

# DONALDSON COMPANY

*7<sup>TH</sup> Annual Intellisight Conference*

*CFA Society of Minnesota*

Tod Carpenter

Chairman, President and Chief Executive Officer

# SAFE HARBOR STATEMENT

*This presentation includes forward-looking statements which reflect the Company's current views with respect to future events and financial performance, but involve uncertainties that could significantly impact results.*

## NOTE:

Donaldson will report fourth quarter and full-year 2018 earnings on Thursday, September 6. Any comments made during this presentation about the Company's forecast refer to the guidance provided with the third quarter 2018 earnings report on May 31, 2018.

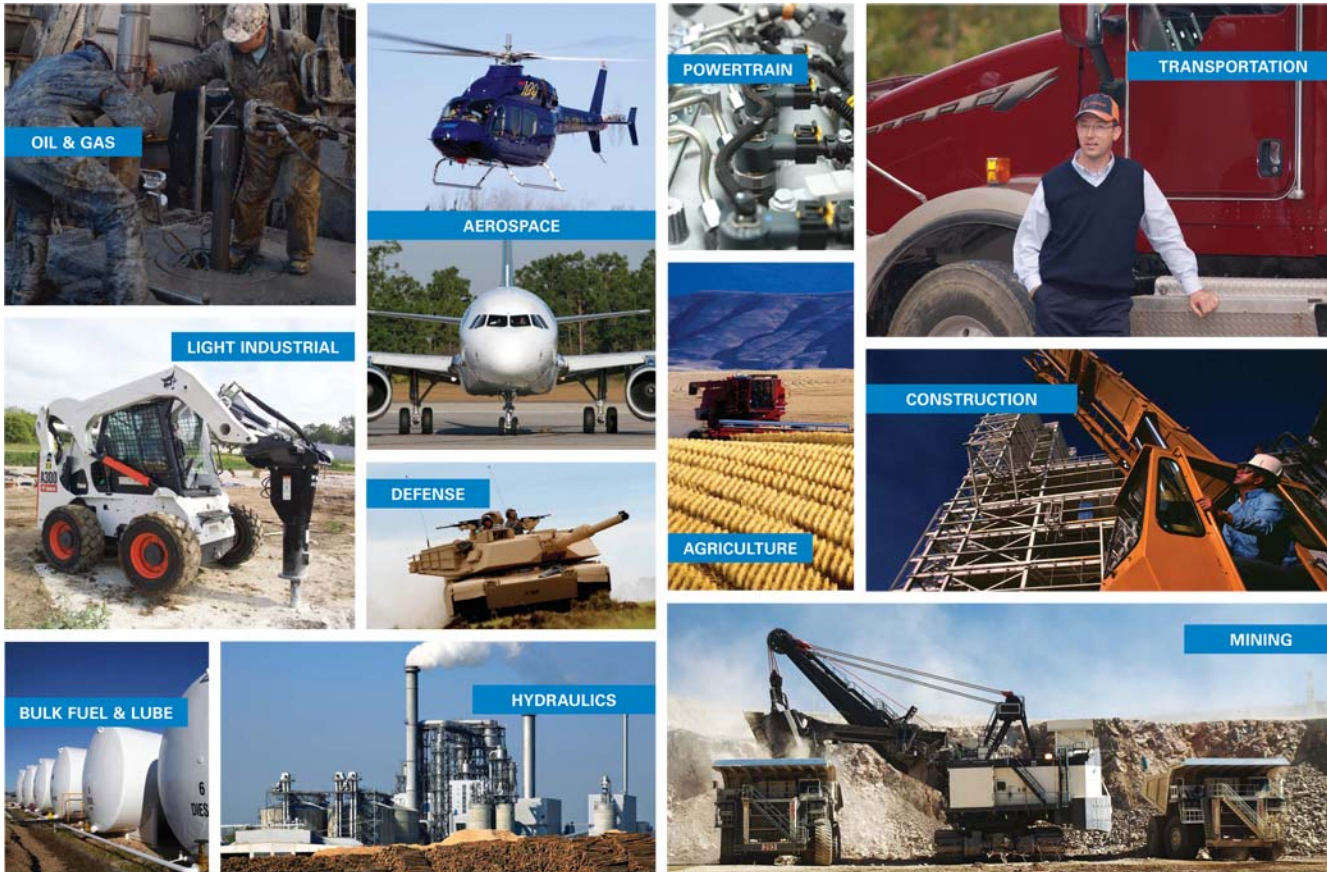
# DONALDSON IS A FILTRATION COMPANY

- Technology leader in our markets
- Diversified portfolio of global businesses

# WE DIVERSIFY THROUGH OUR TECHNOLOGY

Engine Products are ~2/3 of revenue

- ~70% replacement parts; ~30% first-fit products



# WE DIVERSIFY THROUGH OUR TECHNOLOGY

Industrial Products are ~1/3 of revenue

- ~40% replacement parts; ~60% first-fit products





# WE HAVE A STRONG VALUE PROPOSITION

## For our customers:

- Technology Advantages
  - Higher efficiency
  - Small system size
  - Longer filter life
  - Reduced operating and maintenance costs
- Aftermarket Retention

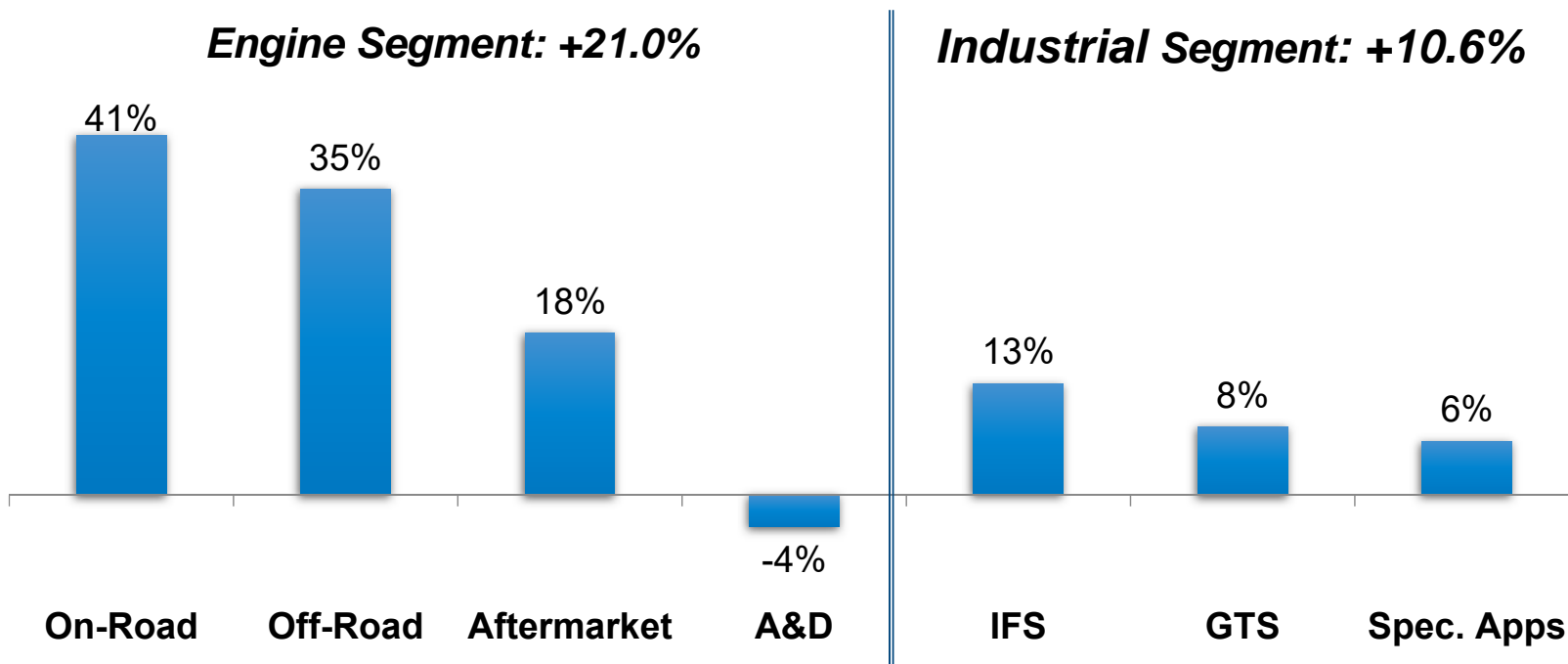
## For our shareholders:

