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PRESENTATION

Operator

Good morning. My name is Emma, and I will be your conference operator today. At this time, I would like to welcome everyone to the Donaldson Company, Inc. Third Quarter 2023 Earnings Conference Call. (Operator Instructions) Sarika Dhadwal, Senior Director of Investor Relations, you may begin your conference.

Sarika Dhadwal ***Donaldson Company, Inc. - Director of IR***

Good morning. Thank you for joining Donaldson's Third Quarter Fiscal 2023 Earnings Conference Call. With me today are Tod Carpenter, Chairman, CEO and President; and Scott Robinson, Chief Financial Officer. This morning, Tod and Scott will provide a summary of our third quarter performance and an update on our outlook for fiscal 2023.

During today's call, we will discuss non-GAAP or adjusted results. A reconciliation of GAAP to non-GAAP metrics is provided within the schedules attached to this morning's press release. Additionally, please keep in mind that any forward-looking statements made during this call are subject to risks and uncertainties, which are described in our press release and SEC filings.

With that, I'll now turn the call over to Tod Carpenter. Please go ahead.

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Thanks, Sarika. Good morning. Third quarter was another record quarter for Donaldson Company. We continued the trends seen in the first half of this fiscal year. Compared with prior year, we grew our top line to a quarterly record, expanded both gross and operating margins over 100 basis points, delivered double-digit earnings growth and produced cash conversion of approximately 105%.

Before diving deeper into the quarterly results, I would like to express how pleased we were to have so many of you participate either in person or virtually at our Investors Day in April. It was a big day for our company, and I will recap some key takeaways.

We demonstrated our leadership position and strategy across all 3 segments that together drives our expectation to achieve sales of approximately $4 billion and operating margins in the 16% range by fiscal 2026.

More specifically, I would like to highlight our new Life Sciences segment where there are significant compelling opportunities driven by organic and inorganic investments, including the recent acquisitions of Solaris, Purilogics and Isolere Bio. These businesses combined with Donaldson's technologies and expertise provide a portfolio of opportunities across several end markets such as food and beverage, alternative proteins, bioprocessing and medical devices.

Focusing in on bioprocessing, for example, we see game-changing opportunities to support the development of vaccine and advanced cell and gene therapies with our newly acquired technologies. Traditional chromatography systems are slow and not optimized for larger molecules such as mRNA and plasmid DNA.

Purilogics' innovative technology provides faster flow rates and puts less stress on cells and Isolere Bio allows us to introduce breakthrough technology that provides purification and solutions with no size limitations. Together, and combined with Donaldson's

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capabilities, we are at the cusp of driving scale across vaccine and cell and gene therapies to solve the world's greatest health risks.

To that end, we will continue to grow these businesses by investing organically and pursuing strategic M&A in adjacent areas which will further us on the path of continuing to create value for all of our stakeholders.

Now some third quarter highlights.

Sales were up 3% year-over-year, driven by pricing of 8% and partially offset by a currency translation headwind of approximately 3%. Volume was down in the quarter as our Aftermarket business was negatively impacted from OE customers continuing to reduce inventories as service levels normalize. Also, negatively impacting volumes was our Disk Drive business, which remains muted from market-related weakness.

EPS was $0.76, a 14% increase over the prior year.

Our strategic pricing implemented to offset elevated input costs continues to be a big driver of our quarterly sales and earnings results. Most input costs have stabilized at higher levels. However, some areas such as labor remain a headwind. Therefore, pricing remains critical in our recovery from this period of sharp year-over-year inflation.

Turning to our operations, I'm pleased by our improvements in fill rates, on-time deliveries and late backlog levels across the organization. We are working to meet the needs of our customers today while investing in capacity projects, including in North America, to meet the needs of our customers in the future.

We are also committed to furthering our long history of innovation to expand our product offerings. For example, this quarter, we released our proprietary Alpha-Web filtration media. This new hydraulic technology improves fluid cleanliness up to 4x and creates additional value for customers by extending critical component life.

