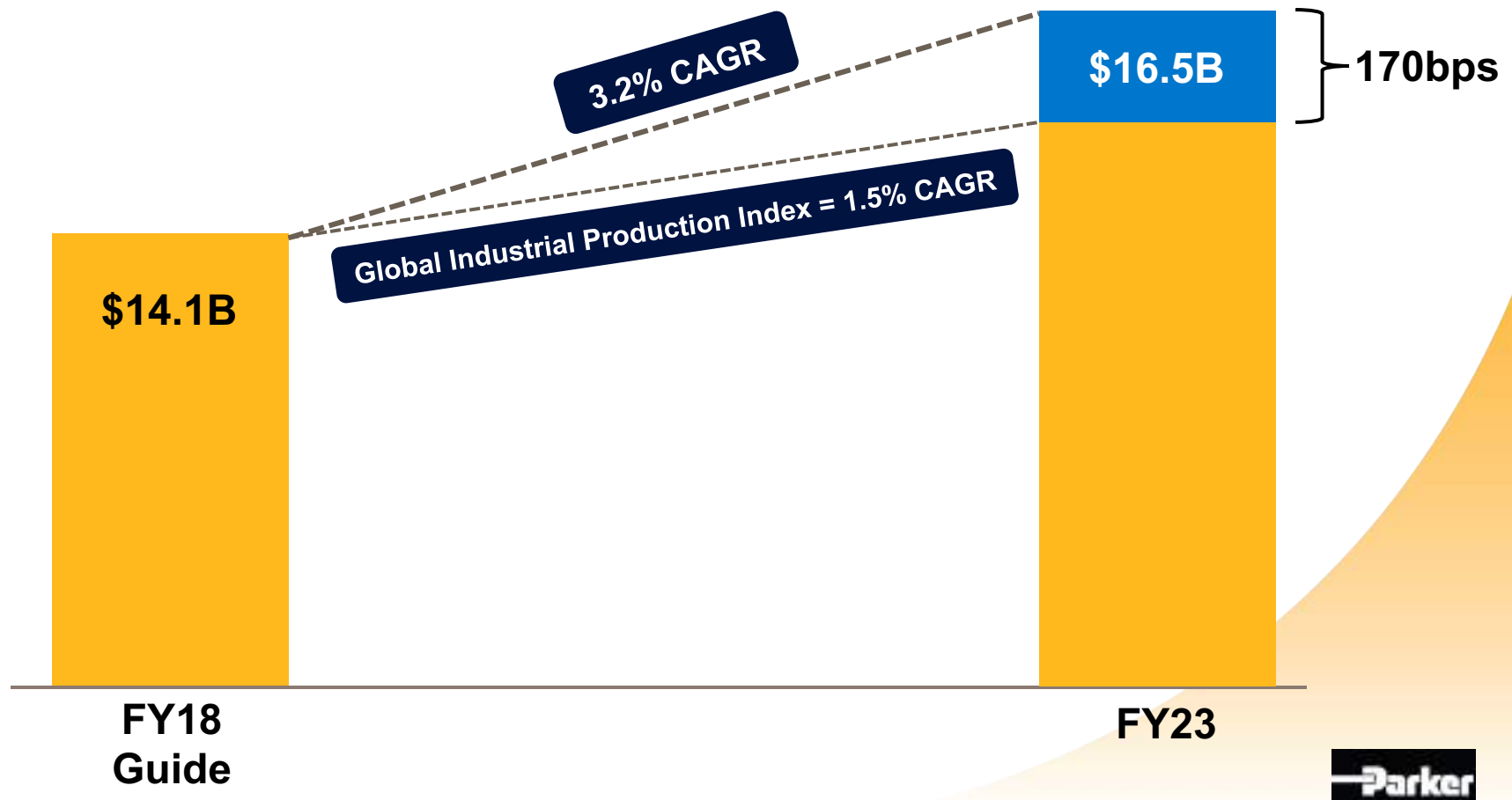


On track to outpace industrial production by 310 bps in FY18



Organic Sales Growth Target

Fiscal Years 2018 - 2023

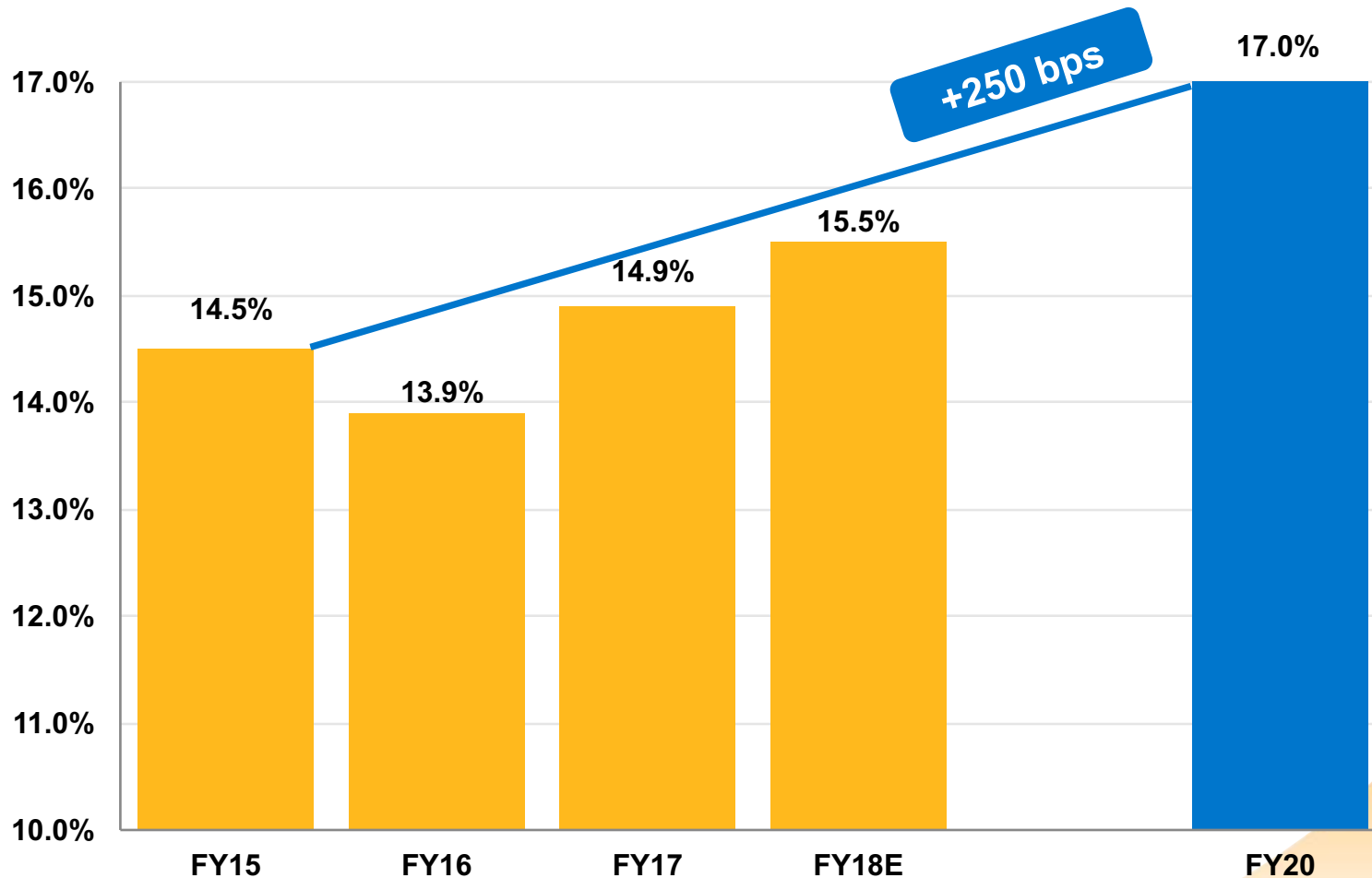


Margin Improvement



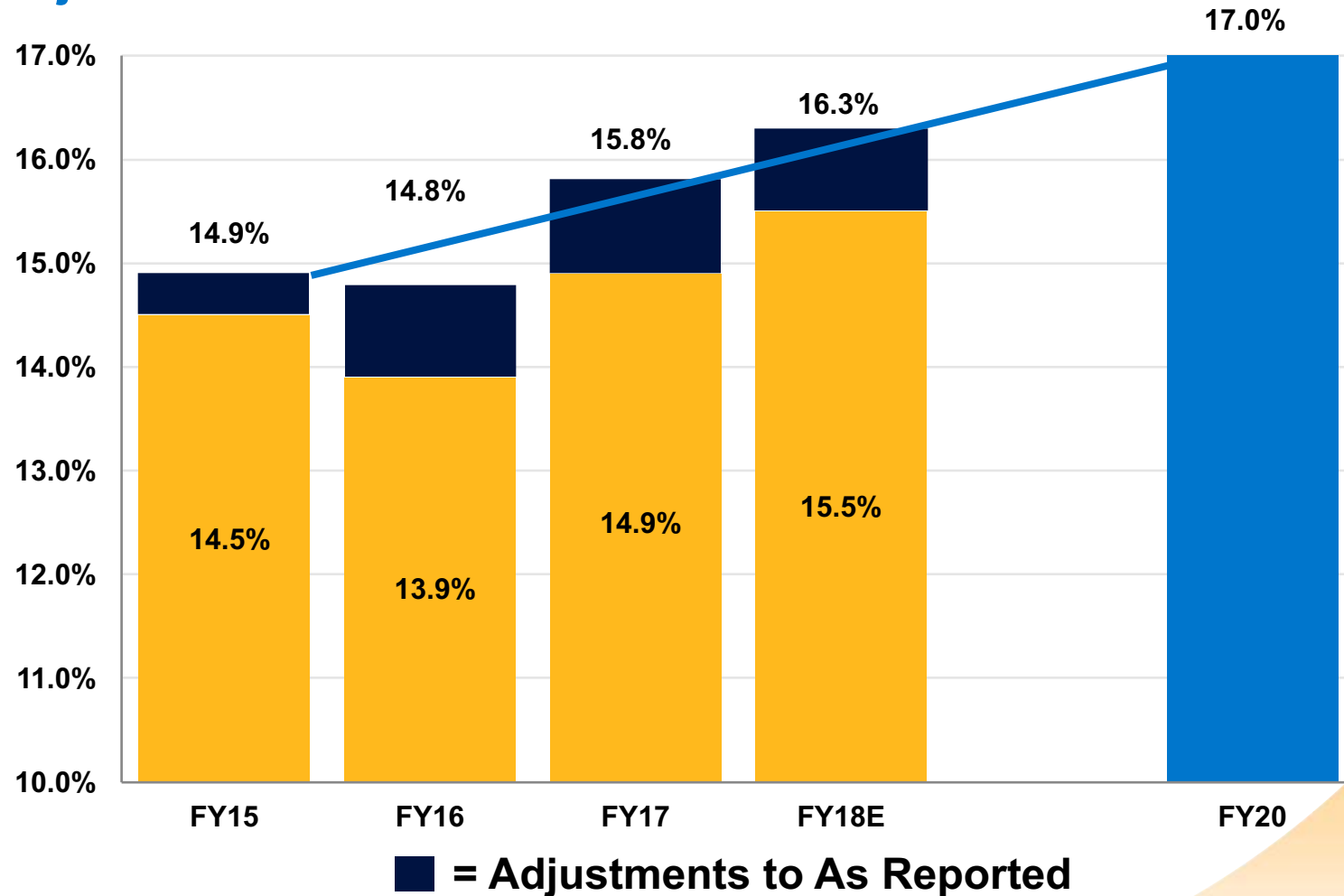
Segment Operating Margin Growth

As Reported



Segment Operating Margin Growth

Adjusted



