



DONALDSON COMPANY

FOURTH QUARTER FISCAL YEAR 2023

AUGUST 2023



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FILTRATION SOLUTIONS

Forward-Looking Statement Safe Harbor

Statements in this presentation regarding future events and expectations, such as forecasts, plans, trends, and projections relating to the Company's business and financial performance, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are identified by words or phrases such as "will likely result," "are expected to," "will continue," "will allow," "estimate," "project," "believe," "expect," "anticipate," "forecast," "plan" and similar expressions. These forward-looking statements speak only as of the date such statements are made and are subject to risks and uncertainties that could affect the Company's performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed. These factors include, but are not limited to, challenges in global operations; impacts of global economic, industrial and political conditions on product demand, including the Russia and Ukraine conflict; impacts from unexpected events, including the COVID-19 pandemic; effects of unavailable raw materials or material cost inflation; inability to attract and retain qualified personnel; inability to meet customer demand; inability to maintain competitive advantages; threats from disruptive technologies; effects of highly competitive markets with pricing pressure; exposure to customer concentration in certain cyclical industries; inability to manage productivity improvements; results of execution of any acquisition, divestiture and other strategic transactions; vulnerabilities associated with information technology systems and security; inability to protect and enforce intellectual property rights; costs associated with governmental laws and regulations; impacts of foreign currency fluctuations; and effects of changes in capital and credit markets. These and other factors are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2022. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. The results presented herein are preliminary, unaudited and subject to revision until the Company files its results with the United States Securities and Exchange Commission on Form 10-K.

Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures, such as adjusted diluted EPS, adjusted gross margin, adjusted operating expense, adjusted EBIT, adjusted operating income, adjusted operating margin, and free cash flow, which exclude the impact of certain matters not related to ongoing operations. See the Reconciliation of Non-GAAP Financial Measures schedules in the appendix for additional information.



Fourth Quarter Fiscal Year 2023 Update and Overview

Key Updates

Strategic Investments and Ongoing Execution Driving Shareholder Value Creation

- ✓ Strategic **Life Sciences investments** focused on increasing scale; **Univercells Technologies** acquisition
- ✓ Strong fill-rates, on-time deliveries and improved late backlogs
- ✓ Continued **innovation** and product portfolio expansion
- ✓ **Returned \$53M** in fourth quarter and **\$256M** for FY23 to **shareholders** in dividends and share repurchases

Fourth Quarter Financials

Sales and EPS Down YoY

- ✓ **Sales of \$880M** declined 1% year over year and decreased 1.5% on a constant currency basis
 - Pricing benefit of 5%
- ✓ **Adjusted EPS^(1,2) of \$0.78** down 7% compared with 2022
 - Adjusted gross margin⁽²⁾ increase of 140 bps
 - Adjusted operating margin⁽²⁾ decrease of 60 bps
- ✓ **Strong adjusted free cash flow conversion^(2,3) of 173%**

FY 2024 Guidance

Issuing Record Fiscal 2024 Guidance

- ✓ Sales outlook of **3% to 7% growth**
- ✓ EPS expected between **\$3.14 - \$3.30**
- ✓ **Operating margin** forecasted range of **14.7% to 15.3%**, driven by higher gross margin

¹ All EPS figures refer to diluted EPS.

² Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

³ Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.

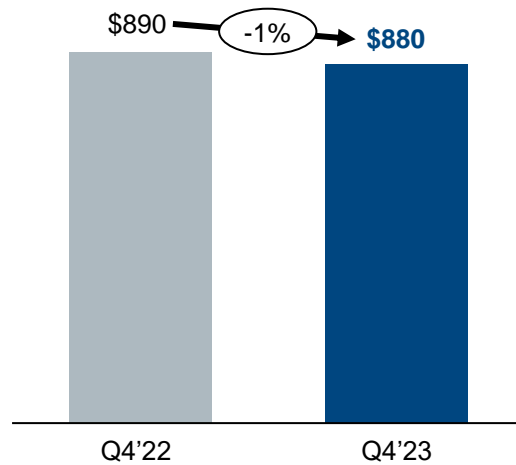


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Fourth Quarter FY23 Overview & Highlights

Sales (\$M)

