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PRESENTATION

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

All right. Good morning, everybody. Welcome to Donaldson's presentation. We are very pleased to have Scott Robinson, CFO; and Director of IR, Brad Pogalz is here. Scott's got a few introductory slides that he's going to go over before we get into grilling him on the bull and bear cases.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

All right. Thank you, Nathan. Good morning, everybody. I'll just start with the Safe Harbor, certain statements in the presentation that I'm going to make are considered forward-looking statements. The risks and uncertainties surrounding those statements are listed on the screen here and also in our filings with the SEC. So with that we'll jump right into it.

When I think of Donaldson, there's 5 things I'd like to tell you about our company, that come to mind for me and for many others. Number one is we are a technology-led filtration company. We've been around for over 100 years and we have very deep customer relationships. When you think of Donaldson, we are a diversified portfolio of global businesses with opportunities to expand our market share. We have a very experienced management team and Board of Directors that is committed to our long-term success. Donaldson is a very global company with global product distribution and a global footprint. So we are able to be a global company but still provide a local level of service. And we have a strong culture of ownership in the company to align our interests with that of our shareholders.

Donaldson at a glance. Like I said, we've been around for more than 100 years. Founded in 1915. we have approximately 14,000 employees who are split by 2 segments, Engine and Industrial. We're 68% Engine and 32% Industrial. And we have a very global footprint with 42% of the sales inside the U.S. and 58% outside the U.S. When you think of end markets that Donaldson serves, our biggest end market will be construction, and then Industrial Air would be second. Industrial air, think of air purification inside of a factory, then On-Road truck and so on down the list. So we have a very diverse set of industries that we serve.

Our goal is to create holes and fill holes is what we say. So that's a proprietary business model, a razor-and-razorblade model, if you will. You can see our replacement parts have grown from 50% of the business in 2012 all the way up to 62% of the business in 2018. And so that's evidence of our -- the success of our strategies to sell proprietary products, which secure the Aftermarket for both Donaldson and its OE partners. When you look at the split of the business, you can see Donaldson reports its Engine Aftermarket separately. So that's 100% of the sales there. Our -- the Aftermarket or replacement parts, IFS, you can see is about 50-50 in terms of first-fit and replacements parts and so on down the list. So the goal is to sell razors to having a razor blade replacement sale as the parts are utilized in production. Our strategic growth priorities, we have 2 segments as I said, Engine and Industrial.

In Engine, we want to grow our market share with new program wins on a proprietary basis. China and India represent large opportunities for the company as they look to improve the standards with which our equipment operates. Those improvements require a higher level of filtration and that just opens up a whole new set of opportunities for Donaldson to fulfill those higher technology requirement filtration solutions. And looking to do acquisitions either in terms of geography or in terms of capability. And the Industrial is growing the portfolio and expanding our customer access with new capabilities and also complete acquisitions to support the strategic agenda.

When you think about dividends, Donaldson has paid dividends for over 60 years. We've been increasing our dividend for over 20 years. In 2016, we were added to the S&P High-Yield Dividend Aristocrats Fund. So that's an accomplishment we're proud of. Last week, we announced a 10.5% increase to the dividend, which is -- signals the confidence of the company's future and also the profit growth we've had the last few years.

In terms of share buyback, another consistent chart. You can see the long-term drop in the shares outstanding. The commitment of the company is to purchase a minimum of 1% of shares, which offsets the annual impact from employee-based share compensation programs. And as can be seen, we've been able to do consistently more with that with the declining share count over many years. The actual from last year was 2% share repurchase. And the guidance this year is an additional 2% share repurchase. We look to our balance sheet to help manage how many shares we're going to buy back with a net debt-to-EBITDA ratio of right around 1%, plus or minus.

So with that, I think we can move to Nathan's bull and bear case discussion.

QUESTIONS AND ANSWERS

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

As long as the IT works.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Does the IT work?

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

No.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Well, we could just -- you want me to just read the questions.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

I thought -- actually I have them.

So the format we're going to use for Q&A here is, I'm going to outline -- well, here we go, we do have them. 3 bear cases for the stock, which Scott is going to thoroughly dispel. And then 3 bull cases, which Scott is going to thoroughly reinforce.