In addition to our organic investments, we are working through our M&A pipeline and actively pursuing Life Sciences opportunities with a focus on revolutionary technologies and applications such as those we acquired through Solaris, Purilogics and Isolere Bio.

Now I'll provide some detail on third quarter sales.

Total company sales were $876 million, up 3% from prior year.

In Mobile Solutions, total sales were $555 million, roughly flat versus a year ago. Pricing added 9% and FX was an approximate 3% headwind. Our First-fit businesses continue to perform well with sales in Off-Road of $116 million, up 11% year-over-year and sales in On-Road of $38 million, up 5%. These results reflect healthy levels of equipment production rates across all our major geographies. Mobile Solution's Aftermarket sales of $401 million were down roughly 3% year-over-year from OE customer inventory drawdowns to more normal levels.

Lastly, for Mobile Solutions, an update on China. Sales increased 5% versus 2022 and 14% in constant currency. While this year-over-year growth marks a considerable improvement from what we reported in the second quarter, the one thing to note is that last year's third quarter sales were depressed from COVID-19 lockdowns. Overall, China continues to be challenging given the weaker end market conditions. That said, sheer market size, combined with our world-class technology and high-quality offerings should result in Donaldson's success in the Chinese market over the long term.

Now I'll turn to the Industrial Solutions segment. Industrial sales grew 14% to $262 million, pricing added 6%, and FX was roughly a 3% headwind. Industrial Filtration Solutions or IFS grew 13% to $223 million driven by dust collection and industrial gases part sales. Aerospace and Defense sales were up 22%, supported by the ongoing strength in the Commercial Aerospace industry.

Now on the Life Sciences segment. Life Sciences sales were $59 million, down 13% year-over-year. Weakness in the overall Disk Drive

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market continues to drive the majority of the decrease. However, we are now seeing a flattening and forecasting a slow demand recovery during the second half of calendar 2023. Our Food and Beverage business remained solid in the quarter with continued momentum in both new and replacement part sales. We look forward to continuing to provide updates on all of our businesses within this segment in the future.

As we progress through the final quarter of fiscal 2023, we've been extremely pleased with our ability to deliver strong financial results thus far this year while making strides across our strategic initiatives. As such, we are reaffirming our sales and earnings guidance for the full year by tightening our previously provided outlook ranges and remain confident in achieving our long-term targets laid out at our recent Investors Day.

Now I'll turn it over to Scott, who will provide more details on the financials and an update on our outlook for fiscal '23. Scott?

Scott J. Robinson ***Donaldson Company, Inc. - CFO***

Thanks, Tod. Good morning, everyone. Third quarter results reflect another solid quarter for Donaldson in which our employees delivered for our customers and planted seeds for future profitable growth, laying the groundwork for achieving our longer-term financial and strategic objectives. I thank our employees around the globe for their daily contributions. I will provide color on our outlook for the balance of the year in a few minutes, but first we'll give more details on the results this quarter.

To summarize: sales grew 3% versus 2022. Operating income was up 12% and EPS of $0.76 increased 14% year-over-year.

Gross margin was 33.0%, a 150 basis point improvement versus prior year. Similar to the first half of the year, this quarter we saw benefits from our pricing and the stabilization of input cost inflation. Gross margin was down sequentially as expected due to an unseasonably strong second quarter, driven in part by inventory valuation and the timing of deflation. Overall, third quarter gross margin results were consistent with our internal expectations.

Operating expenses as a percentage of sales were 18.8%, slightly above 18.5% a year ago. The deleveraging of operating expenses in the quarter was due to an increase in Life Sciences, investments and post-COVID hiring.

Operating margin was 14.2%, up 120 basis points versus prior year, driven by gross margin improvement. In line with my comments on gross margin, operating margin was down sequentially due to an unseasonably high second quarter.

Now I'll discuss segment profitability.

Mobile Solutions' pretax profit margin was 15%, up 70 basis points year-over-year and Industrial Solutions' pretax profit margin was 18.8%, up 390 basis points from the prior year. Gross margin expansion was a key driver in both of these segments.