Down 1.5% YoY Constant Currency Basis

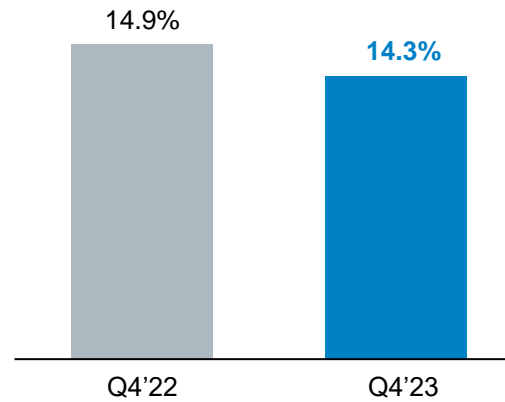


Highlights

- +5% YoY contribution from price
- Segment Performance YoY:
 - Industrial Solutions +10%
 - Mobile Solutions -5%
 - Life Sciences -12%

Adjusted Operating Margin⁽¹⁾

Down 60 bps YoY

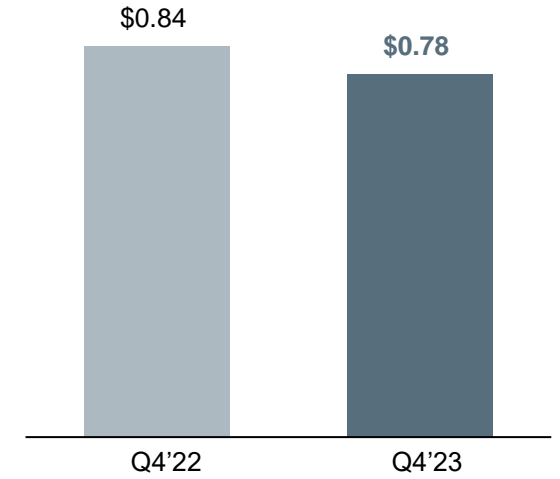


Highlights

- Adjusted gross margin⁽¹⁾ increased 140 bps versus prior year driven by pricing benefits and input cost stabilization
- Adjusted operating expenses as a percent of sales⁽¹⁾ up 200 bps YoY from post-pandemic hiring and Life Sciences' acquisition-related expenses

Adjusted Diluted EPS⁽¹⁾

Down 7% YoY



Highlights

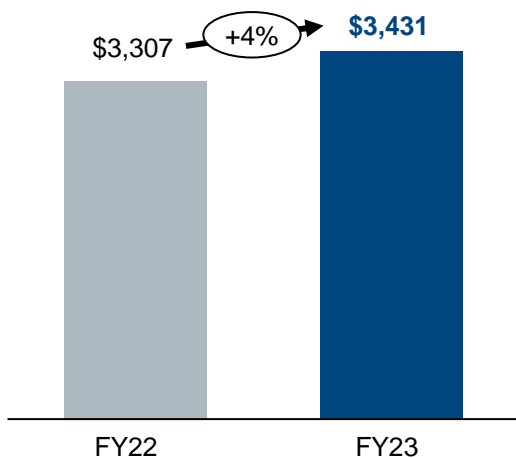
- Adjusted operating income⁽¹⁾ decreased 6% YoY



Full-Year FY23 Overview & Highlights

Sales (\$M)

Up 7% YoY Constant Currency Basis

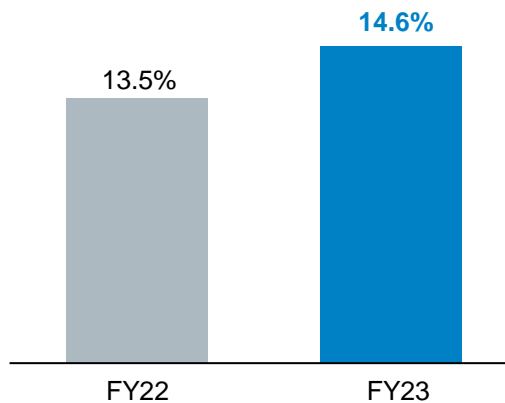


Highlights

- +8% YoY contribution from price partially offset by FX -3%
- Segment Performance YoY:
 - Industrial Solutions +13%
 - Mobile Solutions +2%
 - Life Sciences -14%