We're going to start with the bear cases, so that we can finish with the good stuff. So the first one and I can see it's something that you hear from the investors, we hear from the investors, is the electrification of vehicles is going to drive diesel engines out of the market and create secular headwinds to the engine business driving a declining revenue base in the long run?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Sure. So that's a question that we often get. So certainly, electrification in the world is happening. You see it first in passenger cars. Just a point, Donaldson doesn't sell filtration on passenger cars. So it's definitely happening in the passenger car market. The next logical place that we'd move to would be kind of a medium-class truck situation and think of may be a garbage truck or a city bus where it has a fixed route. And it can return home to base every night for charging. Donaldson has a very low exposure to medium duty. In terms of heavy-duty engines, there's always been engines that utilize batteries, particularly it's a hybrid situation. You think of the biggest mine truck in the world, that's already a hybrid truck. It's been a hybrid truck for a decade. And then that has 1 big engine in the middle and then it would have 4 electric motors powering each wheel. So the question is whether hybrid wins out or a full electrification wins out, Donaldson has been investing to diversify our company for many years. And the majority of our investment is targeted to be Industrial side of the house to continue to grow that business and further diversify the company. So we're aware of electrification. The short-term impacts are essentially null. But we need to continue to diversify the company to be ready for that. There's a lot of profit to be made in Engine over many, many years to come. If you just -- if everything was electrified today, we'd still have all the Aftermarket Products that need to be serviced, which would last for another few decades.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

We're going to talk a little bit about each of these bear cases. So I would encourage anybody who has any questions about any of these. Jump in whenever you feel like it. Just raise your hand. There we go.

Unidentified Analyst

I mean what's the, just roughly, size of this in your business, 40% of your revenue (inaudible)?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. So Engine is about 2/3 of the company. If you think of Class 5 or Class 6, it might be a couple of percent. That would be the first stop.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

I think I see another hand. No? I know you guys have talked about diversifying away from Engine as another method of mitigating some of the longer term risk here. That will -- I mean it's clearly going to be electrification of vehicles and the electrification of some of these engines, it's going to be a long-term issue. It might not have a major impact on your business for 10, 20, 30 years, who knows. Maybe you can talk a little bit about the M&A strategy? And how you would plan on making the engine business a smaller part of the overall portfolio over time?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Sure. So the majority of our investments are targeted to non-Engine specific activities. Think of things like food and beverage. So we've recently put quite an emphasis the last several years into moving into the food and beverage arena. We're now selling a new product that we developed and it has been in the market for several years called LifeTec. So the growth in that product is significant. We had over 20% growth last year and another 20% this year. We've taken the sales force from approximately 5 people up to 50 people. We had a recent announcement that we're opening up a new membrane technology center in Bloomington, Minnesota, which is where our headquarters is. So we're going to build a whole new building there in Bloomington, with the sole purpose of really improving our polymer base science, which is really how you create membranes and membranes are the key product when you think of food and beverage. We're out investing in vent -- we're investing in Venting Solutions. We're investing in connectivity. And we consistently look for acquisitions along those lines. But we're not going to wait for an acquisition. So we're going to work organically. And if an acquisition comes along, that will further the speed of our strategy, we will take that but we're going to drive organically and watch for acquisitions to come up.

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

One thing I'd like to add on that point with regard to innovation at Donaldson. I think what makes us different is this diversification that Scott mentioned earlier. So the R&D investments, it doesn't have to be Engine or Industrial. Some of the things that we can design, we're looking for breakthrough innovations in the filtration. And we have a long history of putting breakthroughs in both segments. If we can find a technology platform that can be leveraged to different markets. So some of the things that we're looking at aren't just one or the other. And it's separating water from a liquid or advancing hydraulics that could be used for an Industrial hydraulics as well as on mobile hydraulics. There are a lot of things that play there too.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

That probably led in nicely to that second bear case.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

I do think we do have a clicker.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

There you go. I'm going to have to pay you first, I kind of have...

