



DONALDSON COMPANY

THIRD QUARTER FISCAL YEAR 2025

JUNE 2025



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## 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; impacts from unexpected events; effects of unavailable raw materials, significant demand fluctuations or material cost changes; 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; inability to achieve commitments related to ESG, 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, 2024. 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-Q.

### **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.



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# Third Quarter 2025 Update and Overview

## Key Updates

### Resilient Business Model

- ✓ Constant currency **sales increases** in all segments driven by **growth in replacement parts**
- ✓ Progress on **cost and footprint optimization** initiatives
- ✓ Consistent **expense management**
- ✓ **Accelerated share repurchases** and recently announced **11% quarterly dividend increase**

## Third Quarter Financials

### Delivered Earnings Growth and Strong Margins

- ✓ **Sales of \$940M** increased 1% YoY
  - Pricing and volume growth, partially offset by unfavorable currency translation
- ✓ **Adjusted EPS<sup>(1,2)</sup> of \$0.99** up 8% YoY
  - Adjusted gross margin<sup>(2)</sup> decrease of 110bps YoY
  - Adjusted operating margin<sup>(2)</sup> increase of 80 bps YoY
- ✓ **Adjusted free cash flow conversion<sup>(2,3)</sup> of 61%**

## FY 2025 Guidance

### Record Fiscal 2025 Guidance

- ✓ **Record sales outlook, representing 1% to 3% growth**
- ✓ **Record adjusted operating margin of 15.6% to 16.0%, driven by operating expense discipline**
- ✓ **Record adjusted EPS guidance within a range of \$3.64 to \$3.70**

<sup>1</sup>All EPS figures refer to diluted EPS.

<sup>2</sup>Adjusted for impairment of certain intangible assets, restructuring and other charges, and a gain on the sale of fixed assets.. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

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

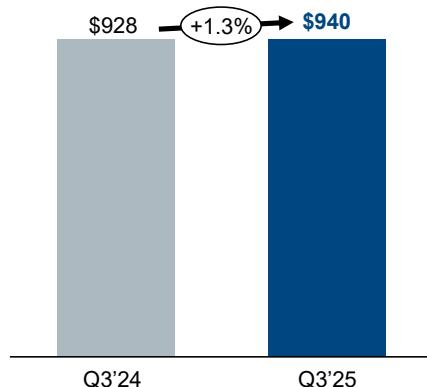


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# Third Quarter FY25 Overview & Highlights

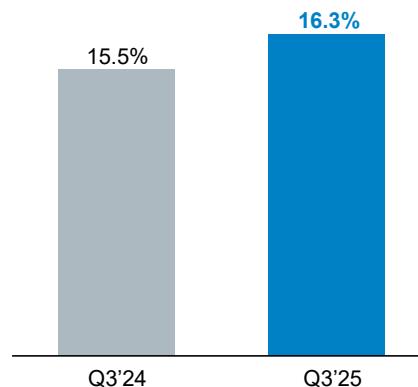
## Sales (\$M)

Up 1.6% YoY Constant Currency Basis



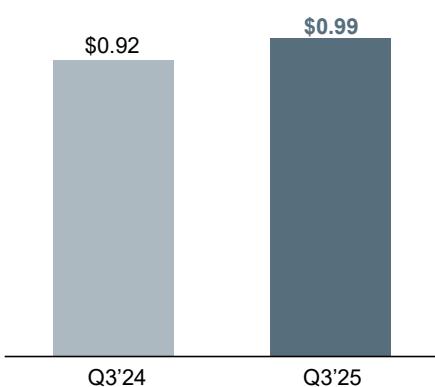
## Adjusted Operating Margin<sup>(1)</sup>

Up 80 bps YoY



## Adjusted Diluted EPS<sup>(1)</sup>

Up 7.6% YoY



### Highlights

- +1% YoY contribution from price and volume growth, partially offset by unfavorable currency translation
- Segment Performance YoY:
  - Industrial Solutions +5.3%
  - Mobile Solutions -0.4%
  - Life Sciences +0.7%

### Highlights

- Adjusted gross margin<sup>(1)</sup> down 110 bps versus prior year due to increased costs including from footprint optimization initiatives
- Adjusted operating expenses as a percent of sales<sup>(1)</sup> down 190 bps YoY

### Highlights

- Adjusted operating income<sup>(1)</sup> increased 7% YoY

<sup>1</sup> Adjusted for restructuring and other charges. See the reconciliation of Non-GAAP Financial Measures appendix for additional information.