- Diversified portfolio of technology and products
- Global sales, production and distribution footprint
- Commitment to incremental margin on increasing sales
- Disciplined capital deployment

# CURRENT ENVIRONMENT

# STRONG SALES ACROSS THE COMPANY\*

- Past program wins (including share gains)
- Favorable conditions for both on- and off-road markets

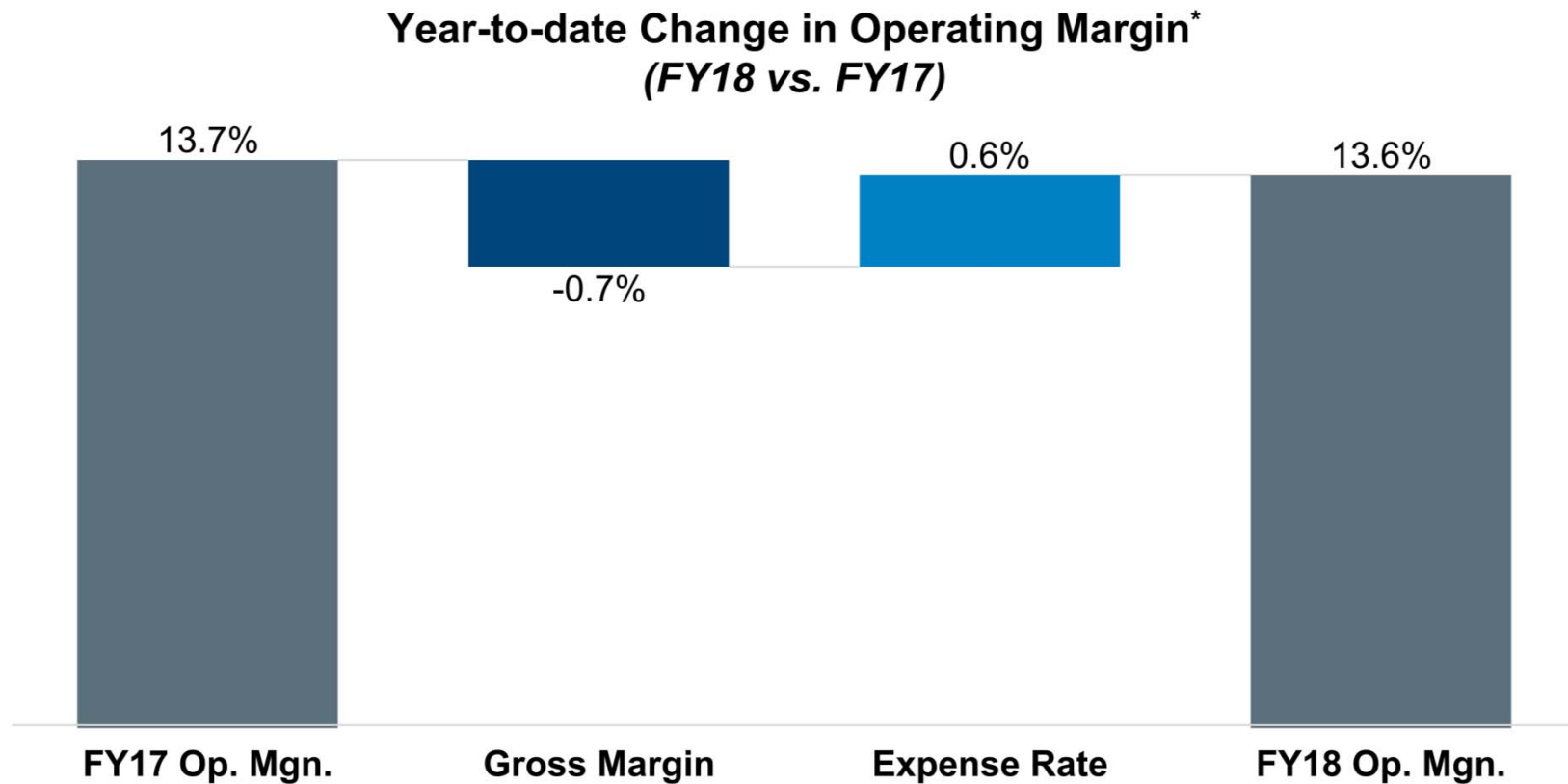


\* Nine months ended April 30, 2018



# MIXED CONDITIONS WITH OPERATING MARGIN

- Raw materials, supply chain costs pressuring gross margin
- Disciplined control, higher sales driving expense leverage