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

I got it now.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

So the second one, filtration products have limited differentiation that's evident by the number of copycat producers in the Aftermarket. It is impossible to create real moats around the Aftermarket business as intellectual property lacks real protection?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. That's a great question. And if you think of a nonproprietary product, I would say that's true. If you release a nonproprietary product, obviously, it has no protection, and therefore anyone can make that same product. But our real mission is to release proprietary products. And we have many, many patents surrounding each of our products that our proprietary. It might be in the construction of the product. It might be in the media. It might be how it fits into the housing. I mean when you look at the Aftermarket retention of our proprietary products, it is very, very high. And so that is -- our mission is to release proprietary solutions to the OEs. And then that secures the Aftermarket for both Donaldson and the OE, and we won't compete in the independent Aftermarket business with the OE because we want to sell that product through them on to their customer. So we've -- I think we have good evidence of being able to release proprietary products and secure that Aftermarket business with our technology advantage.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Question here.

Unidentified Analyst

(inaudible) So what percentage of your revenues would you say are with respect to the proprietary products (inaudible).

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

Yes. It depends on the market. This is most mature in our Engine business. So in our On-Road, which is production of over-the-road trucks, roughly 40% of that business today is with some product that has this razor-razorblade characteristic. On our off-road, it's a little bit smaller at just about a 1/3, but still a meaningful part of that business. And then Aftermarket, it's about a 1/4. And part of what will drive that lower in the Aftermarket is that we are also working to gain share in markets with our independent dealers and distributors. So growth in Latin America, Eastern Europe, China, places where we are competing with an incumbent to kind of do what Nathan's bear case on us is.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. And so we've separated our Engine business in the 2 separate teams, right? So we have an OE team, which is working on the proprietary solutions and working with our OEs to create new solutions. And then we have a whole separate Aftermarket business, which is just trying to sell all the filters in the world that are not proprietary. Because in certain cases a person might not want a proprietary model. We want to be able to sell all those products, including having a full line of products for other people's pieces of equipment.

Unidentified Analyst

As you introduce new products, is there a much higher percentage that's proprietary (inaudible) your proprietary stuff that you introduce new products, is there much more percentage of that proprietary such that in the next 5 years, that will drive...

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. That's a great question. So if you think of our program wins, the last several years. Probably 75% of those program wins have been with proprietary products. And so you can see our Aftermarket business, we're growing at a rate faster than our first-fit business. And we expect that to continue into the future. So every time we went into a first-fit program, that just creates -- plants seeds for Aftermarket business. And so probably 3/4 of the business, we've been winning in the Engine side has been with propriety products. So that's exactly the -- a mission that we're trying to accomplish.

Unidentified Analyst

I'm appreciating you have steps lowering the exposure to your higher degree (inaudible) products and the ongoing R&D. Does that have any inter (inaudible) exposure to that -- your products in (inaudible).

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

So we have 3 joint ventures, one of those is with Caterpillar, it's called AFSI, and so that's supplying products right to Caterpillar. So that's the entire relationship with Caterpillar. The other 2 ventures are more of a supply situation, whereby they are supplying our parts either through Donaldson or direct to our customers. With regards to R&D, the technology investment that we make, we want to continue to improve our technology. If you think of, an example of our proprietary air filters called PowerCore, right? We started PowerCore 15, 20 years ago and we are already on our fourth generation of PowerCore. And that makes it smaller and there's new technology on each of new products. So we are going to continue to invest in our technology, in the Engine business and in the Industrial business to continue to make sure we maintain our technology leading and improve it wherever we can.

Unidentified Analyst

So what about the timing for your (inaudible)

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

It's certainly our -- there's people trying to copy our products all the time. We need to be aware of that and respond to it appropriately. What we believe if someone is violating our technology, we'll challenge that whether it's in the U.S. or in China. We need to continue to improve the technology that we have to make that harder. But we need to be aware of it and manage it the best we can.

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

I'll add and I think it will come up in the bull case. But we're increasing our exposure to China. It's a huge market for equipment production. And we think we've got really good opportunities as that customers moves up the technology curve.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

