Fourth Quarter Fiscal Year 2022 Earnings Call

August 2022

Donaldson
FILTRATION SOLUTIONS

Forward-Looking Statement Safe Harbor

Donaldson FILTRATION SOLUTIONS

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, 2021. 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 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 and Full-Year FY22 Update and Overview

Successful Execution Throughout FY22 Despite Challenges and Uncertainty

- **Delivered double-digit sales and earnings growth and record full-year results**
- **Returned $281M to shareholders in the form of dividends and share repurchases**
- **Invested in future growth and our environment**
  - Completed two acquisitions in the Life Sciences sector, including Purilogics in June
  - Established leadership role in ESG and achieved a FY22 CO^2 emissions reduction target of 6,000 metric tons

Strong Fourth Quarter

- **Sales of $890M up 15% year over year and up 22% on a constant currency basis**
  - Pricing contributed 12%; FX -7%
- **Adjusted EPS[(1,2)] of $0.84 represents 27% year over year growth**
  - Adjusted gross margin[(1)] up 140 basis points sequentially, but down versus FY21
  - Adjusted operating margin[(1)] improvement of 40 basis

Expecting Continued Growth in FY23

- **Introducing fiscal 2023 EPS guidance range of $2.91 - $3.07**
  - Sales expected to grow 1% to 5% driven by strong demand and pricing benefits, partially offset by FX headwinds of approximately 4%
  - Expecting gross margin and operating margin expansion compared with FY22

[1]Adjusted for fiscal Q4’22 charge of $3.4 million related to the conflict in Eastern Europe. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.
[2] All EPS figures refer to diluted EPS

Strong Value Proposition

1. Technology-led filtration company with deep customer relationships

2. Diversified portfolio of global businesses with recurring revenue and expanding addressable market opportunities

3. Experienced management team and engaged board of directors committed to our long-term strategic goals

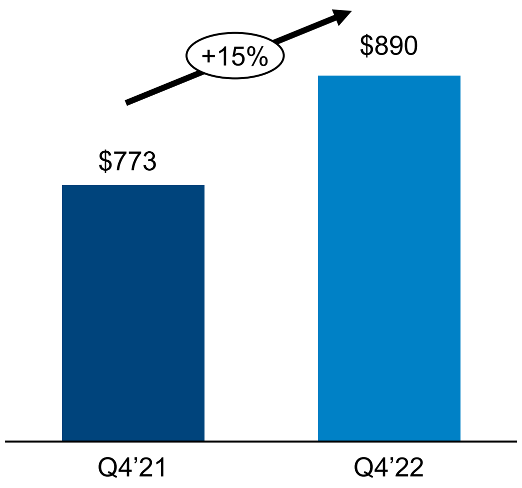
4. Global sales, production and distribution footprint with personalized service of a local firm

5. Culture of ownership aligns with shareholder interests; disciplined capital allocation strategy to drive strong shareholder returns

Fourth Quarter FY22 Overview & Highlights

Sales ($M)

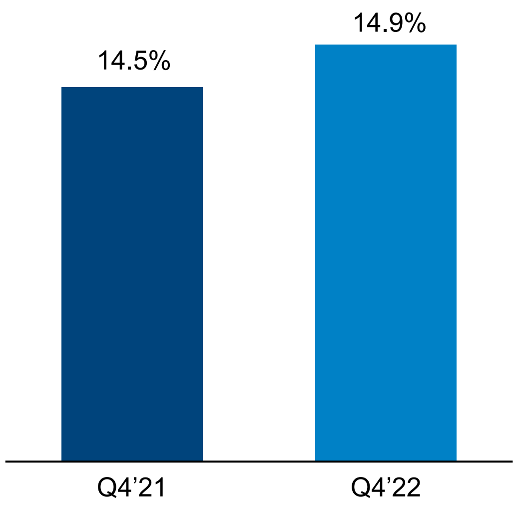
Up 22% YoY Constant Currency Basis



- Positive YoY contribution from price (+12%) and volumes (+10%), partially offset by FX (-7%)
- Engine Products +18% YoY
- Industrial Products +10% YoY