\* Nine months ended April 30, 2018

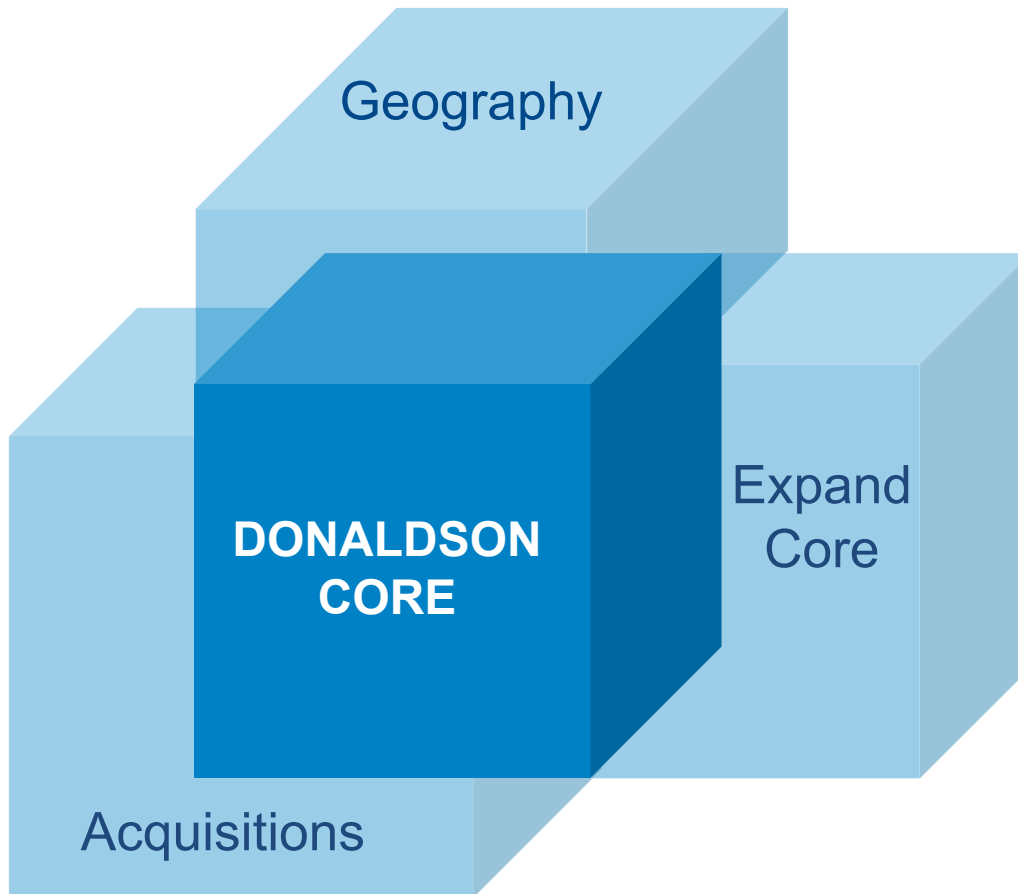
# FORECASTING CONTINUED GROWTH

- Momentum is expected to continue into FY19\*
  - Past program wins combined with market strength expected to drive sales growth in both segments
  - Headwinds on margin will likely remain, but committed to growing operating profit faster than sales
  - ***We will provide more details related to FY19 with full-year earnings on September 6, 2018***

\* Reflects commentary from third quarter earnings release and conference call on May 31, 2018