On the Life Sciences side, pretax profit margin was 0.3% versus 20.6% a year ago. The decline in Disk Drive sales was the largest driver. However, investment in our pre-revenue acquisitions, including Isolere Bio, also negatively impacted results. We are in the investment phase of these acquisitions and are priming them for future growth. Excluding acquisitions, pretax profit margin would have been better by approximately 800 basis points.

Turning to a few balance sheet and cash flow statement highlights.

Third quarter capital expenditures mainly inclusive of continued capacity expansion investments in North America were approximately $36 million.

Cash conversion in the quarter was 105% versus 49% in 2022. We are now experiencing above-average levels of conversion, resulting from inventory related working capital benefits from the easing of supply chain constraints.

In terms of other capital deployment, we acquired Isolere Bio for $62 million and returned $32 million to shareholders inclusive $28

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million in the form of dividends and $4 million in share repurchase. Our balance sheet is strong, and we ended the quarter with a net debt-to-EBITDA ratio of 0.7x.

Now moving to our updated fiscal '23 outlook.

First, on sales... We expect fiscal 2023 sales to increase between 3% and 5%, a midpoint of which is in line with our previous guidance. This includes pricing of approximately 8% and a negative impact from currency translation of about 4%. As forecasted, as the year has progressed, we have lapped stronger prior year pricing actions each quarter resulting in less of an incremental benefit as we move through the year. We expect this tend to continue in the fourth quarter.

For Mobile Solutions, we are anticipating a sales increase of between 2% and 4%, consistent with our prior expectations. On-Road and Off-Road sales are forecast to be up, mid-single digits and high single digits, respectively. Aftermarket sales are projected to be up low-single digits.

For the Industrial Solutions segment, we are increasing the midpoint of our guidance, with sales now expected to increase between 11% and 13%, up from 8% to 12% previously. Robust volume growth and pricing essentially across the entire segment are driving the improvement. Within Industrial Solutions, IFS sales strengthened by robust dust collection and industrial gases part sales are forecast to grow low-double digits, an increase from high-single digits previously. Aerospace and Defense sales are projected to grow mid-teens, up from our previous low double-digit expectation. Within the Life Sciences segment, we are now forecasting a sales decline between 10% and 12% versus a decline between 5% and 9% previously. The main drivers of the reduced outlook are continued Disk Drive sales weakness and the change in timing of Solaris or bioprocessing equipment sales.

Now on operating margin... We expect full year operating margin to fall within a range of between 14.4% and 14.8%, slightly down from our previous guidance of between 14.6% and 15.0%. This is mainly a result of our Life Science investments as we focus on scaling our pre-revenue acquisitions. As we have consistently stated, we continue to exercise expense discipline particularly given the uncertain macro environment. However, we are committed to building for the future through our reinvestments back into the business. The midpoint of our updated operating margin range reflects a 110 basis point increase from the prior year and is driven by gross margin expansion.

In terms of EPS, we are maintaining our outlook for the year, but narrowing our adjusted guidance range to between $3.00 and $3.06 from $2.99 and $3.07 previously. The midpoint of this range represents an approximately 13% increase from a record fiscal 2022.

Now on to our balance sheet and cash flow outlook.

Cash conversion is forecast in the range of 105% to 115%, slightly down from 110% to 120%, however, still above our historic averages. Our above-average cash conversion this year is driven by a move towards more normalized working capital levels as we increase inventory efficiency through optimization of our processes and as supply chain conditions normalize.

Our capital expenditures forecast remains at $115 million to $130 million and is heavily weighted towards growth initiatives, including investments in capacity expansion and tooling and equipment for new products and technology.

With respect to other capital allocation priorities, we continue to evaluate the best acquisition opportunities for our Life Sciences business and maintain our long-standing commitment to dividends and share repurchases.

Now I'll turn the call back to Tod. Tod?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Thanks, Scott. As we close out another record quarter, I want to thank my Donaldson colleagues around the globe for their dedication and hard work. With this outstanding team in place, the future is bright, and I'm excited about what lies ahead for our company.