Adj. Operating Margin[(1)]

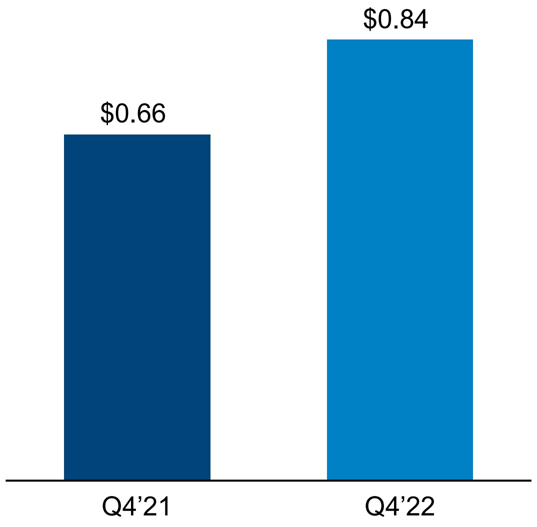
Up 40 bps YoY



- Adjusted gross margin[(1)] up 140 bps sequentially, but down YoY mainly driven by inflationary headwinds and supply chain challenges
- Adjusted operating expenses[(1)] as a percent of sales improved 190 bps YoY, driven by sales leverage and cost management

Adj. Diluted EPS[(1)]

Up 27% YoY



- Adjusted operating income[(1)] increased 18% YoY
- Adjusted effective tax rate[(1)] of 21.5% versus 26.0% in the prior year due to increase in net discrete tax benefits
- Repurchased 354K shares in the fourth quarter totaling $17M

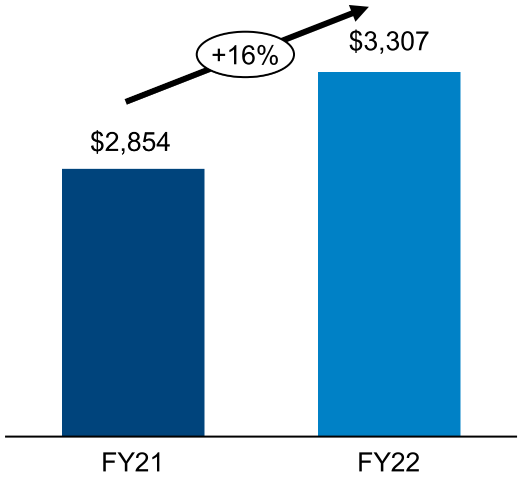
[1]Adjusted for fiscal Q4'22 charge of $3.4 million related to the conflict in Eastern Europe. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.

Fiscal 2022 Overview & Highlights

Donaldson FILTRATION SOLUTIONS

Sales ($M)

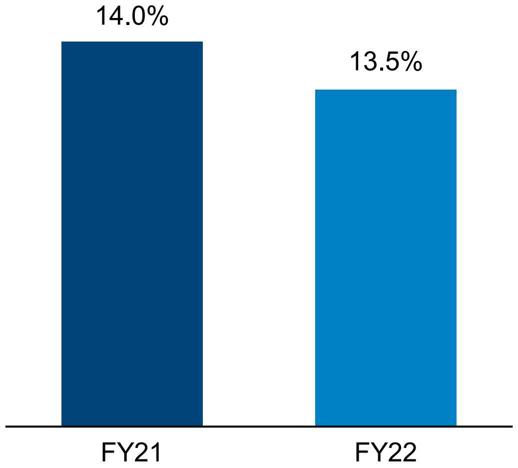
Up 19% YoY Constant Currency Basis



- Positive YoY contribution from volumes (+11%) and price (+8%), partially offset by FX (-3%)
- Engine Products +18% YoY
- Industrial Products +12% YoY

Adj. Operating Margin[(1)]