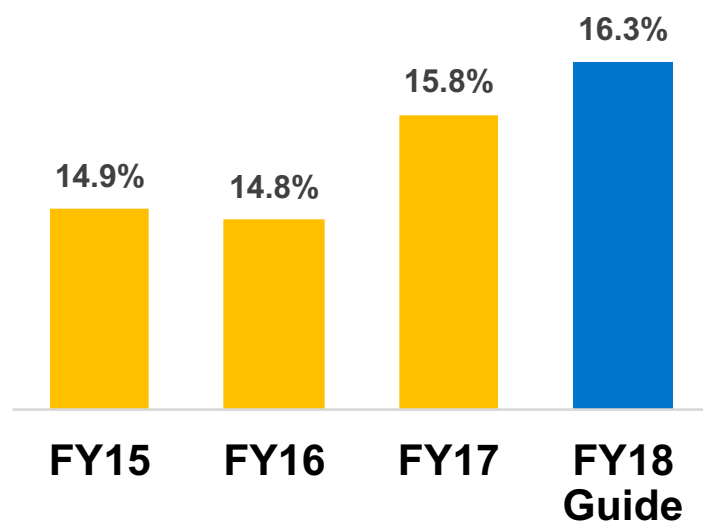
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Financial Performance

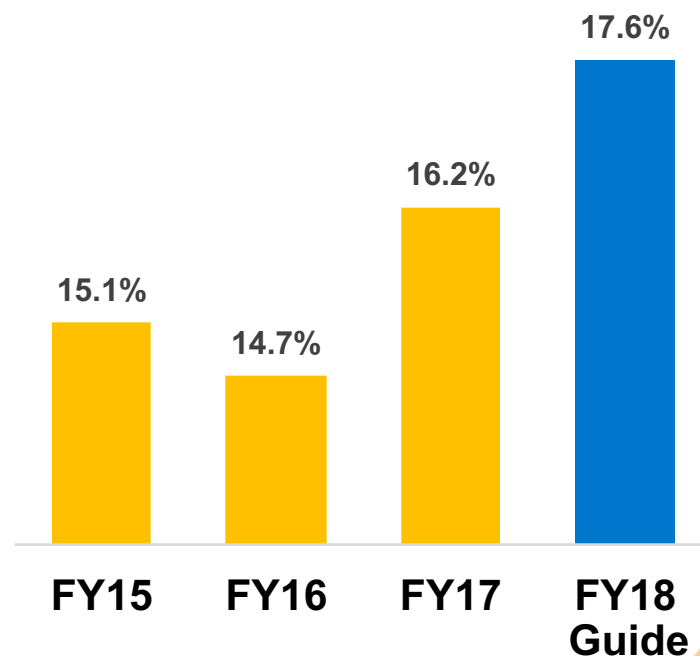
Expanding Profitability

Adjusted Operating Margin¹



Up 140 bps

Adjusted EBITDA¹



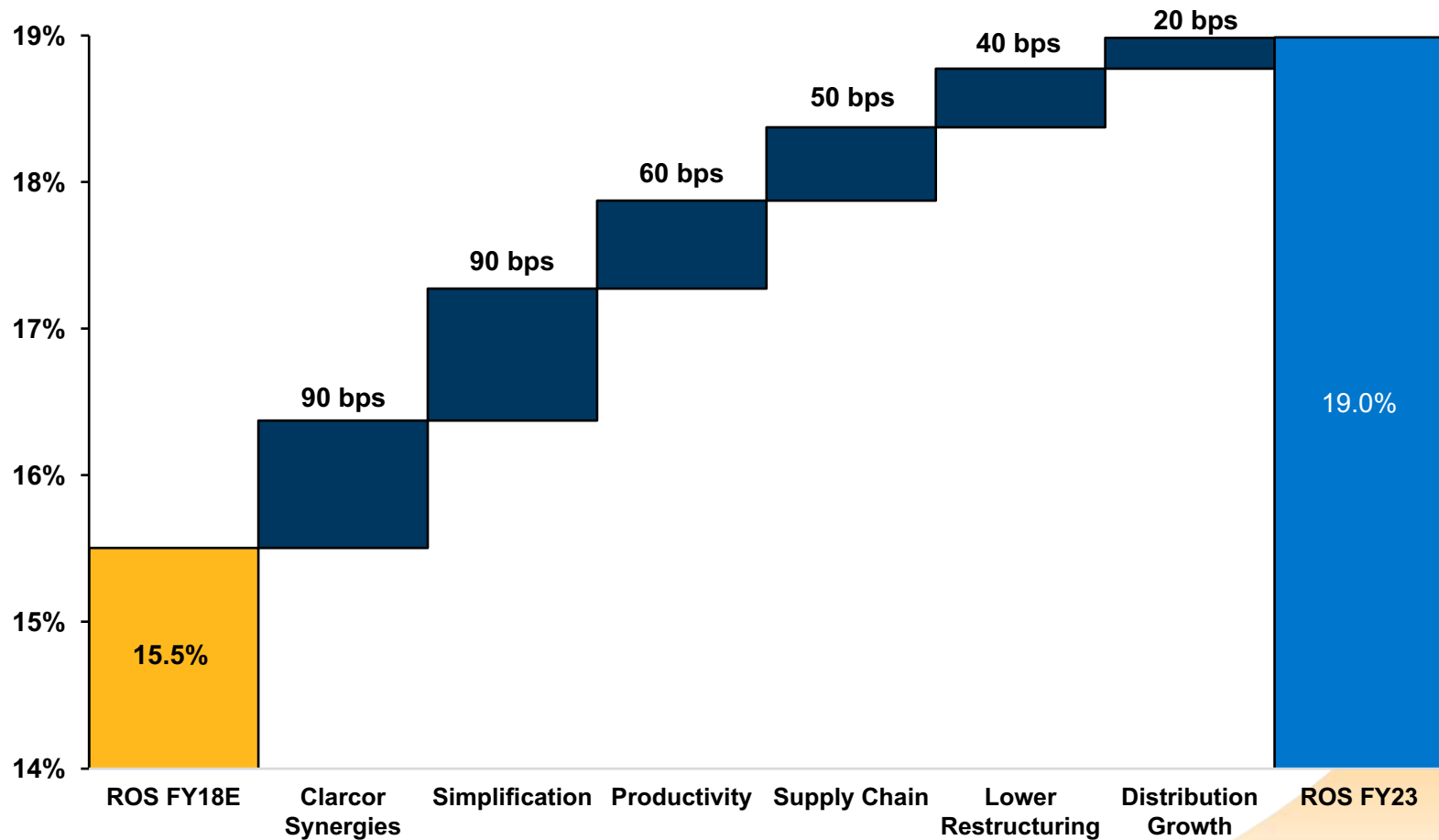
Up 250 bps

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Operating Margin Drivers to 19% in FY23