Adjusted Operating Margin⁽¹⁾

Up 110 bps YoY

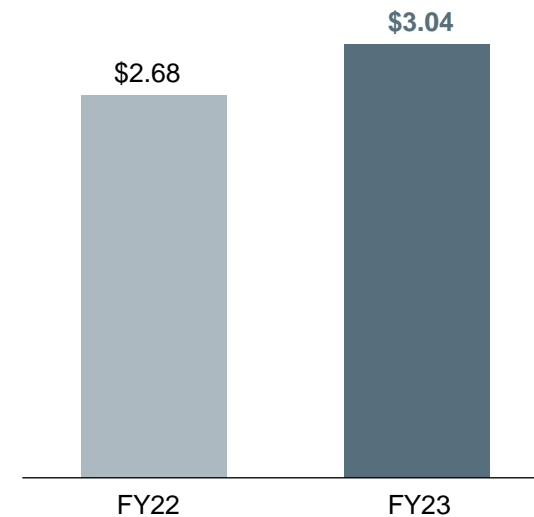


Highlights

- Adjusted gross margin⁽¹⁾ increased 160 bps versus prior year as a result of favorable pricing and input cost stabilization
- Adjusted operating expenses as a percent of sales⁽¹⁾ up 50 bps YoY, driven by post-pandemic hiring and Life Sciences' acquisition-related expenses

Adjusted Diluted EPS⁽¹⁾

Up 13% YoY



Highlights

- Adjusted operating income⁽¹⁾ increased 12% YoY



Mobile Solutions Segment Fourth Quarter FY23 Results



	Q4'23	Q4'22	YoY
Sales	\$543	\$570	-5%
EBT	\$88	\$90	-2%
% of sales	16.2%	15.8%	+40 bps

Fourth Quarter Overview

Sales

- Total Sales YoY: -5% reported and constant currency basis
 - Sales decline mainly driven by OEM customer inventory management resulting from improved global supply chain
- Performance by region YoY:
 - US/CA -9%
 - EMEA +8%
 - APAC -4%
 - LATAM -14%
- China Sales YoY:
 - -15% reported and -10% constant currency basis
- Performance by end-market YoY:
 - Off-Road -0.4%
 - On-Road +6%
 - Aftermarket -7%

Margins and Key Updates

- Segment EBT margin +40 bps YoY driven by price realization and input cost stabilization



Industrial Solutions Segment Fourth Quarter FY23 Results



	Q4'23	Q4'22	YoY
Sales	\$277	\$252	+10%
EBT	\$53	\$47	+13%
% of sales	19.2%	18.6%	+60 bps

Fourth Quarter Overview

Sales

- Total Sales YoY: +10% reported and +9% constant currency basis
 - Sales growth driven by strong global demand and price realization
- Performance by region YoY:
 - US/CA +9%
 - EMEA +16%
 - APAC -3%
 - LATAM +12%
- Performance by end-market YoY:
 - Industrial Filtration Solutions (IFS) +11%
 - Aerospace & Defense +4%

Margins and Key Updates

- Segment EBT margin +60 bps YoY driven by price realization and input cost stabilization



Life Sciences Segment Fourth Quarter FY23 Results



	Q4'23	Q4'22	YoY
Sales	\$60	\$68	-12%
EBT	-\$7	\$14	NM
% of sales	-12.4%	20.3%	NM

Fourth Quarter Overview

Sales

- Total Sales YoY: -12% reported and -13% constant currency basis
 - Lower sales driven by ongoing softness in Disk Drive market demand
 - Acquisitions added 340 bps to sales growth
- Performance by region YoY:
 - US/CA +38%
 - EMEA +6%
 - APAC -39%
 - LATAM -7%

Margins and Key Updates

- Segment EBT YoY margin contraction due to incremental investments in acquisitions and lower Disk Drive volumes



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Building Upon Our Strengths in Life Sciences