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I spoke earlier about some of the game-changing opportunities we are pursuing in our Life Sciences segment. We are also investing in pursuing growth in our Mobile Solutions and Industrial Solutions segments. For example, in Mobile, we are making progress on building our portfolio of alternative power solutions. And in Industrial, we are pushing ahead with our goal of increasing our Industrial Services business by leveraging our connected solutions offerings.

Underpinning all of our future growth initiatives is Donaldson's commitment to our people, customers and communities through our purpose of advancing filtration for a cleaner world. To that end, coinciding with our Investors Day in April, we published our 2022 Sustainability Report, in which we outlined 2030 ESG ambitions. In summary, by fiscal 2030: we are targeting an absolute reduction of Scope 1 and 2 greenhouse gas emissions by 42% from fiscal 2021 baseline. We expect to reach 35% in terms of women and global leadership positions, starting from a January 2023 baseline. And we plan to increase charitable giving through the Donaldson Foundation by 25% every 4 years, giving cumulatively at least $13.5 million starting from fiscal year 2022.

In closing, we look forward to reporting on the progress we are making towards all of our key strategic initiatives and longer-term financial goals in the future.

Now I'll turn the call back to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question today comes from the line of Nathan Jones with Stifel.

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

Good morning, everyone. Maybe we could just start with a bit more color on gross margins. Obviously, you guys talked about 2Q being unseasonably high, but gross margin is a bit lower than maybe I would have expected here with price catching up to cost. So maybe you could talk about the inputs there? I mean I assume Disk Drive is higher gross margin, so it's probably a headwind there. Just where we could -- where you think once we see all the normalization of price cost and the headwinds out of Disk Drive maybe, what you're thinking about for gross margins at a normalized level?

Scott J. Robinson ***Donaldson Company, Inc. - CFO***

Nathan, this is Scott. So yes, we've had kind of an interesting run of gross margins. The first quarter was 33.9%, second quarter 34.5% and then the third quarter came in at 33%. As you remember, we said at the end of the second quarter, we expected third quarter to be down and it was. And there continues to be a lot of things going on in our income statement with inflation and inventory costing and the pretty significant reduction in inventories that we took this quarter along with a decline in Disk Drive sales.

So there's really a lot in the soup there, but we landed at 33%. We expect fourth quarter to certainly be up from third quarter as things normalize and hopefully our price cost situation for the whole world starts to kind of slow down and balance out a bit. So it was a little bit tougher quarter on gross margin. We expected it to come down and it did. We expect fourth quarter to be up, so that's kind of a high-level summary for you.

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

So we're going to get maybe between 33.5% and 34% for the full year. If I go back a few years, I know you had some capacity issues back in like '19 and '20 and obviously, COVID has created a lot of noise. We're kind of in the 34% to 35% range before that. Is that a reasonable expectation for what the business should be running at for gross margins?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes, Nathan, this is Tod. Yes, it is. And the one new variable that we have coming in there is obviously all of the investments that we're putting into the Life Sciences activities, which will give us a little bit of a mix pressures, but we would believe still 34% to 35% is reasonable and where we expect to land.

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

And maybe just 1 more on those investments in Life Sciences. Can you talk about the magnitude of those, the duration of those? I mean I would assume that those are likely to continue to step up year-on-year as we go forward as you continue to invest in those businesses. I mean, like you said, we're not even at them generating any revenue yet, so is there an expectation that this is an investment cycle that lasts a few years here?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes, Nathan. So the way we look at this thing so far, it's actually evolving as we would have expected. We believe that we're going to give you a bit more information here when we guide full year in about 90 days. But we would expect, clearly, as we see through the balance of this fiscal year for it to be all in the investment column for the balance I said fiscal -- for the balance of this calendar year, it will be all in the investment column, but we'll come out with more detail here when we full year guide.

Operator

Your next question comes from the line of Brian Drab with William Blair.