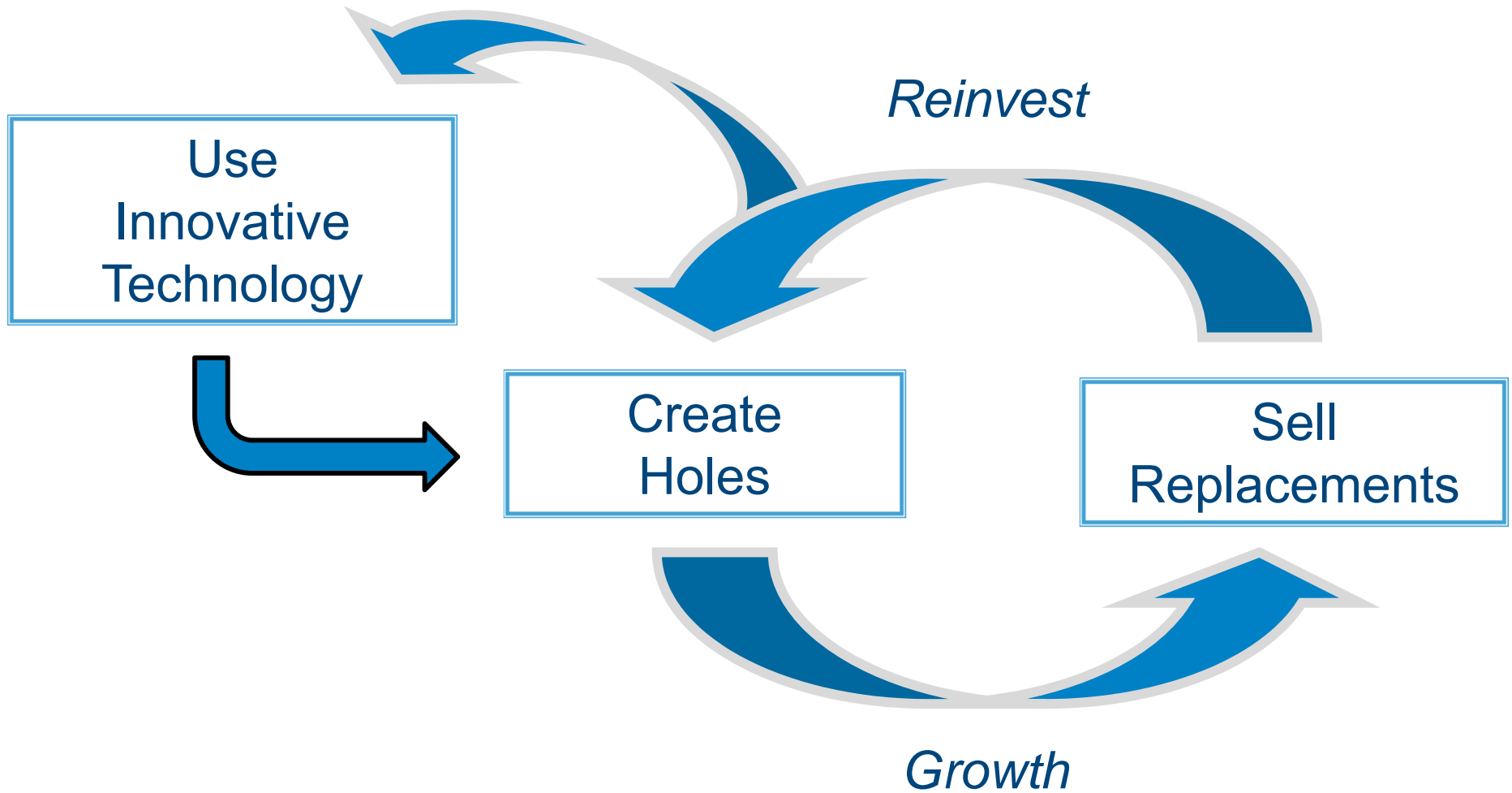
# STRATEGIC GROWTH PLANS

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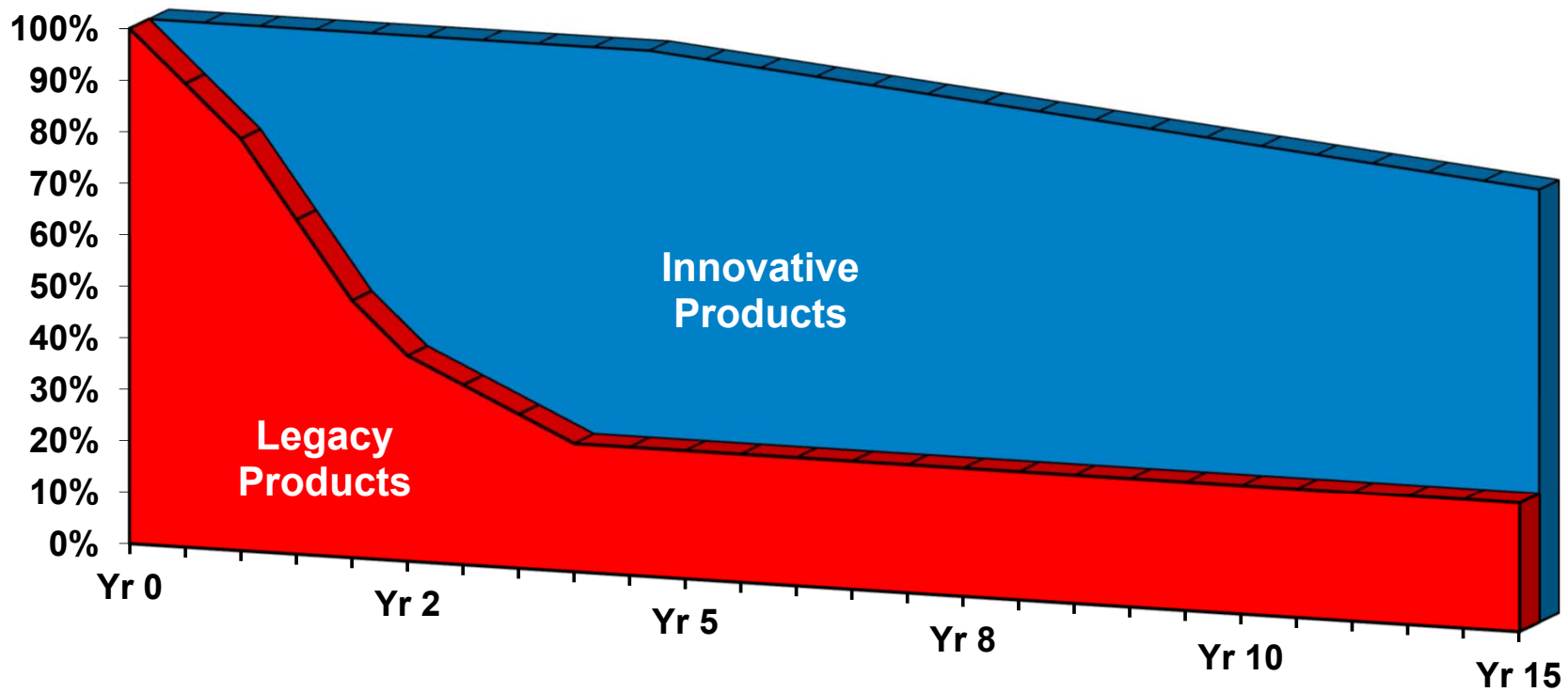
- Expand **core products and technologies**
- Expand **geographically**
- Execute **acquisitions**

# SALES GROWTH MODEL



# INNOVATIVE PRODUCTS DRIVE RETENTION

*Aftermarket retention rate of innovative products is higher than legacy products over time*



# INNOVATIVE AIR FILTRATION

## PowerCore



## DownFlo Evolution





# INNOVATIVE LIQUID FILTRATION

- Designed for new diesel fuels, higher fuel injector pressure
- Higher efficiency, extended filter life



# INVESTING FOR THE FUTURE

# LONG-TERM CAPITAL DEPLOYMENT PRIORITIES

- Invest in our company
- Pay a dividend
- Repurchase our shares

# CURRENT INVESTMENTS IN OUR COMPANY

- Technology development
  - *Grow our capabilities with new filtration technologies to further expand into adjacent markets.*
- Capacity expansion
  - *Increase our manufacturing capacity for innovative air and liquid products, and add distribution capacity to better serve our customers while enhancing productivity.*
- Customer engagement
  - *Launch our e-commerce platform to make it easier for new and existing customers to buy from Donaldson.*