# Mobile Solutions Segment Third Quarter FY25 Results



	Q3'25	Q3'24	YoY
<b>Sales</b>	<b>\$583</b>	\$585	0%
<b>EBT</b>	<b>\$105</b>	\$108	-2%
<b>% of sales</b>	<b>18.1%</b>	18.4%	-30 bps

## Third Quarter Overview

### Sales

- Total Sales YoY: approximately flat
  - Pricing offset by volume declines and a headwind from currency translation
- Aftermarket sales increase driven by strong OE channel demand and independent channel market share gains
- Off-road and On-road sales decreased due to ongoing weakness in transportation and agriculture markets
- Performance by region YoY:
  - US/CA -5%
  - EMEA 0%
  - APAC +5%
  - LATAM +6%
- China Sales YoY:
  - +28% driven by first-fit and aftermarket growth

### Margins and Key Updates

- Segment EBT margin -30 bps YoY driven primarily by higher manufacturing costs, including those related to footprint optimization initiatives



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# Industrial Solutions Segment Third Quarter FY25 Results



	Q3'25	Q3'24	YoY
<b>Sales</b>	<b>\$283</b>	\$269	+5%
<b>EBT</b>	<b>\$51</b>	\$50	+2%
<b>% of sales</b>	<b>18.1%</b>	18.7%	-60 bps

## Third Quarter Overview

### Sales

- Total Sales YoY: +5%
  - Sales increased due to solid volume growth and pricing
  - IFS sales increased as a result of strength in replacement part sales in several key businesses offset by weaker new equipment sales
  - Aerospace and Defense growth driven by robust Aerospace end-market conditions
- Performance by region YoY:
  - US/CA +13%
  - EMEA 0%
  - APAC -5%
  - LATAM -21%
- Performance by end-market YoY:
  - Industrial Filtration Solutions (IFS) +1%
  - Aerospace & Defense +27%

### Margins and Key Updates

- Segment EBT margin -60 bps YoY driven by unfavorable regional and product sales mix

# Life Sciences Segment Third Quarter FY25 Results



	Q3'25	Q3'24	YoY
<b>Sales</b>	<b>\$74.2</b>	\$73.6	+1%
<b>EBT</b>	<b>\$6</b>	\$1	NM
<b>% of sales</b>	<b>7.8%</b>	0.7%	+710 bps

## Third Quarter Overview

### Sales

- Total Sales YoY: +1% reported and flat in constant currency
  - Higher sales driven by continuing Disk Drive market strength and Food and Beverage replacement parts sales
- Performance by region YoY:
  - US/CA -14%
  - EMEA -7%
  - APAC +18%
  - LATAM -14%

### Margins and Key Updates

- Segment EBT margin +710 bps YoY largely driven by reversal of the Purilogics earn-out reserve and benefits from the cost optimization initiatives undertaken earlier this year

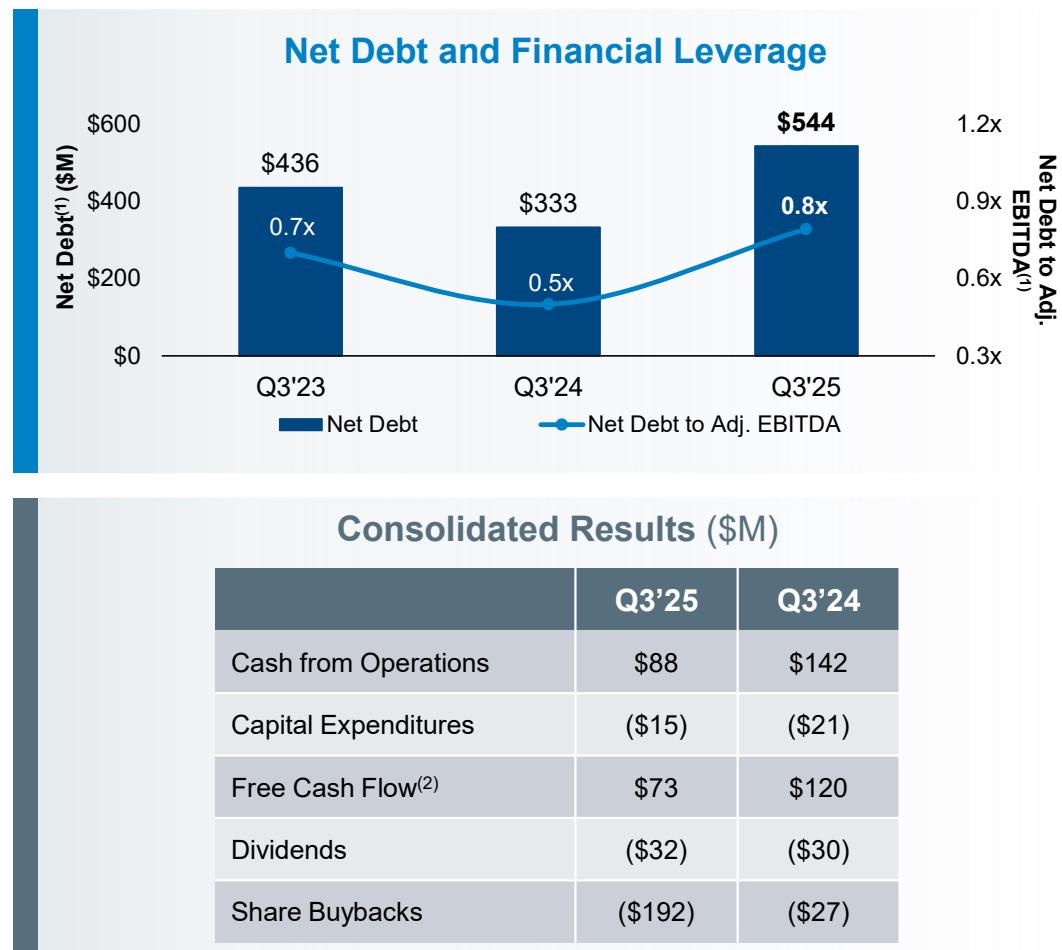


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# Balance Sheet and Cash Flow Overview