Brian Paul Drab ***William Blair & Company L.L.C., Research Division - Partner & Analyst***

I was wondering if you could just start by elaborating a little bit on the timing -- this issue, the timing of the bioprocessing equipment and when does it ship? When was it expected to ship, et cetera?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes. Brian, this is Tod. So 3 components, right? Solaris is already revenue generating, it's project-based. That is the project type of activities that could go from quarter-to-quarter based upon when customers are ready to take shipments, and so we're actually on plan to meet what was in the full year guide for Solaris' activities and shipments this year, will again guide next year here in about 90 days.

But then when you look at the other 2, Isolere Bio and Purilogics, that's revenue generating ahead of us that their revenue today is 0. And so that -- we're planting solid seeds for future growth with both of those activities in both of those businesses, so that's future revenue. We'll give you a little bit more color here next year or when we report next fiscal, but certainly, we would expect that to be more headwinds for the balance of this calendar year.

Brian Paul Drab ***William Blair & Company L.L.C., Research Division - Partner & Analyst***

Okay. All right. And then in the Disk Drive business, at the analyst meeting that you had recently, I was -- I guess, under the impression that headwind in this fiscal year, but normalizing and maybe, I don't know, I guess I got the impression, at least be stable in the next fiscal year. Is that a growth business do you think going forward? Or is it stable? And then the whole segment starts to grow when we get the Life Sciences -- the newer Life Sciences pieces growing?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

We believe that we're stabilizing now flattening, if you will. It's been a very difficult run for that business, almost cut in half within this fiscal year. For example, we have taken the necessary cost actions to support the current levels of that business. We're flattening at this point in time. We think we'll start to crawl forward or get slight lift for the balance of this calendar year, so it will turn into a slight growth business looking forward.

Brian Paul Drab ***William Blair & Company L.L.C., Research Division - Partner & Analyst***

And then just lastly, I missed it. What did you say about Food and Beverage in the most recent period? How did that business do specifically?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes. Food and Beverage did really strong again, continues to do quite well in the portfolio. And at this point in time, we're up in local currency, low double digits in the quarter and continuing to expand and really are very happy with our performance.

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Operator

Your next question comes from the line of Laurence Alexander with Jefferies.

Daniel Dalton Rizzo ***Jefferies LLC, Research Division - Equity Analyst***

This is Dan Rizzo on for Laurence. Just with in regards to China, just given everything that's kind of occurred and is occurring, have your expectations for the region been kind of, I don't know, have they diminished at all as we look in the next 2 to 3 quarters, just given the, I guess, the lack of a strong rebound as of yet?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Not at all. Actually, when you look at China and the opportunity for the company long term, it remains very strong. We continue to win national based programs, which will continue to gain share within region. I just want to remind everyone that we are in China to support China. We are not a China-based exporter, for example, it's China to support China-based customers, largely nationally now with technologies such as PowerCore.

And the thing that's a bit muted with China is just simply the economic recovery, obviously, and so we're experiencing that. But even given the careful outlook on China's based economy, we continue to win programs, which gives us confidence in the long-term direction of China.

Daniel Dalton Rizzo ***Jefferies LLC, Research Division - Equity Analyst***

Okay. And then one of the things you mentioned, I think, was labor cost being up. Well, that's except -- understandable, but you also mentioned to be more hiring. I was wondering if it's hard to find people now still given what we're reading with labor tightness and if you are going to be doing significantly more hiring over the next couple of quarters or years or whatever?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

So within our manufacturing base, if you will, it's a little bit different by region. I would say that within the U.S., it's certainly improved, but not great, not pre-COVID based levels, but certainly improved. Within Europe, it's fine. Asia, it's fine. Latin America, it's strong. So really, the headwinds really and the concerns, if anything, are U.S.-based.

Within salary-based positions, little bit more careful everywhere actually. People are just being careful to come on board. We do expect to be able to support the expansions that we have of the strategic plans that we have. So we have to work a little bit harder in order to get there, but we're pretty pleased with our progress.

Daniel Dalton Rizzo ***Jefferies LLC, Research Division - Equity Analyst***

Okay. And then final question. On the free cash flow conversion, can you just remind us what the long-term target is? I know it was elevated because of all the fluctuations, but what should we think about as we model out over the next couple of years?