I am sure you know the numbers off the top of your head. But it might be worth highlighting the difference in retention rates over time between your proprietary versus nonproprietary products? I know we've seen that in a graph, that is for the people who are not familiar with that?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Sure. There's a graph in our -- so we had an Investor Day on April 9. There's a detailed presentation on our website that I would -- it's certainly available to all of you. But one of our slides in that presentation is a slide that shows the revenue curves with proprietary technology and with nonproprietary technology. And you can see with proprietary technology, it will stay in the high 90s for a very long period of time. And you can see with nonproprietary technology, you'll see the curve come down much quicker because after 2 or 3 years, if there's enough pieces of equipment out there in the world, right? So as a first-fit production ramps up, there will they be more and more pieces of equipment. And at some point, it will make sense for our competitors to release that product into the world. And so then inherently, our Aftermarket retention is going to decline as competitors come up with that product. And we do same to others in our Aftermarket business. But so the curves on the proprietary versus the nonproprietary are pretty significant. You can see that on that page in the Investor deck presentation from April 9.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

And the nonproprietary after 3 or 4 years drops down to about what in terms of retention?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

To about 20.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

So is that -- in the 90s versus in the 20s...

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

That's right.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

There's a huge difference on that side of it.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Right.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Quicker. Thank you, sir. Segment margins have been in a narrow band in the range of 13% to 15% for most of the last decade. Management's now targeting 15% to 15.8% by 2021 with incrementals reaching 25% by 2021. Pricing power has been limited in the recent inflationary environment, which makes the margin targets look aggressive.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

So we've had a situation in the last few years where our costs have increased significantly. And we've been able to either increase or hold flat in total, the company's margins. So we feel good about the progress that we've made with pricing. And it's been a long ride with our OEs to get that price recovery back. But we feel like we've made progress and we're kind of back to a normal pricing situation. I mean the work with regard to pricing is never done. But we feel like we've made good progress. And we've had a lot of extra costs incurred during this time of very high demand. And we're getting to a point now where we can normalize from that. And so we have all of those factors going on. In addition, we are investing in many different products, which have much higher than average corporate gross margins. And so we can -- and we have a great opportunity to mix the company up. Some of these products that we're talking about have considerably higher than average margins. And so we have the benefit from improving our engine situation and working on pricing through there. And we normalize their supply chain base. And then the investments that we're making will drive margins up. So we're comfortable with increasing our margins over the next few years, with all the things that we are doing to take control of those margins and bring improvements to the bottom line.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Questions? Maybe you can talk a little bit about the different dynamics on pricing between OE and Aftermarket?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

So our independent Aftermarket, so that's where we're selling engine filters through independent distributors. So we have a larger group of distributors that help us with the independent Aftermarket distribution. And we generally have a 90-day period to increase prices and then they'll have to push that through the market. And we want to allow them to remain competitive in their market because they are all trying to sell our filters. So they are all partners in this business. But we generally have 90 days to increase prices and then they can pass it on to their distribution network. In terms of the OE business, we generally have a longer term supply agreement, with actually a minor probably price down each year. And we do have various indexes in those contracts that once a cost, whether it'd be media or steel or something along those lines, drops outside either above or below, that triggers a right to renegotiate. And so our costs have exceed that band over the last few years. Steel and media have increased significantly and that's given us the right to go back to our OEs and then ask for price concessions. They're having the same problems as we have, right? SKU is going up for them as well. So they're having the price -- pass price increases on through to their customers. They obviously don't like price increases. But they have to understand that our costs have gone up and we're obligated to receive some of that back. And so that's been kind of a tough grind with the OEs. We've made reasonable progress. And that's why the margins of Engine have been down until recently. And so we feel like we've made good progress. But that's something that continues and really never ends.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Okay. Thanks for taking the bear cases. Let's move on to the good ones. Engine OEM growth is very high in '17 and '18, which expands the installed base and will drive Aftermarket growth in the coming quarters and years, which will keep growth at an elevated level for longer than investors anticipate?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Right. This is exactly that slide that we just referred to. So I mean, I think we've kind of covered this already. But -- and so we had very good growth with these 75% program wins with proprietary products, right? So each time we win a new line with proprietary, that serves to drive future Aftermarket growth. And those high retention rates help secure that growth long term. So we project higher-than-average growth in Aftermarket because of the program wins that we've had and that helps to kind of stabilize the company and really secure the future for the company.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Maybe throughout just addressing what percentage is OE versus Aftermarket, how -- I've been in the one-on-one meeting this morning, people were very focused on truck builds and how that would impact the company. And I think you guys were saying it's like less than 3% of total revenues. So maybe you can, for folks, just break down the importance of each of those markets? And how relatively little the OEM side of some of those engine products is to Donaldson?