As Reported

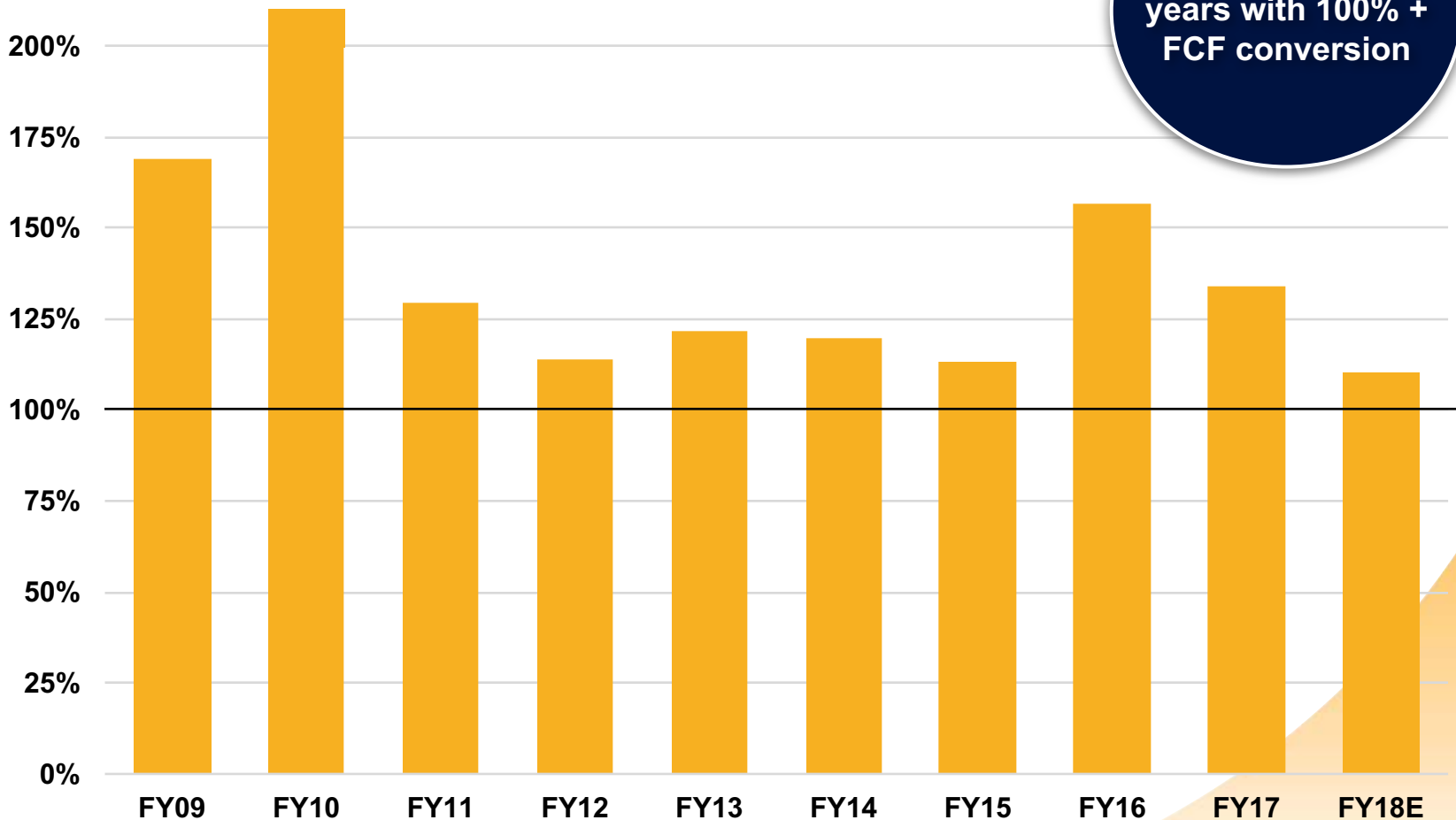


Great Generators of Cash
Great Deployers of Cash



Driving Free Cash Flow

Free Cash Flow / Net Income

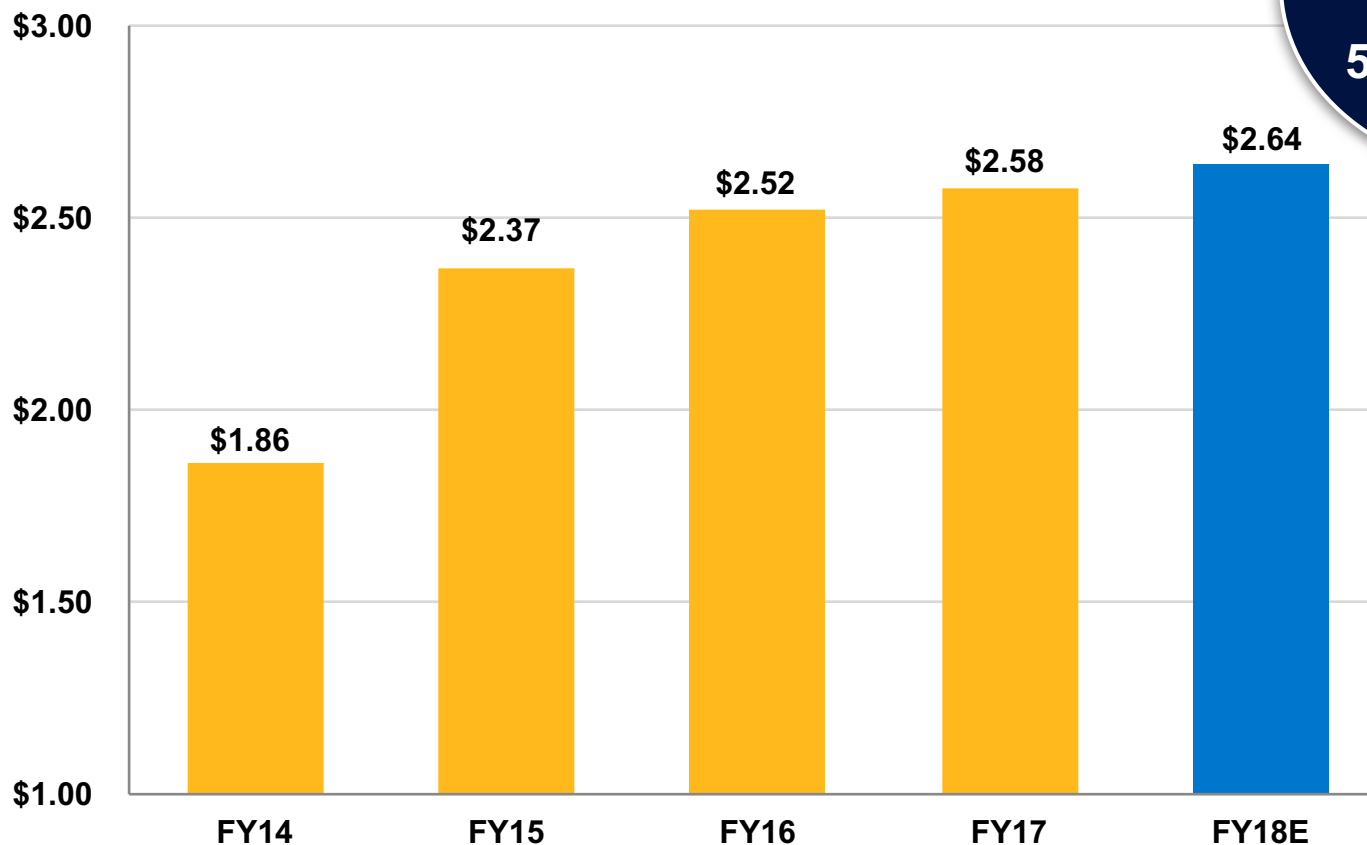


* Free Cash Flow = Cash Provided by Operating Activities - Capital Expenditures + Discretionary Pension Contribution



Dividend History

61 Fiscal Years of Consecutive Increases



Target
Payout Ratio
30%
5-year average

Current 5 Year Average = 34%



Capital Deployment

3-Year History

Cash Flow from Operations

Approx.
\$3.9
Billion

FY16 - FY18E

Deployment History

- **\$1.0B – Dividends**
- **\$0.6B – Capital expenditures**
- **\$2.3B – Strategic M&A and share repurchase**

Capital Deployment Targets

5-Year Forecast

Cash Flow from Operations

Approx.
\$11.5
Billion

FY19 - FY23

Deployment Forecast

- **\$2.6B – Dividends**
- **\$1.6B – Capital expenditures**
- **\$7.4B – Strategic M&A and share repurchase**