Scott J. Robinson ***Donaldson Company, Inc. - CFO***

Yes. So we've had kind of unusual cash conversion as I'm sure you've seen, right? So we took inventories up by $100 million during COVID to help fight the supply chain and make sure we were living up to our commitments to our customers, and then we got into this year, we said we were going to take that $100 million out.

As of the third quarter, our inventory has gone from $502 million down to $449 million, so we've made good progress there, and you're starting to see that flow through our cash conversion this year. And if you go to Page, I guess, 99 or the -- my slides in the investor deck, we said that our longer-term average was about 85% on cash flow conversion.

Operator

(Operator Instructions) Your next question comes from the line of Rob Mason with Baird.

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Robert W. Mason ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Tod, when you were commenting on the Mobile Solutions business, Aftermarket, you talked about the OE dealer channel bringing inventory down to normal levels. Is that action -- is that activity destocking activity complete here in the third quarter? And then I'm also just curious what kind of impact that had on the third quarter Aftermarket business as well.

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

So what you see across the OE channel in Mobile Solutions aftermarket, specifically to OE is a step down in the third quarter. So think in terms of certainly teens level being pulled out in the quarter, whereas on an independent channel, you would see that we have growth at the revenue level, so call it low to mid-single digits growth on the independent.

Now that means volume on the independent is slightly down based upon pricing, so you'll see a little bit of a pullback there. That would be the behavior that we would have expected because they were never able to actually get their stock levels up to where we would have expected them to and the OEs kind of won out, so the OEs are pulling it back down. We would expect that to kind of normalize here as we get through the summer, but the independent channel, we feel is that pull-through level is pretty comfortable at this point.

Robert W. Mason ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

That's helpful. And just -- I'm doing some quick back of the math -- or back of the envelope math here, but it looks like for the First-fit Mobile business in the fourth quarter, the revenue would decelerate sequentially. I just wanted to check that. And if that's the case, is that a function of just normal seasonality? Or were there some catch-up shipments in the third quarter?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes. So actually, we would see it just kind of be a normal seasonality type of activity for us. Very comfortable with the First-fit side of production at this point based upon what we're seeing in backlogs, et cetera. The First-fit continues to do quite well. We're happy with it. And that's across all end markets, construction, ag, mining, First-fit on the over-the-road trucks. It was the Aftermarket that kind of came in a little bit more on the pull back to the OE side this quarter than we would have expected.

Robert W. Mason ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Sure. And then just finally, a larger question around price. You did take up your price expectations for the full year. I'm just curious what were the main drivers behind that increase? And then how do you think about pricing going forward from here to the extent that you noted raw material prices have kind of normalized, but to the extent labor is still a pressure, your ability to offset the labor impact if needed?

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Maybe I'll let Scott start here with the first part of the question, then I'll jump in for additional color on the second half.

Scott J. Robinson ***Donaldson Company, Inc. - CFO***

Yes, Rob, this is Scott. So we did take our guide for price up 2%. I mean part of that is just a refinement of our calculation and our estimate for the year. Part of that is related to the labor comments Tod previously made. And we got to continue to make sure we manage our price and cost, and we're going to continue to adjust prices for the next 10 years. If our costs are going up, we have to be compensated for that in the market, and we're going to pass those prices on.

So a 2% increase is within a normal range for us, I would say. But we continue to push price where appropriate and we're going to continue to drive those increases into the market to just make sure we have a reasonable commercial relationship with our customers and that we treat our suppliers properly.

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

Yes. So I would say that we've returned to a more normal behaving price activity across the company in all regions of the world. However, I also want to say that we remain very committed to price cost recovery, and so we keep an eye on it, which means we would take an out-of-cycle action should that be necessary.

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Operator

This concludes our Q&A session for today. I now turn the call back to Tod Carpenter for closing remarks.

Tod E. Carpenter ***Donaldson Company, Inc. - Chairman, CEO & President***

That concludes the call today. Thanks to everyone who participated, and I look forward to reporting our fourth quarter results in late August. Have a great rest of the week. Goodbye.

Operator

This concludes today's call. You may now disconnect.

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