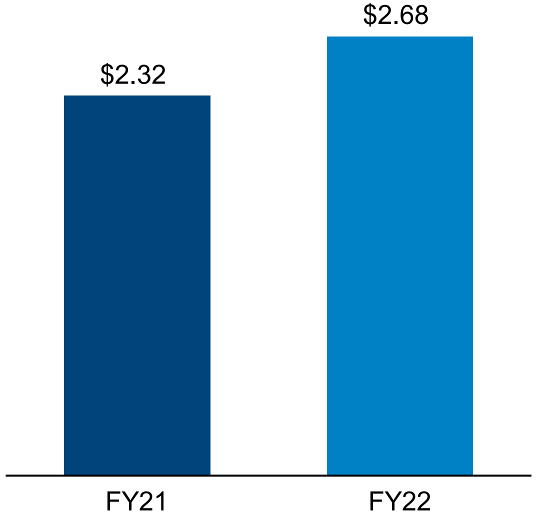
Down 50 bps YoY



- Mainly driven by gross margin pressure
- Adjusted operating expenses[(1)] as a percent of sales improved 150 bps YoY, resulting from sales leverage and cost management

Adj. Diluted EPS[(1)]

Up 16% YoY



- Adjusted operating income[(1)] increased 12% YoY
- Repurchased 2.9M shares in fiscal year 2022 totaling $171M

[1]Adjusted for FY22 charge of $3.4 million related to the conflict in Eastern Europe. FY21 results adjusted for $14.8 million of restructuring charges. See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.

Engine Products Segment Fourth Quarter FY22 Results

Donaldson FILTRATION SOLUTIONS

Fourth Quarter Overview

- Total sales up 18% compared to prior year and up 24% on a constant currency basis
- Sales performance by region: US/CA +33%, EMEA -2%, APAC +2% (China -6%), LATAM +39%
- Sales performance by end-market: Off-Road +21%, On-Road +5%, Aftermarket +18%, Aerospace and Defense +21%
- Sales growth driven by strong Off-Road global equipment production and European Exhaust and Emissions business strength, along with notable demand strength in Aftermarket and Aerospace & Defense
- Segment EBIT margin up 90 bps YoY due to price realization offsetting inflationary pressures

($ in millions)	Q4’22	Q4’21	YoY
Sales	$620	$528	+18%
EBIT	$103	$83	+24%
% of sales	16.6%	15.7%	+90 bps