# REINVESTING OVER TIME

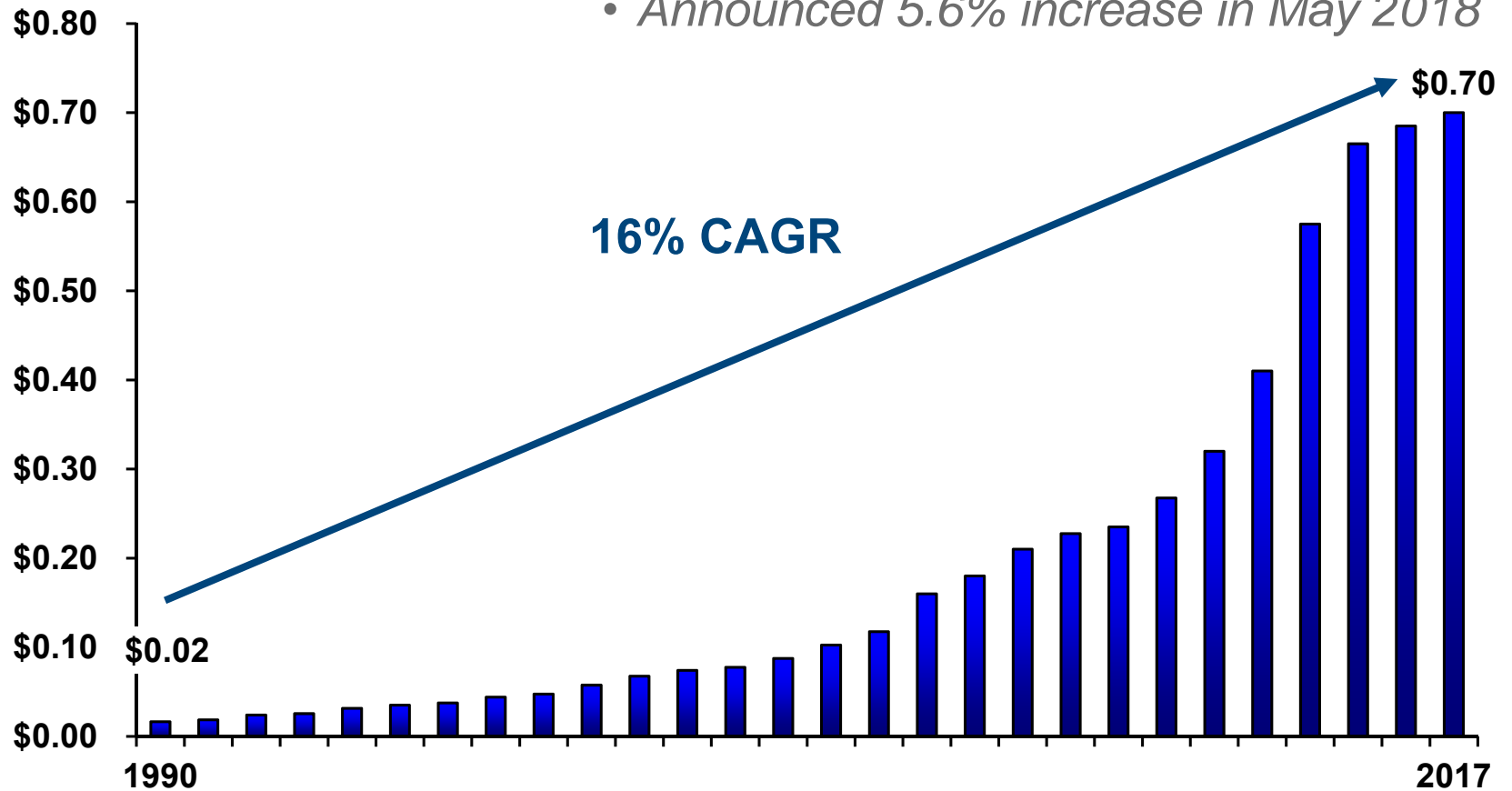
- Organic Growth Investments
  - Development of new and innovative products
  - Lab upgrades and IT investments
  - Production capacity and distribution expansion
- Acquisitions
  - Completed five bolt-on acquisitions since fiscal 2015



# CONSISTENT DIVIDEND GROWTH

- *Paid quarterly dividend for 60+ years*
- *Increased annually for 20+ years*
- *Announced 5.6% increase in May 2018*