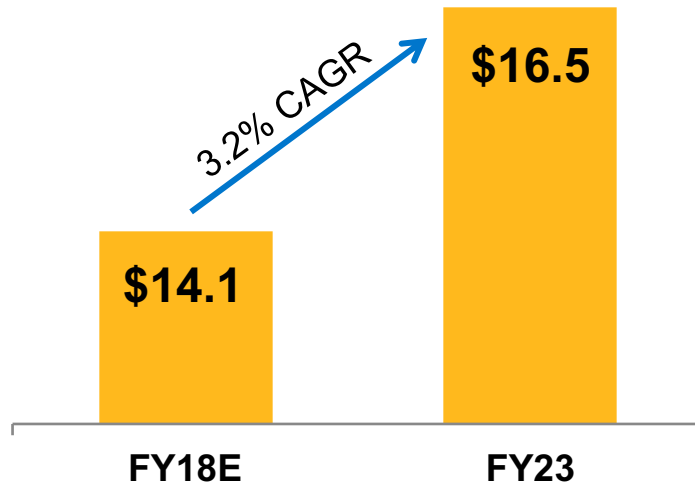
Key Takeaways



Targeted Metrics by FY23

Revenue Growth

170 bps > Industrial Production



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



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Aerospace Systems

Investor Meeting 2018



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Roger Sherrard

Vice President & President, Aerospace Group

ENGINEERING YOUR SUCCESS.