Industrial Products Segment Fourth Quarter FY22 Results

Donaldson
FILTRATION SOLUTIONS

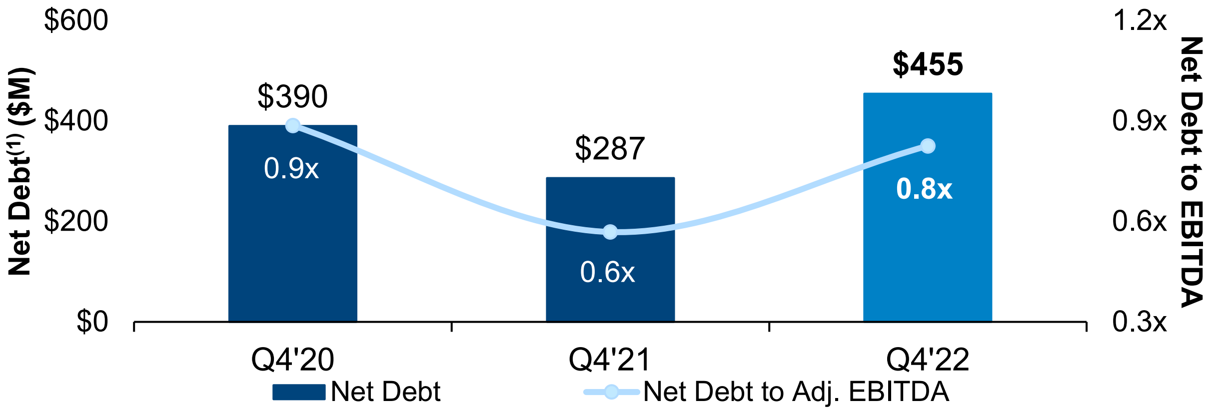
Fourth Quarter Overview

- Total sales up 10% compared to prior year and up 18% on a constant currency basis
- Sales performance by region: US/CA +31%, EMEA +6%, APAC -5%, LATAM +5%
- Sales performance by end-market: Industrial Filtration Solutions (IFS) +14%, Gas Turbine Systems (GTS) +39%, Special Applications -17%
- Sales growth largely driven by strong demand across industrial dust collection and Process Filtration products as well as timing benefits in GTS. Special Applications sales reflect headwinds related to mainland China COVID-19 lockdowns.
- Segment EBIT margin up 50 bps YoY driven by effective pricing to offset increased input costs
- Integration and investments in FY22 strategic acquisitions (Solaris, PAIS, and Purilogics) continue

($ in millions)	Q4’22	Q4’21	YoY
Sales	$270	$245	+10%
EBIT	$48	$42	+13%
% of sales	17.8%	17.3%	+50 bps

Balance Sheet and Cash Flow Overview

Net Debt and Financial Leverage



Consolidated Results ($M)

	Q4'22	Q4'21	FY22	FY21
Cash from Operations	$109	$96	$253	$402
Capital Expenditures	($28)	($18)	($85)	($58)
Free Cash Flow (FCF)[1]	$81	$78	$168	$344
Dividends	($28)	($28)	($110)	($107)
Share Buybacks	($17)	($64)	($171)	($142)

Highlights

- Adjusted free cash flow conversion of 78% in Q4'22, returning to more normalized levels, and 50% for the full year
- Working capital use of $204M in FY22 was driven by proactive inventory build and higher receivables related to sales growth
- Strong balance sheet supports future growth and strategic investments

[1] See the Reconciliation of Non-GAAP Financial Measures appendix for additional information.

Fiscal 2023 Financial Outlook

FY23 Total Company Outlook

Total Sales Growth	**+1% to 5%**
Gross Margin	**YoY expansion**
Operating Margin	**14.5% to 15.1%**
Tax Rate	**25% to 27%**
GAAP Diluted EPS	**$2.91 to $3.07**
Capital Expenditures	**$115M to $135M**
FCF Conversion	**110% to 125%**

FY23 Segment Sales Outlook

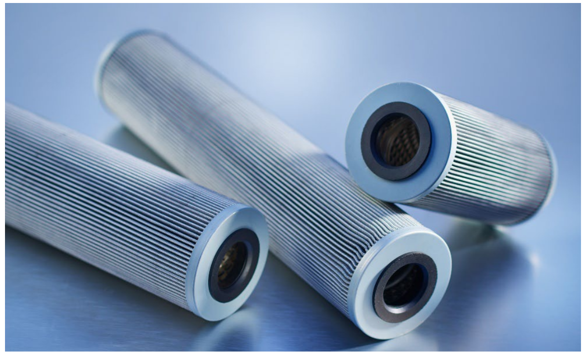
Engine Products Sales	**Flat to +4%**
Off-Road	**- Low-single digits**
On-Road	**- Low-single digits**
Aftermarket	**+ Mid-single digits**
Aerospace & Defense	**+ Mid-single digits**
Industrial Products Sales	**+3% to 7%**
Industrial Filtration Solutions	**+ High-single digits**
Gas Turbine Systems	**+ Low-single digits**
Special Applications	**Flat**

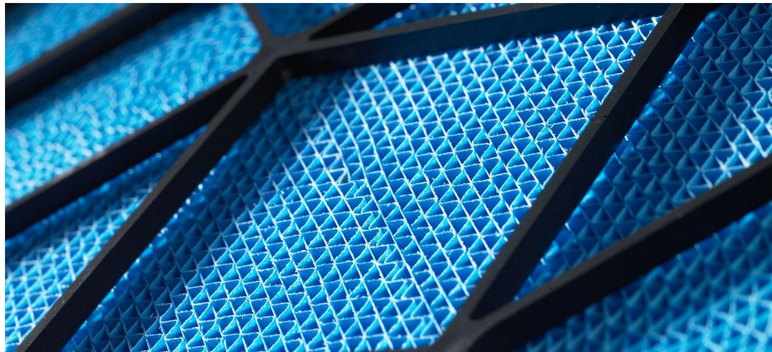
Other Assumptions

- Pricing benefit of approximately 6%
- Currency translation expected to be a headwind of ~4%
- Sales growth stronger in 1H'23 driven by pricing benefits
- Operating margin higher in 2H'23 on gross margin expansion and operating expense leverage
- FY23 interest expense approximately $17M
- Other income between $9M to $13M