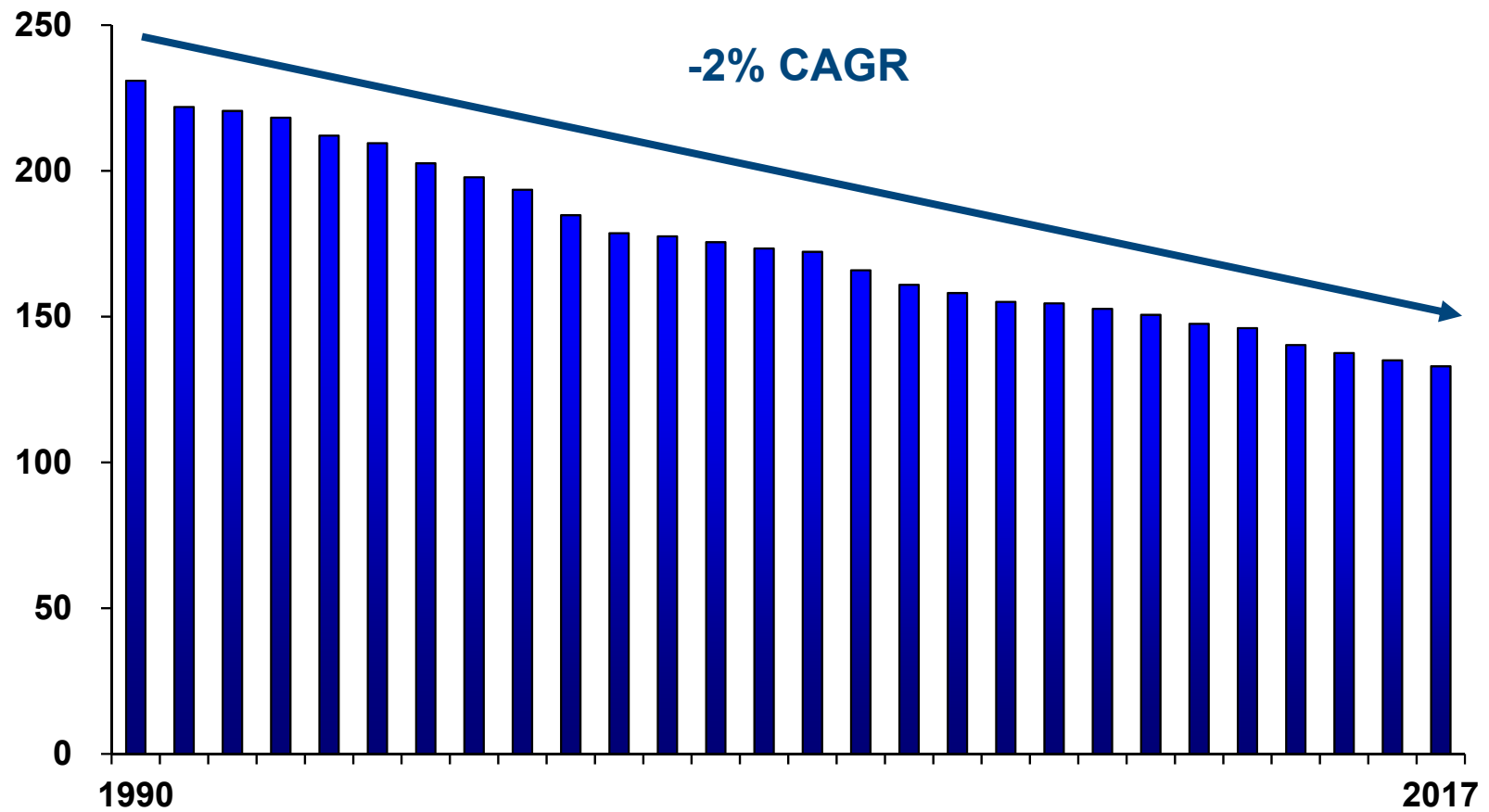
Per Share



# CONSISTENT SHARE REPURCHASE

Shares  
Outstanding  
in Millions

- Goal is to at least offset annual dilution of ~1%





# VALUE PROPOSITION TO OUR SHAREHOLDERS

- Diversified portfolio of technology and products
- Global sales, production and distribution footprint
- Committed to growth & financial performance
- Disciplined capital deployment

**THANK YOU**