March 7, 2018

Parker Aerospace

\$2.3 billion
in annual sales*



Eight divisions
18 manufacturing locations

5,500
team members



Four
joint ventures

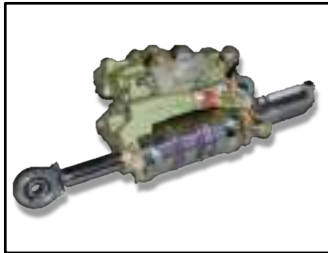
*FY18 Guidance



Aerospace Systems

**Market Focused, Multiple Technology Platform
Motion & Control Solutions Provider**

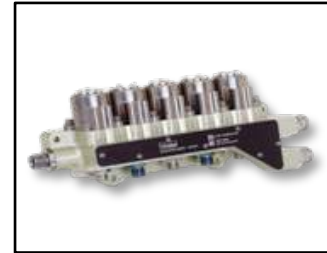
Motion Control



**Hydraulic
Actuation**



**Electromechanical
Actuation**



**Pneumatic
Actuation**



**Hydraulic
Braking**

Flow Control



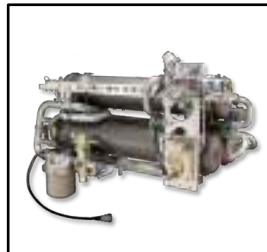
Hydraulics



Fuel



Oil



Inert Gas



Conveyance



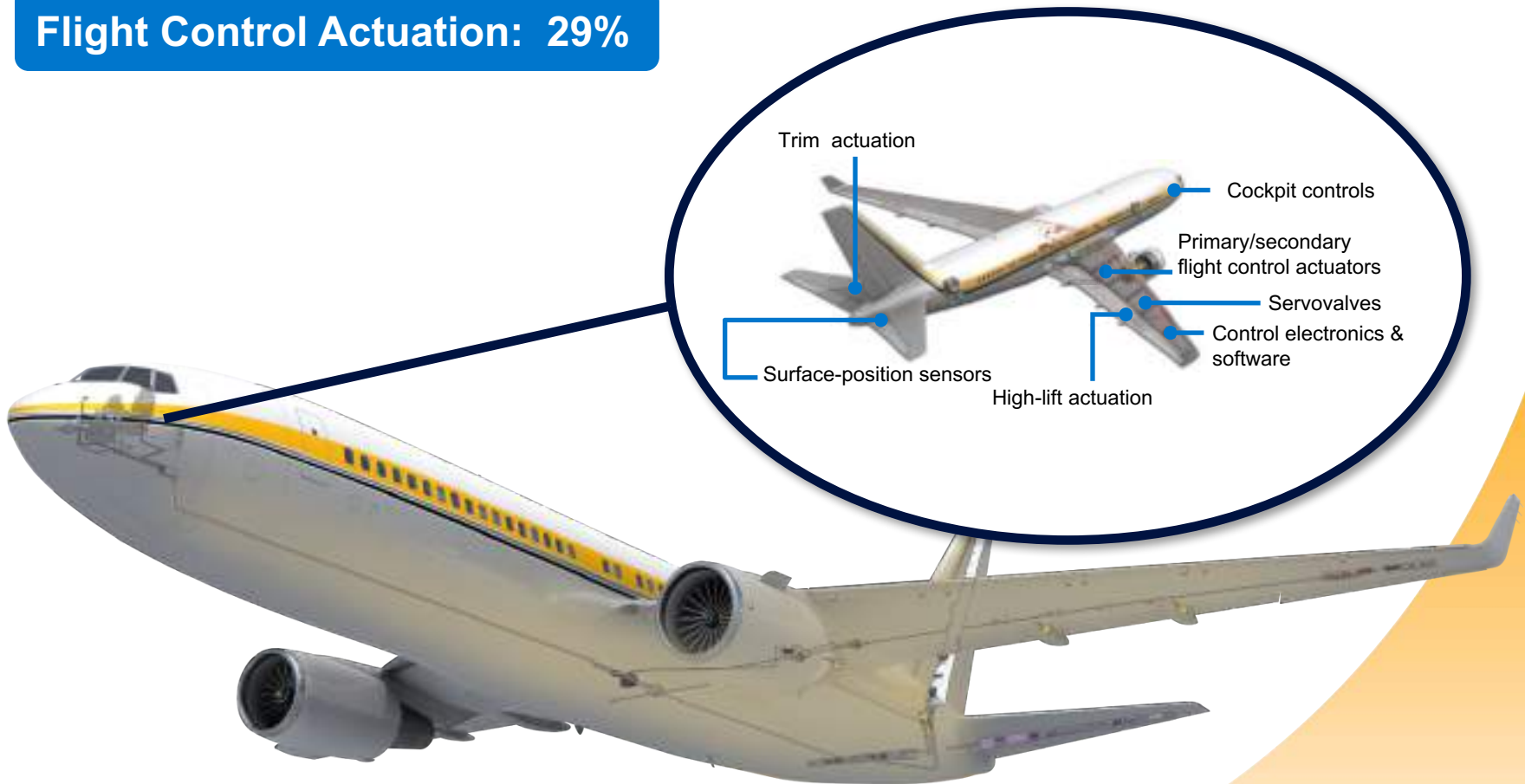
Filtration



Systems Strength, Component Solutions

Diverse Product Capabilities Across Markets

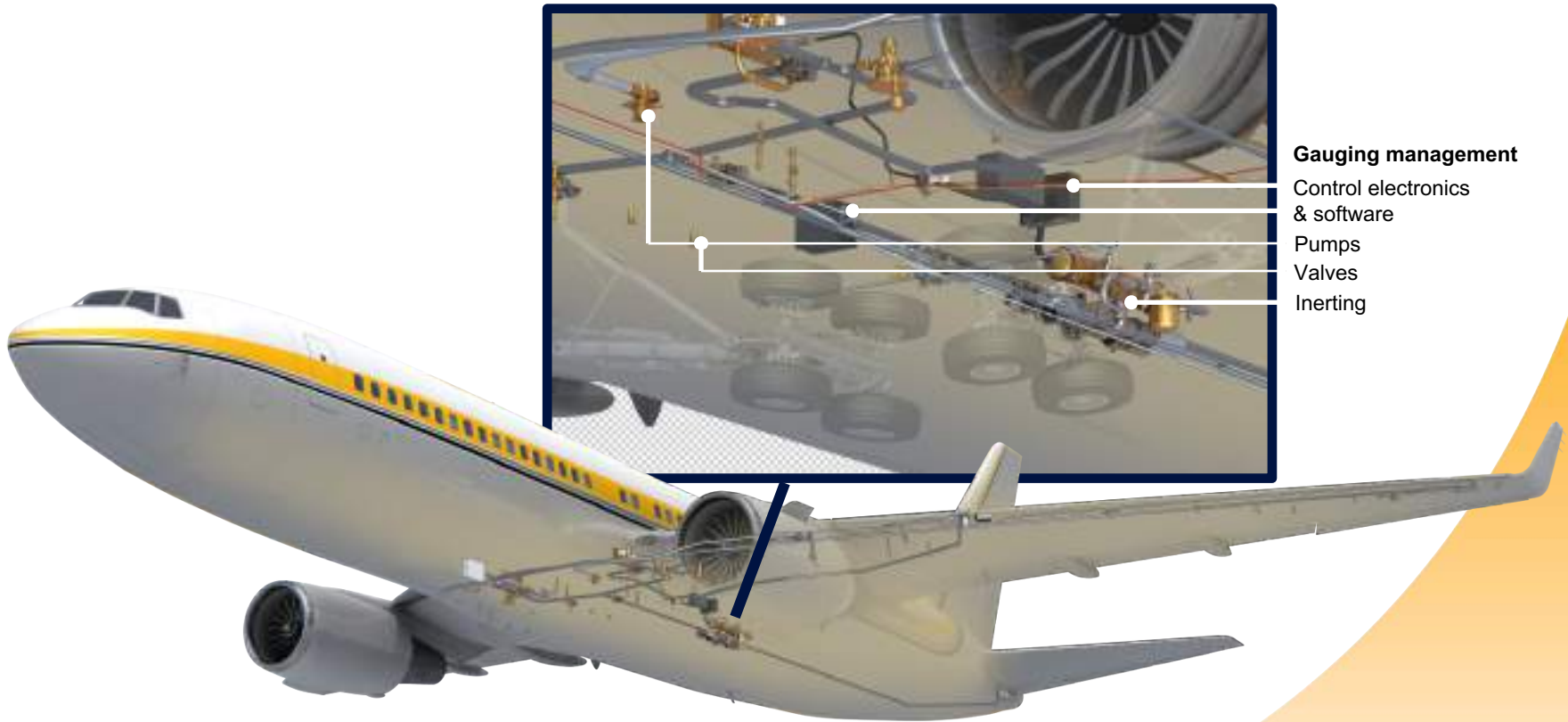
Flight Control Actuation: 29%



Systems Strength, Component Solutions

Diverse Product Capabilities Across Markets

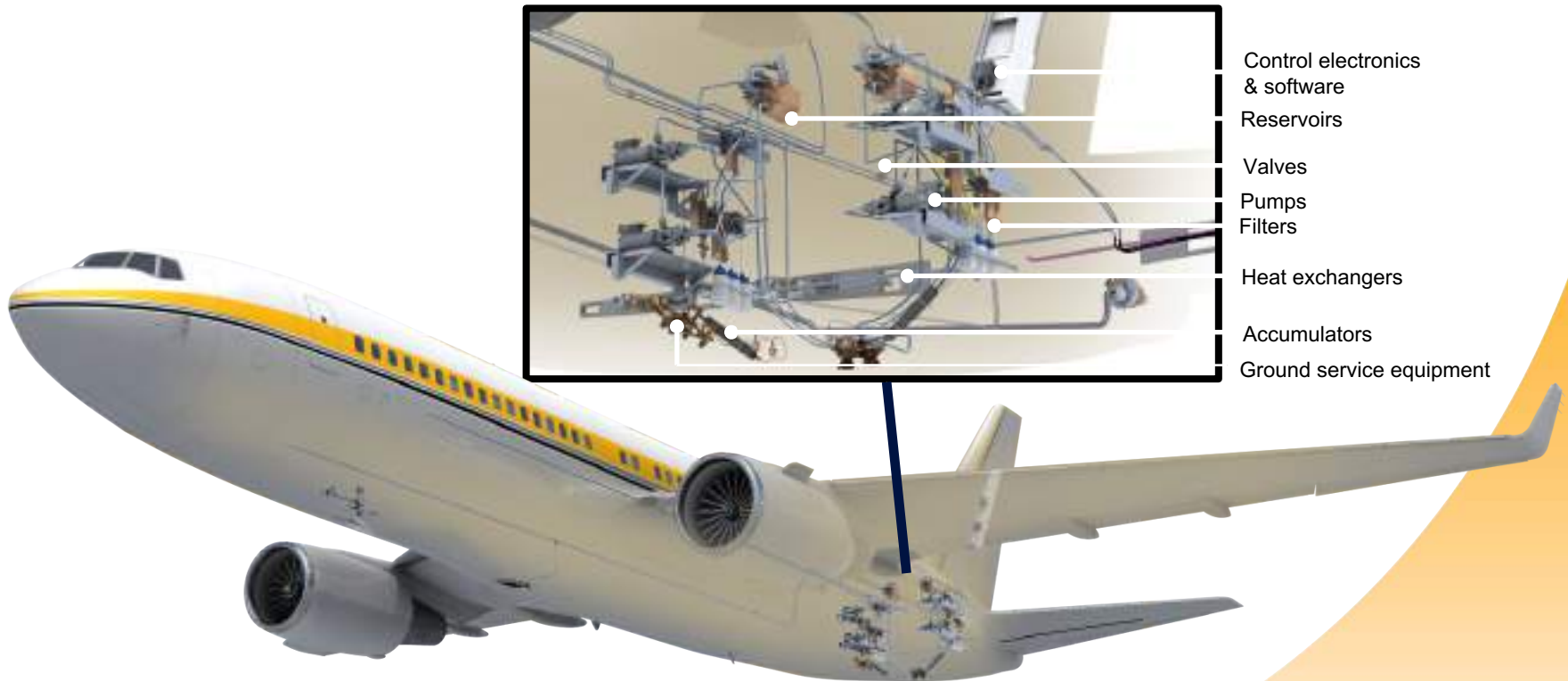
Fuel & Inerting: 20%



Systems Strength, Component Solutions

Diverse Product Capabilities Across Markets

Hydraulics: 19%



Systems Strength, Component Solutions

Diverse Product Capabilities Across Markets

Engine Components: 17%



Systems Strength, Component Solutions

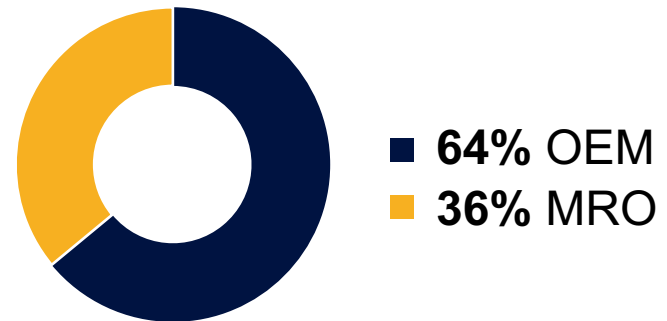
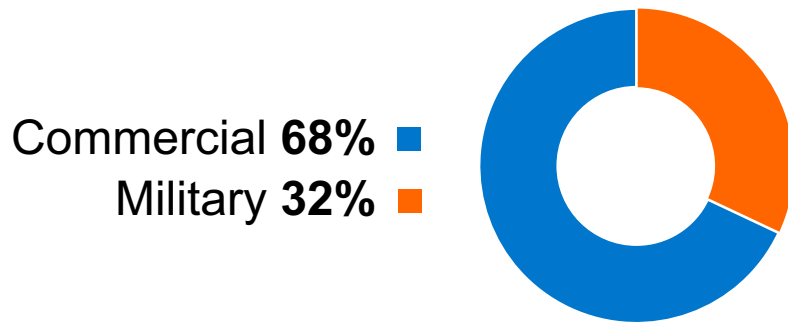
Diverse Product Capabilities Across Markets

Fluid Conveyance: 12%



Portfolio Mix

FY2017



Sales by Market Segment

31% Commercial Transport
17% Engine
17% Military Fixed Wing
12% Business & General Aviation

10% Regional Transport
8% Helicopters
5% Other

On Pace with Industry Trends

Well Positioned to Lead

Industry
Consolidation



Commercial
Super Cycle



Military Budget
Recovery



Technical
Innovation



Competitive Differentiators

How We Win

- Customer experience
- Systems capabilities
- Component breadth
- Global support & MRO services



Key Technologies

- More-electric solutions
- Additive manufacturing
- Composites



Interconnected Parker Technologies

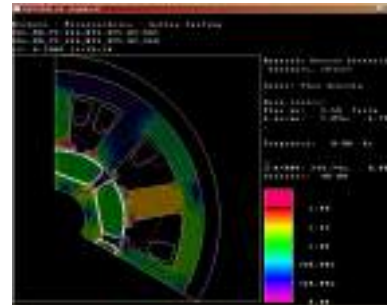
Motion & Control Expertise Applied to Industrial Markets



Military Vehicle
Door Actuators



Emissions
Control



Motor
Design



Controllers
& Software



Aerospace Sales Growth Acceleration

Returning to Long-term Trend

FY12-15

5% CAGR *

- New programs: 787, A350
- Narrowbodies

FY15-18

Flat

- A320, A350, 737 increases
- Business Jet & Helicopter down-turn
- 777, 747 & A380 decline

FY18-23

3% CAGR

- Narrowbody rates
- F-35 ramp-up
- New business jets
- Helicopter recovery
- Product improvements & retrofits (MRO)

* FY12 adjusted for PH-GE JV



Key Takeaways

Focus on Win Strategy Execution



Global Systems Leader

Diversified Portfolio

Clear Competitive Advantages

Growth Acceleration

Continued Margin Expansion



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Engineered Materials Group

Investor Meeting 2018



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Jennifer Parmentier

Vice President & President, Engineered Materials Group

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March 7, 2018

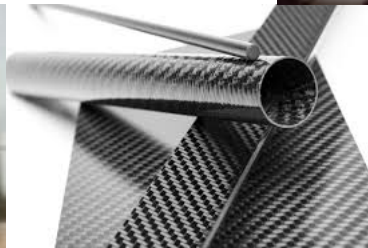
Engineered Materials Group

\$1.5 billion
in annual sales*



Nine divisions
56 worldwide locations

8,000+
team members

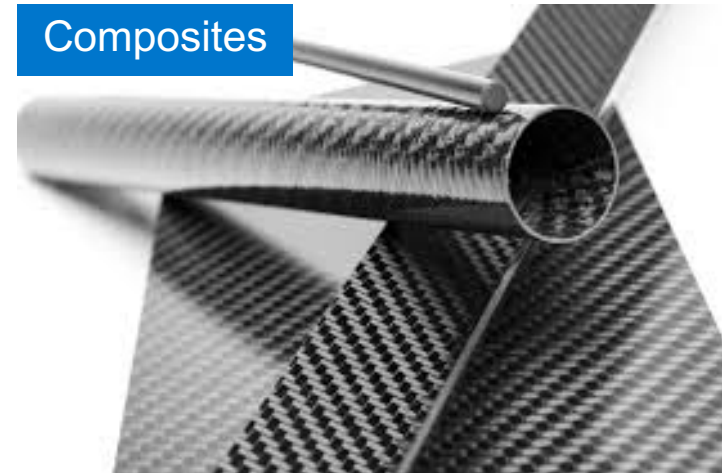


*FY18 Guidance



What is Materials Science?