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

Yes. In our Engine business, specifically, about 70% of the revenue there comes from our Aftermarket. And that's a mix of OE and these distributors Scott talked about. So think about that mix as 40% OE, 60% through dealers and distributors. And then the balance is aero and defense, and then On-Road and over-the-road truck and Off-Road. As the cycles go for production, that mix can change a little bit. But within that Aftermarket business, we've got a very stable growing part of the business that helps to offset some of the OE ups and downs.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Okay. Running out of time. So I'll get on to the next one. We've talked a little bit about this one already. Donaldson is the clear leader in the filtration space from a product development and technology perspective, and has very long standing and very deep customer relationships with OEMs. That creates a significant moat around your OEM business that competitors are going to find very difficult to penetrate?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. And so we agree with all this, and we think this is one of the strengths of Donaldson. So we've been working with these big OEs, the Cats and the Deeres for decades and decades. And so we work with them every day to help them solve the problem, whatever they're trying to address. So -- and that's hard for competitor to duplicate. Our engineers are tied up with their engineers long before a program ever comes to fruition. And so we want to be there on the front and helping them. But just in general, Donaldson is a diversified technology-led filtration company, and we are constantly investing in the core science of filtration. Donaldson was started in a farm field in Utah about 103 or 104 years ago, where a gentleman invented an air filter for a tractor. And we've been leveraging our technology ever since then. We have many different product lines. And we can leverage our technology across the product line. So we might learn something in Engine that can be very helpful in Industrial. That's how we got in the disk drives and how we got in the ostomy bags. And so we're always working to expand our core science and leverage our technology across the company. So if we invent something really cool, we might be able to use that in 3 places versus just only getting the return in one line of business.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

I think that probably -- any questions? Probably led into the last one as well, which I pulled out of your investor presentation, not going to claim I own this or not. Donaldson's ongoing commitment to solving the world's most complex filtration challenges by focusing on expanding technologies and solutions, extending market access and executing strategic acquisitions, provide the long and consistent pathway to growth that will drive strong returns for shareholders. So maybe you could just talk about each of those segments there as expanding technologies and solutions, extending market access and executing strategic acquisition?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

All right. So we're always working to expand our technology. And even expand the TAMs that we can serve. So now we have things like connectivity that's created some additional TAM. We have food and beverage that's created some of the additional TAM. We have venting solutions which has given us some additional market opportunities. So you might think filtration is a little bit boring but when you kind of get into it, the science of it is very complex and that's really helpful and life breath of our company is technology and research and development. And a longer term, we want to increase the spend in our R&D because we believe ultimately that's what drives these returns. And so we're always looking to further our science, and then I gave you some example of our new building in membranes and the things we do to make sure Donaldson's technology is improving every day in keeping the distance between our competitors the same or even increasing it. It really helps our customers and giving the company new opportunities to drive return from and ultimately that's been the company's strategy for the last 104 years. We just want to increase it. In the last year, we've added 11 new PhDs to the company, all surrounding really high-tech science of filtration. And that's an example of us investing for future growth to identify new opportunities to have new businesses.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Maybe a little bit on strategic acquisitions. You guys haven't been that active over the last few years in the M&A market. What kinds of things are you looking for? How does that force the strategy forward?

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Yes. So we have a long pipeline of acquisitions. Generally, Donaldson's very successful in acquisitions. When it's a company we have a pre-existing relationship with, it was worried of the future of the company, their employees, their brands, their products. And they know Donaldson will treat that company well. So we have a long list of companies and we wait for a time when those companies are going through a life cycle change. But in a situation where it's just someone who wants to be at the highest price and puts the company up for auctions, generally, we are not successful in those types of situations. We've done several acquisitions the past 4 years for about $250 million. So it's not massive. But we have found nice little ways to add to the company's progress on its strategic mission.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Okay. I think our time is up. So thank you guys very much for being here and walking us through all of this.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Thanks.

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

Thank you.

Nathan Hardie Jones ***Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Thanks, everyone.

Scott J. Robinson ***Donaldson Company, Inc. - Senior VP & CFO***

Thanks for your interest in Donaldson Company.

Brad Pogalz ***Donaldson Company, Inc. - Director of IR***

Yes, thank you.