Appendix

Donaldson
FILTRATION SOLUTIONS





Reconciliation of Non-GAAP Financial Measures
($ in millions, except per share amounts)
(Unaudited)

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Twelve Months Ended July 31, 2022	Twelve Months Ended July 31, 2021
Net cash provided by operating activities	$ 108.9	$ 96.3	$ 252.8	$ 401.9
Net capital expenditures	(28.3)	(18.0)	(85.2)	(58.3)
Free cash flow	$ 80.6	$ 78.2	$ 167.7	$ 343.6
Net earnings	$ 101.1	$ 84.3	$ 332.8	$ 286.9
Income taxes	27.6	29.6	105.6	94.1
Interest expense	4.0	3.1	14.9	13.0
Depreciation and amortization	23.0	24.9	94.0	95.3
EBITDA	$ 155.7	$ 141.9	$ 547.3	$ 489.3
Adjusted net earnings	$ 103.6	$ 84.3	$ 335.4	$ 297.4
Adjusted income taxes	28.4	29.6	106.4	98.3
Interest expense	4.0	3.1	14.9	13.0
Depreciation and amortization	23.0	24.9	94.0	95.3
Adjusted EBITDA	$ 159.0	$ 141.9	$ 550.7	$ 504.0
Gross profit	$ 291.6	$ 265.7	$ 1,067.4	$ 971.7
Charges related to the conflict in Eastern Europe	1.0	—	1.0	—
Restructuring charges	—	—	—	5.8
Adjusted gross profit	$ 292.6	$ 265.7	$ 1,068.4	$ 977.5
Operating expense	$ 162.3	$ 153.7	$ 623.9	$ 587.0
Charges related to the conflict in Eastern Europe	2.4	—	2.4	—
Restructuring charges	—	—	—	9.0
Adjusted operating expense	$ 159.9	$ 153.7	$ 621.5	$ 578.0
Operating income	$ 129.3	$ 112.0	$ 443.5	$ 384.7
Charges related to the conflict in Eastern Europe	3.4	—	3.4	—
Restructuring charges	—	—	—	14.8
Adjusted operating income	$ 132.7	$ 112.0	$ 446.9	$ 399.5
Net earnings	$ 101.1	$ 84.3	$ 332.8	$ 286.9
Charges related to the conflict in Eastern Europe, net of tax	2.6	—	2.6	—
Restructuring charges, net of tax	—	—	—	10.6
Adjusted net earnings	$ 103.6	$ 84.3	$ 335.4	$ 297.4

Amounts may not sum due to rounding

Reconciliation of Non-GAAP Financial Measures
($ in millions, except per share amounts)
(Unaudited)

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Twelve Months Ended July 31, 2022	Twelve Months Ended July 31, 2021
Diluted EPS	$ 0.81	$ 0.66	$ 2.66	$ 2.24
Charges per share related to the conflict in Eastern Europe	0.02	—	0.02	—
Restructuring charges per share	—	—	—	0.08
Adjusted diluted EPS	$ 0.84	$ 0.66	$ 2.68	$ 2.32

	July 31, 2022	July 31, 2021	July 31, 2020
Total debt	$ 648.0	$ 509.5	$ 626.9
Less: Cash and cash equivalents	193.3	222.8	236.6
Net Debt	$ 454.7	$ 286.7	$ 390.3

	Twelve Months Ended July 31, 2022	Twelve Months Ended July 31, 2021	Twelve Months Ended July 31, 2020
Adjusted EBITDA	$ 550.7	$ 504.0	$ 440.2
Net debt to adjusted EBITDA	0.8x	0.6x	0.9x

Amounts may not sum due to rounding