Scientific Study of the Properties and Applications of:



How Do We Leverage Materials Science?

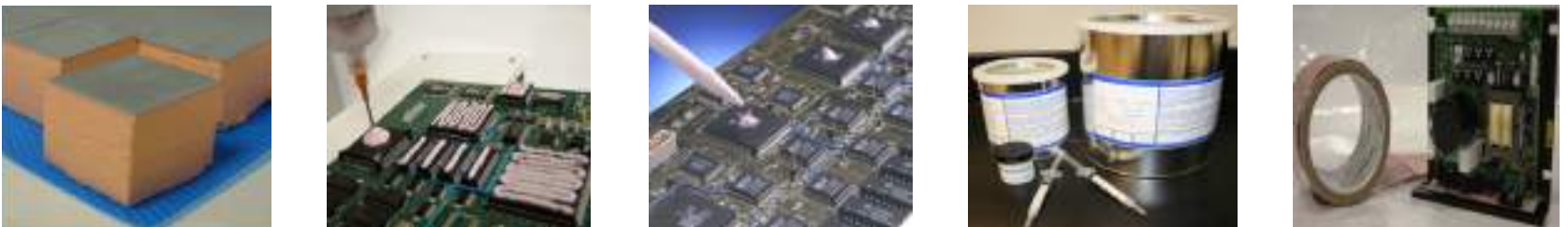
Sealing Products



Electromagnetic Interference Shielding Products



Thermal Management Products



Market Focused Engineering Approach

Aerospace



Automotive



Military



Heavy Duty



Oil & Gas



Telecommunications

Automotive Solutions

Collision avoidance & Lidar systems



Fuel delivery systems



Engine & transmission systems



Heavy Duty Solutions

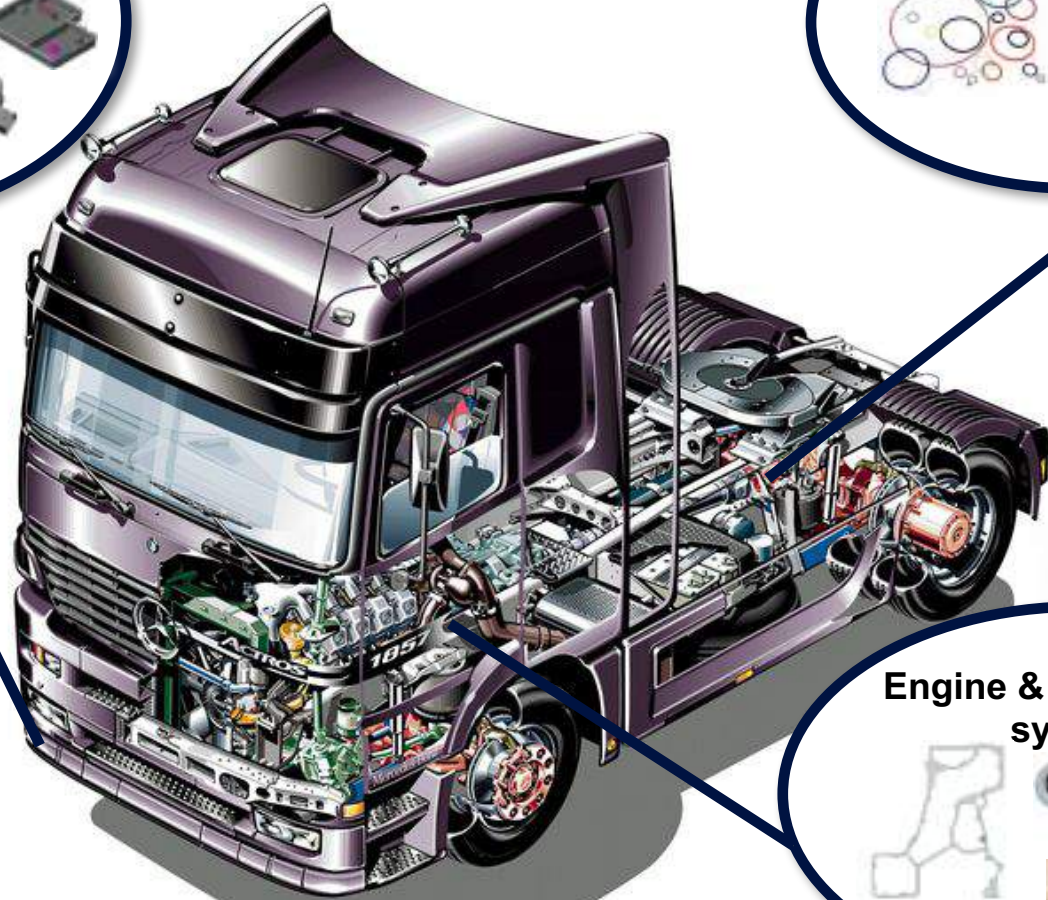
**Collision avoidance &
Lidar systems**



Fuel delivery systems



**Engine & transmission
systems**



Aerospace Solutions

Wing sealing & shielding systems



Engine components



Fluid conveyance systems



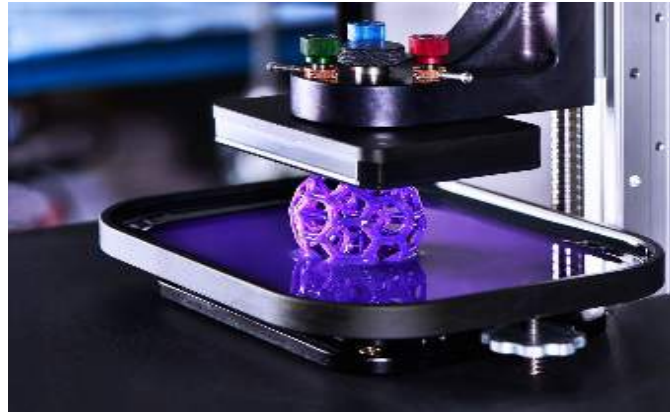
Addressing Industry Trends

Through Compelling Value Propositions

Extreme Environments



Additive Manufacturing



Electrification



Collaborative Robotics



Competitive Differentiators

How We Win

- Over 80% of portfolio protected w/ patents & trade secrets
- Global manufacturing footprint
- Largest distribution network in the industry
- Dedicated market focused sales force

Key Technologies

- Advanced technology development platforms
- Model based systems Engineering
- Collaborative robotics
- Additive/3D manufacturing



Key Takeaways

Focus on Win Strategy Execution



Materials Science Expertise

Market Focused Engineering

Global Distribution Network

Connectivity Across Groups

Continued Margin Expansion



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Filtration Group

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Rob Malone

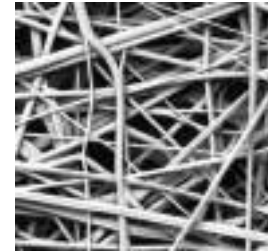
Vice President & President, Filtration Group

ENGINEERING YOUR SUCCESS.