HIGHLIGHTS

Bioprocessing

- Acquired Univercells Technologies in Q4'23
- Investing in Life Sciences R&D headcount; Increased team by 5x in FY23
- Solaris, Purilogs and Isolere acquisitions fully integrated
- Opened 25,000 square foot Bioprocessing Technical Center in Durham, North Carolina in August
- Expect to launch IsoTag AAV, Isolere's first research-use product, in Q1'24
- Expect to launch Purilogs and Isolere research-use products through e-commerce channel in Q1'24

Non - Bioprocessing

- Double-digit growth in Food & Beverage business in FY23
- Expect sequential Disk Drive improvement with solid growth in FY24 as data center and cloud computing demand recovers



UNIVERCELLS
Technologies™

By Donaldson

100

Employees

€10M

Revenue
(CY22)

\$147M

Transaction
value

Nivelles, Belgium

HQ

Global producer of innovative biomanufacturing solutions for cell and gene therapy research, development and commercial manufacturing



Focused Investments Support Long-Term Growth Strategy



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End-to-end Solutions for Genetic Medicine Bioprocessing

Culture



UNIVERCELLS
Technologies™
By Donaldson

10x

Up to 10x increased viral yield vs. reference process (adherence & suspension)

1/3

Manufacturing footprint required of traditional systems



SOLARIS
BIOTECH
By Donaldson

0.2 to 30,000 L

Full size range of customizable stirred tank bioreactors and fermenters

Purification



Purilogs
By Donaldson

10x

Up to 10x higher productivity compared to traditional resin systems

1st

Membrane Chroma solution for pDNA & mRNA purification



Isolere Bio
By Donaldson

99%

Higher purity of AAV with lower aggregates than traditional resins

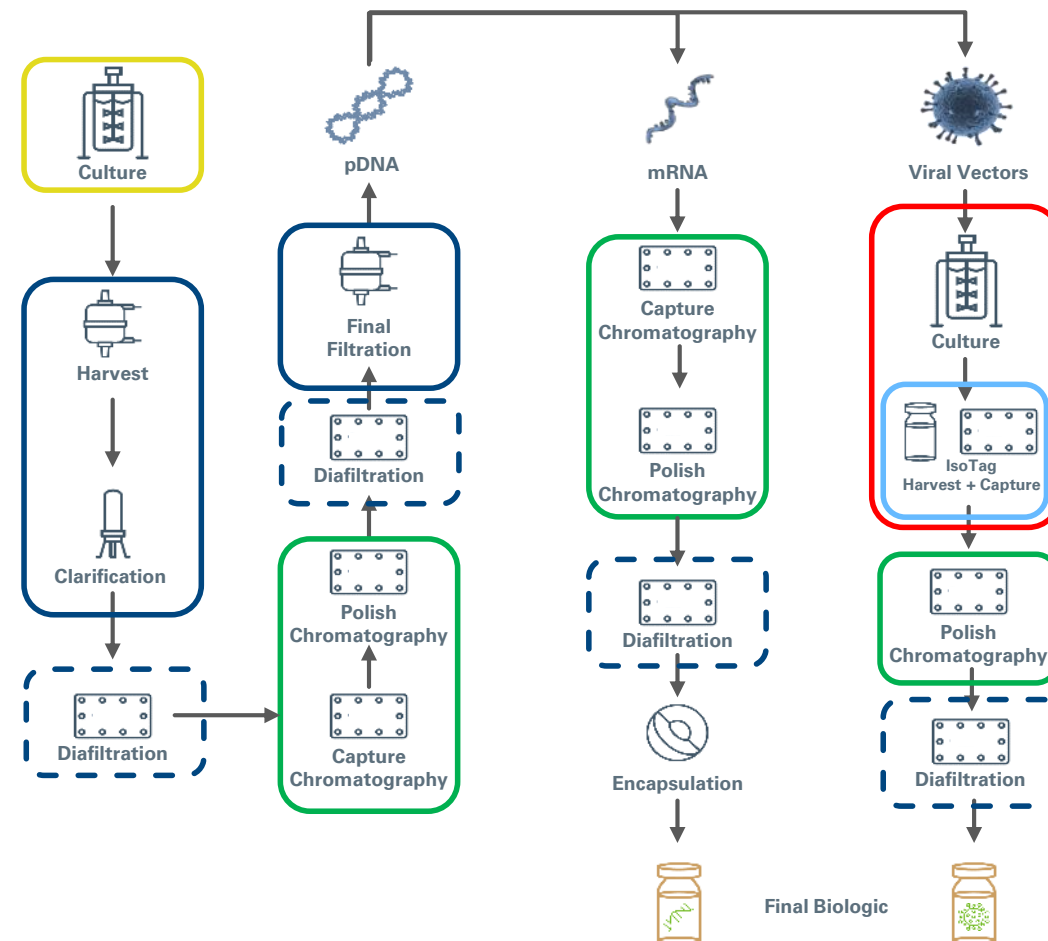
30x

Faster concentration of Lentivirus with 96% retention

Filtration