March 7, 2018

Parker Filtration Group

\$2.7 billion
in annual sales*



18 divisions,
64 worldwide locations



10,000+
team members



Filtration
Technology Center

*FY18 Guidance



Competitive Differentiators

The most diverse industrial filtration company in the world

Aftermarket

Application &
Coverage

Original Equipment

Channel Strength

Technology & Media
Leader

Distribution
Capabilities

Diverse Portfolio

Global Presence



Compelling Value Proposition

Protect Assets & Purify Liquids and Gases



Packaging filter elements



Replacement elements



Proprietary media technology

Materials science

Forming & converting methods

Surface modification

Advanced composite techniques



Filtration Technology Platforms

Strong recurring revenue

Engine & Mobile



Hydraulic



Industrial Air



Process



Balanced End Market Exposure

Transportation



In-Plant



Industrial Processing



Construction & Mining



Power Generation

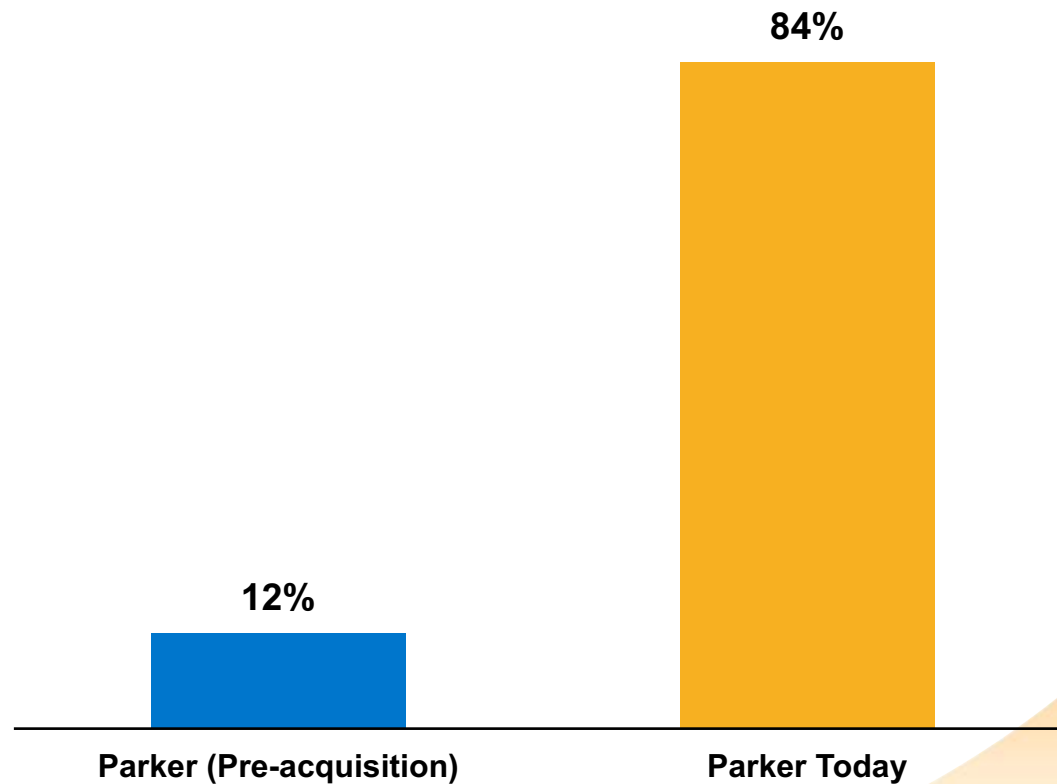


HVAC

Industry Leading Coverage

Applications Enhanced by CLARCOR Acquisition

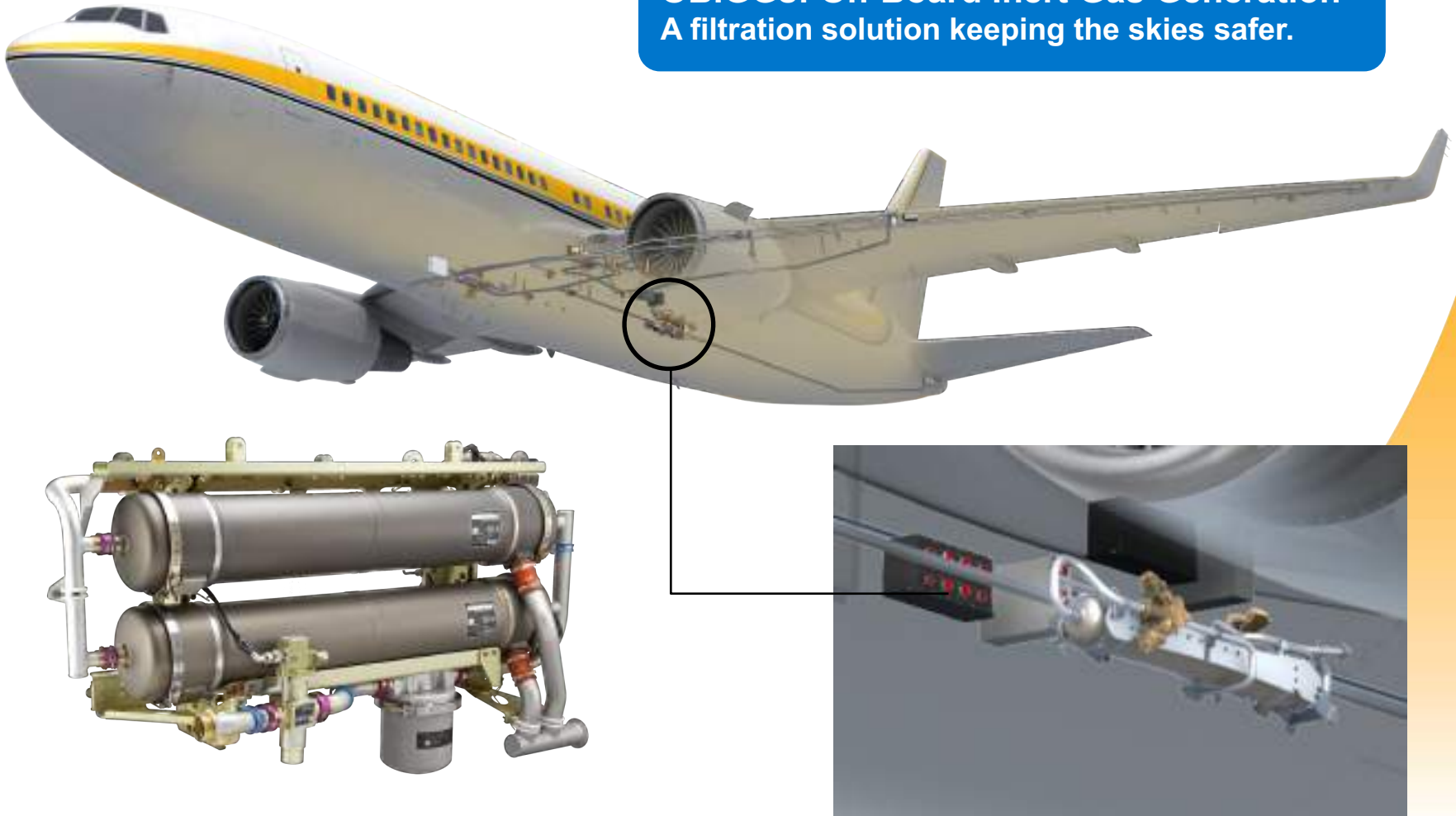
Engine & Mobile
North American Aftermarket Coverage



Interconnected Technologies

Complementary Expertise in Motion & Control

OBIGGs: On-Board Inert Gas Generation
A filtration solution keeping the skies safer.



CLARCOR Year One Takeaways

- Highly focused growth organization
- Greater opportunity to drive Win Strategy efficiencies
- Cultural alignment exceeding expectations
- Customer enthusiasm stronger than expected
- Strength of aftermarket distribution

Integration Progress & Process

Bigger & Faster

Original FY20 Targets

- Cost synergies of \$140M
- EPS accretive in year 1, excluding one-time costs
- EBITDA margin accretive
- High single-digit ROIC in year 5 with continued expansion

Updated FY20 Targets

- **Cost synergies of \$160M**
- **Revenue synergies of \$100M**
- EPS accretive in year 1, excluding one-time costs
- EBITDA margin accretive
- High single-digit ROIC in year 5 with continued expansion

CLARCOR Cost Synergy Update

Cost Synergies	Progress Against Plan
Footprint	Closing 22 plants, total of 2.3m square feet
Productivity	Improved sales/employee ratio by 20%
Material Costs	Reduced direct material spend by 6%
Logistics	Reduced freight costs by 14%
SG&A	Eliminated CLC corporate office & overhead

	FY17	FY18	FY19	FY20
Savings (run rate)	--	\$58M	\$125M	\$160M
Costs to Achieve (annual)	\$23M	\$52M	\$10M	\$5M

CLARCOR Revenue Synergies

		Areas of Opportunity						
Revenue Synergies	Globalization	<ul style="list-style-type: none"> ▪ Leverage Parker's international sales network 						
	OEM	<ul style="list-style-type: none"> ▪ Expand product to existing customers ▪ Develop next generation specifications ▪ Build upon first-fit customer relationships 						
	Channel/Distribution	<ul style="list-style-type: none"> ▪ Expand relationships as primary supplier ▪ Displace competition as new primary supplier ▪ Add new distributors 						
		<table> <tr> <th>FY18</th><th>FY19</th><th>FY20</th></tr> <tr> <td>\$25M</td><td>\$75M</td><td>\$100M</td></tr> </table>	FY18	FY19	FY20	\$25M	\$75M	\$100M
FY18	FY19	FY20						
\$25M	\$75M	\$100M						
Revenue Synergy (run rate)								

Key Takeaways

Focus on Win Strategy Execution



Unrivalled Breadth of Product

Broad Aftermarket Coverage

Technology & Media Leader

Integration & Synergies Ahead

Continued Margin Expansion



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Closing Comments

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Tom Williams
Chairman & Chief Executive Officer