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LifeTec

Process filtration solutions for harvest, clarification and sterile applications



Univercells Technologies Fills Critical Gap in the Bioprocessing Production Chain

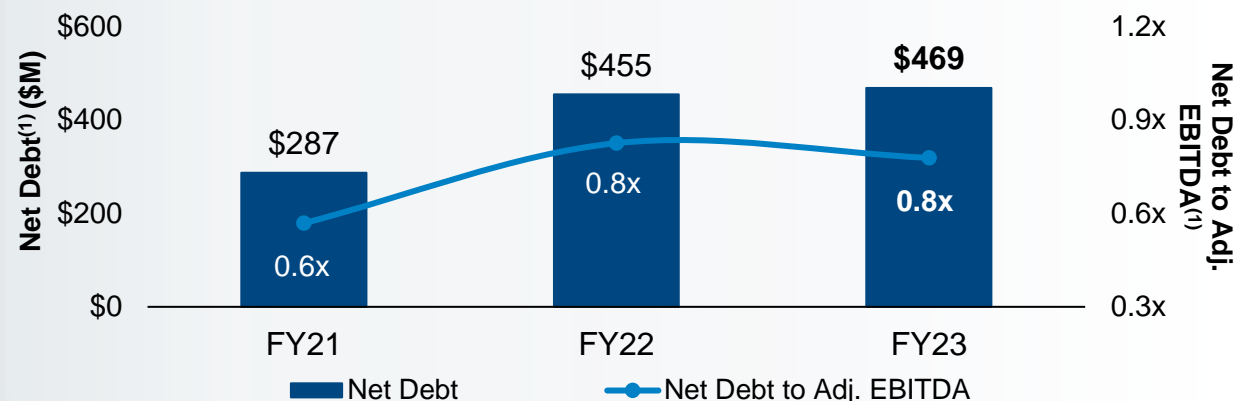


Balance Sheet and Cash Flow Overview

Highlights

- Adjusted free cash flow conversion^(1,2) of 173% in Q4'23; 114% in FY23
 - Working capital a source of cash aided by inventory reduction efforts
- Returned \$256 million to shareholders in dividends and share buybacks in FY23
- Strong balance sheet supports future growth and strategic investments

Net Debt and Financial Leverage



Consolidated Results (\$M)

	Q4'23	Q4'22	FY23	FY22
Cash from Operations	\$191	\$109	\$545	\$253
Capital Expenditures	(\$25)	(\$28)	(\$118)	(\$85)
Free Cash Flow ⁽²⁾	\$165	\$81	\$426	\$168
Dividends	(\$30)	(\$28)	(\$114)	(\$110)
Share Buybacks	(\$23)	(\$17)	(\$142)	(\$171)

¹ Adjusted for restructuring and other charges and charges. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.

² Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.



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Fiscal 2024 Financial Outlook

Total Company Sales Growth

+3% to 7%

Total Company Gross Margin

YoY expansion

Total Company Operating Margin

14.7% to 15.3%

Diluted EPS

\$3.14 to \$3.30

Capital Expenditures

\$95M to \$115M

FCF Conversion

95% to 105%

Segment Outlook



Mobile Solutions

Total Sales	+1% to 5%
Off-Road	+ Low-single digits
On-Road	+ Low-single digits
Aftermarket	+ Mid-single digits



Industrial Solutions

Total Sales	+3% to 7%
Industrial Filtration Services	+ Mid-single digits
Aerospace & Defense	- Low-single digits



Life Sciences

Total Sales	Approximately +20%
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Other Assumptions

- Tax rate of 24% to 26%
- Pricing benefit of approximately 2%
- Currency translation expected to be a tailwind of roughly 1%
- FY24 interest expense approximately \$25M
- Other income between \$7M to \$11M



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Invest with Donaldson

1

Investing in **leading technologies** to accelerate growth across **several opportunities** including **sustainability trends**

2

Strengthening position across industries with **favorable megatrends** that provide **long-term growth tailwinds**

3

Increasing level of investment directed toward **higher-margin opportunities** to drive profitable growth and **shareholder value**

4

Committing to achieving **higher levels of profitability** on **higher sales** by executing on growth initiatives

5

Well positioned to **achieve or exceed** long-term financial targets



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Appendix



Reconciliation of Non-GAAP Financial Measures

(\$ in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	July 31,		July 31,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 190.8	\$ 108.9	\$ 544.5	\$ 252.8
Net capital expenditures	(25.5)	(28.3)	(118.1)	(85.1)
Free cash flow	\$ 165.4	\$ 80.6	\$ 426.3	\$ 167.8
Net earnings	\$ 91.9	\$ 101.1	\$ 358.8	\$ 332.8
Income taxes	25.4	27.6	109.9	105.6
Interest expense	4.9	4.0	19.2	14.9
Depreciation and amortization	25.1	23.0	92.3	94.0
EBITDA	\$ 147.3	\$ 155.7	\$ 580.2	\$ 547.3
Adjusted net earnings	\$ 95.6	\$ 103.6	\$ 375.2	\$ 335.4
Adjusted income taxes	26.6	28.4	115.3	106.4
Interest expense	4.9	4.0	19.2	14.9
Depreciation and amortization	25.1	23.0	92.3	94.0
Adjusted EBITDA	\$ 152.2	\$ 159.0	\$ 602.0	\$ 550.7
Gross profit	\$ 300.1	\$ 291.6	\$ 1,160.6	\$ 1,067.4
Charges related to the conflict in Eastern Europe	—	1.0	—	1.0
Restructuring and other charges	1.4	—	2.9	—
Adjusted gross profit	\$ 301.5	\$ 292.6	\$ 1,163.5	\$ 1,068.4
Operating expense	\$ 179.6	\$ 162.3	\$ 680.4	\$ 623.9
Charges related to the conflict in Eastern Europe	—	(2.4)	—	(2.4)
Restructuring and other charges	(3.5)	—	(18.9)	—
Adjusted operating expense	\$ 176.1	\$ 159.9	\$ 661.5	\$ 621.5
Operating income	\$ 120.5	\$ 129.3	\$ 480.2	\$ 443.5
Charges related to the conflict in Eastern Europe	—	3.4	—	3.4
Restructuring and other charges	4.9	—	21.8	—
Adjusted operating income	\$ 125.4	\$ 132.7	\$ 502.0	\$ 446.9
Net earnings	\$ 91.9	\$ 101.1	\$ 358.8	\$ 332.8
Charges related to the conflict in Eastern Europe, net of tax	—	2.6	—	2.6
Restructuring and other charges, net of tax	3.7	—	16.4	—
Adjusted net earnings	\$ 95.6	\$ 103.6	\$ 375.2	\$ 335.4



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Reconciliation of Non-GAAP Financial Measures

(\$ in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	July 31,		July 31,	
	2023	2022	2023	2022
Diluted EPS	\$ 0.75	\$ 0.81	\$ 2.90	\$ 2.66
Charges per share related to the conflict in Eastern Europe	—	0.02	—	0.02
Restructuring and other charges per share	0.03	—	0.14	—
Adjusted diluted EPS	\$ 0.78	\$ 0.84	\$ 3.04	\$ 2.68

	July 31,		
	2023	2022	2021
Total debt	\$ 655.7	\$ 648.0	\$ 509.5
Less: Cash and cash equivalents	(187.1)	(193.3)	(222.8)
Net debt	\$ 468.6	\$ 454.7	\$ 286.7

	Twelve months ended July 31,		
	2023	2022	2021
Adjusted EBITDA	\$ 601.8	\$ 550.7	\$ 504.1
Net debt to adjusted EBITDA	0.8x	0.8x	0.6x