The Win Strategy™

Our Vision: Engineering Your Success

Goals

Engaged People

STRATEGIES

- Environmental, Health & Safety
- Entrepreneurial
- High Performance Teams & Leaders

Premier Customer Experience

STRATEGIES

- Quality Solutions On Time
- eBusiness Leadership
- Ease of Doing Business

Profitable Growth

STRATEGIES

- 
- A Venn diagram with three overlapping circles: a teal circle at the top labeled 'Organic', a blue circle at the bottom left labeled 'Acquisitions', and an orange circle at the bottom right labeled 'Services'. Below the diagram is a list of strategies.
- Market-Driven Innovation
 - System Solutions
 - Strong Distribution
 - Grow Share
 - Engineering Expertise

Financial Performance

STRATEGIES

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

Parker Culture



SEPTEMBER 2012

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**

Updated Corporate Targets

	<u>FY20 Targets</u>	<u>FY23 Targets</u>
Growth	150 bps > GIPI	150 bps > GIPI
Segment OM%	17%	19%
EBITDA Margin	-----	20%
FCF Conversion	> 100%	> 100%
EPS CAGR	8%	10%+



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Thomas Williams

Chairman & Chief Executive Officer



Thomas Williams is Chairman & Chief Executive Officer of Parker Hannifin Corporation in Cleveland, Ohio.

Previous to his most recent position, he was Executive Vice President and Operating Officer with responsibility for Parker's Aerospace, Engineered Materials, Filtration, Instrumentation and Asia Pacific groups, along with the Strategic Pricing department.

Mr. Williams has demonstrated successful leadership in two of Parker's operating groups, as Vice President of Operations for the Hydraulics Group and then President of the Instrumentation Group.

Mr. Williams joined Parker in 2003. Prior to that, he held a number of key management positions at General Electric.

Mr. Williams earned a Mechanical Engineering degree from Bucknell University and his MBA from Xavier University.



Lee Banks

President & Chief Operating Officer



Lee Banks joined Parker Hannifin in 1991 and is currently the President and Chief Operating Officer of the corporation.

Mr. Banks joined Parker Hannifin as an After Market Sales Manager in the Refrigeration and Air Conditioning Group. He subsequently held positions as General Manager of the Fluidex Division in Madison, Mississippi, General Manager of the Skinner Valve Division in Hartford, Connecticut, Vice President of Operations for the Climate & Industrial Controls Group, Worldwide President of the Instrumentation Group, Worldwide President of the Hydraulics Group and Executive Vice President & Operating Officer at the Corporate Headquarters in Cleveland, Ohio.

Mr. Banks graduated from DePauw University with a B.A. in Economics and also holds an MBA from the Keller Graduate School of Management in Chicago.



Catherine Suever

EVP Finance & Administration and Chief Financial Officer



Catherine Suever is Executive Vice President Finance & Administration and Chief Financial Officer of the Corporation. She is a member of the Office of the Chief Executive and leads all Finance functions in addition to IT, Investor Relations, Business Development, and Strategy.

Ms. Suever joined Parker in 1987 in External Reporting. She moved into operations as Division Controller, followed by Business Unit Manager of the Gas Turbine Fuel Systems Division. She subsequently held positions of increasing responsibility as Director, Finance and Investor Relations Support; Assistant Treasurer; Vice President and Controller of the Climate & Industrial Controls Group; and Vice President, Corporate Controller & Chief Accounting Officer.

Ms. Suever started her career at Price Waterhouse. She is a Certified Public Accountant and holds a Bachelor of Science in Accounting from the University of Dayton.



Roger Sherrard

Vice President & President, Aerospace Group



Roger Sherrard Vice President and President of Parker's Aerospace Group. As president, Mr. Sherrard is responsible for all fiscal and operational aspects of the group's eight divisions.

Beginning with Parker's Compumoter Division in 1989, Mr. Sherrard held positions of increasing responsibility with the division. He has also served as general manager for the Automation Actuator Division and as president of Parker's Instrumentation Group.

Most recently, Mr. Sherrard served as president of Parker's Automation Group, leading the group in the development, manufacturing, and marketing of systems and components for a wide range of machine and factory automation solutions.

Mr. Sherrard earned a bachelor of science degree in mechanical engineering from Georgia Institute of Technology in Atlanta and an MBA from Case Western Reserve University in Cleveland, Ohio.



Jennifer Parmentier

Vice President & President, Engineered Materials Group



Jennifer Parmentier is Vice President and President of Parker's Engineered Materials Group (EMG). Previously Ms. Parmentier was General Manager at Parker's Hose Products Division and prior to that she was General Manager of the Sporlan Division. She joined Parker in 2008 from Trane, a business of Ingersoll Rand Corporation.

Ms. Parmentier began her professional career in 1986 as a Material Planner/Expeditor at Lear Siegler Corporation. She joined Magna-Integram St. Louis Seating where she held positions of increasing responsibility including Materials Manager and Assistant General Manager. She subsequently worked as a Plant Manager for Trane Residential Systems before joining Parker's Sporlan Division.

Ms. Parmentier graduated from Webster University in St. Louis with a B.A. in Management, and will soon earn an Executive MBA at the Loyola Quinlan School of Business, in Chicago.



Robert Malone

Vice President & President, Filtration Group



Robert Malone is Vice President and President of Parker Hannifin's Filtration Group. In his role, Malone oversees Parker Hannifin's global filtration operations across 18 divisions.

Mr. Malone joined Parker Hannifin in 2013 as Vice President of Operations for the Filtration Group, where he was responsible for five of the group's divisions and served as an executive group sponsor for several global filtration platforms. Prior to joining Parker Hannifin, Mr. Malone was President and Chief Executive Officer at Purolator Filters North America LLC, where he was responsible for Purolator branded and private label oil, fuel and air filters, for major North American OEM and aftermarket customers.

Mr. Malone holds a Bachelor's degree in Industrial Engineering from Purdue University and a joint Master's of Business Administration and Engineering degree from Northwestern University's Kellogg School of Management.



Appendix

- Reconciliation of Organic Sales Growth
- Reconciliation of Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Reconciliation of Free Cash Flow Conversion
- Reconciliation of Forecasted EPS

Reconciliation of Organic Sales Growth

(Unaudited)
(Dollars in millions)

	Twelve Months Ended				
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Sales					
As Reported	13,215	12,712	11,361	12,029	14,088
Acquisitions		15	42	558	977
Currency		(546)	(404)	(84)	297
Organic Sales		13,243	11,723	11,556	12,814
Organic Sales Growth		0.2%	-7.7%	1.7%	6.5%

Reconciliation of Segment Operating Margin

(Unaudited)
(Dollars in millions)

	Twelve Months Ended June 30, 2015		Twelve Months Ended June 30, 2016		Twelve Months Ended June 30, 2017		Twelve Months Ended June 30, 2018	
		Operating Margin		Operating Margin		Operating Margin		Operating Margin
Total Segment Operating Income	1,838	14.5%	1,576	13.9%	1,790	14.9%	2,184	15.5%
Adjustments:								
Business Realignment Charges	32		107		56		58	
Acquisition Related Expenses	-		-		58		-	
Clarcor Costs to Achieve	-		-		-		52	
Voluntary Retirement Expense	18							
Adjusted Total Segment Operating Income	1,888	14.9%	1,682	14.8%	1,904	15.8%	2,294	16.3%



Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited)
(Dollars in millions)

	Twelve Months Ended June 30, 2018
Net Sales	14,088
Earnings before Income Taxes	1,668
Depreciation and Amortization	482
Interest Expense	212
EBITDA	2,361
Adjustments:	
Gain on sale and writedown of assets, net	5
Business realignment charges	58
Clarcor costs to achieve	52
Adjusted EBITDA	2,477
Adjusted EBITDA Margin	17.6%



Reconciliation of Free Cash Flow Conversion

(Unaudited)
(Dollars in millions)

	Twelve Months Ended									
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Net Income	509	554	1,049	1,152	948	1,041	1,012	807	983	1,032
Cash Flow from Operations	1,129	1,219	1,167	1,530	1,191	1,388	1,363	1,211	1,302	1,434
Capital Expenditures	271	129	207	219	266	216	216	149	204	298
Discretionary Pension Contribution	-	100	400	-	226	75	-	200	220	-
Free Cash Flow	858	1,190	1,360	1,312	1,151	1,247	1,148	1,261	1,319	1,135
Free Cash Flow Conversion (Free Cash Flow/Net Income)	169%	215%	130%	114%	121%	120%	113%	156%	134%	110%

Reconciliation of Forecasted EPS

(Unaudited)
(Amounts in Dollars)

	Twelve Months Ended June 30, 2018
Earnings per Diluted Share	7.58
Adjustments	
Business Realignment Charges	0.32
Clarcor Costs to Achieve	0.28
Gain on Sale and Writedown of Assets, net	0.02
U.S. Tax Reform One-Time Impact, net	1.65
<u>Adjusted Earnings per Diluted Share</u>	<u>9.85</u>