## Highlights

- Adjusted free cash flow conversion<sup>(1,2)</sup> of 61% in Q3'25
  - Lower conversion driven by increased working capital
- Returned \$225 million to shareholders in dividends and share buybacks in Q3'25
  - Accelerated share repurchase to 3.3% YTD
- Our strong balance sheet gives us the flexibility needed to pursue attractive growth opportunities



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

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



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# Updated Fiscal 2025 Financial Outlook

Total Company Sales Growth	
Current	Prior (Q2'25)
+1 to +3%	Flat to +4%

Total Company Gross Margin	
Current	Prior (Q2'25)
YoY Expansion	YoY Expansion

Total Company Operating Margin	
Current	Prior (Q2'25)
15.6% to 16.0%	15.6% to 16.0%

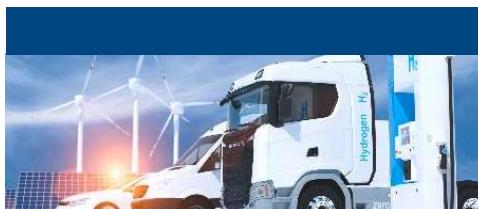
Adjusted Diluted EPS	
Current	Prior (Q2'25)
\$3.64 to \$3.70	\$3.60 to \$3.68

Capital Expenditures	
Current	Prior (Q2'25)
\$75M to \$90M	\$85M to \$100M

FCF Conversion	
Current	Prior (Q2'25)
80% to 90%	85% to 95%



## Mobile Solutions



## Industrial Solutions



## Life Sciences

Segment Outlook	Current	Prior (Q2'25)
Total Sales	Flat to +2%	-1% to +3%
Off-Road	- Mid-single digits	- Mid-single digits
On-Road	- High-teens	- Low-double digits
Aftermarket	+ Low-single digits	+ Low-single digits
	Current	Prior (Q2'25)
Total Sales	+2% to 4%	+1% to 5%
Industrial Filtration Services	+ Low-single digits	+ Low-single digits
Aerospace & Defense	+ Low-teens	+ High-single digits
	Current	Prior (Q2'25)
Total Sales	+ High-single digits	+ High-single digits

## Other Assumptions

- Tax rate of 23% to 24%
- Pricing benefit of approximately 1%
- Currency projected to be immaterial
- Interest expense approximately \$23M
- Other income between \$18M to \$20M

## Invest with Donaldson

1

**Leader in filtration** with long history of solving the most difficult filtration problems and forming mission critical partnerships across global customer base

2

**Best-in-class technology** and strategic organizational redesign strengthens ability to drive long-term profitable growth

3

**Helping customers meet evolving environmental and operational goals** through advanced filtration

4

Clear **strategic and balanced growth strategy** focused on expanding leadership position in legacy markets and further penetrating new markets

5

**Progress towards Life Sciences market leadership** and exposure to mega trends provides significant addressable market and long-term profitable growth potential

# Appendix



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# Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2025	2024	2025	2024
Net cash provided by operating activities	\$ 87.7	\$ 141.5	\$ 251.0	\$ 366.5
Net capital expenditures	(14.7)	(21.3)	(58.6)	(65.8)
Free cash flow	<u>\$ 73.0</u>	<u>\$ 120.2</u>	<u>\$ 192.4</u>	<u>\$ 300.7</u>
Net earnings	\$ 57.8	\$ 113.5	\$ 252.7	\$ 304.3
Income taxes	29.2	30.5	89.8	91.6
Interest expense	5.7	5.0	17.1	16.1
Depreciation and amortization	24.6	24.6	75.1	73.5
EBITDA	<u>\$ 117.3</u>	<u>\$ 173.6</u>	<u>\$ 434.7</u>	<u>\$ 485.5</u>
Adjusted net earnings	\$ 118.9	\$ 113.5	\$ 321.4	\$ 304.3
Adjusted income taxes	33.8	30.5	96.7	91.6
Interest expense	5.7	5.0	17.1	16.1
Depreciation and amortization	24.6	24.6	75.1	73.5
Adjusted EBITDA	<u>\$ 183.0</u>	<u>\$ 173.6</u>	<u>\$ 510.3</u>	<u>\$ 485.5</u>
Gross profit	\$ 321.9	\$ 330.1	\$ 947.4	\$ 939.6
Impairment of intangible assets	—	—	—	—
Restructuring charges	2.6	—	4.3	—
Gain on the sale of fixed assets	—	—	—	—
Business development charges	—	—	—	—
Adjusted gross profit	<u>\$ 324.5</u>	<u>\$ 330.1</u>	<u>\$ 951.7</u>	<u>\$ 939.6</u>
Operating expense	\$ 234.5	\$ 186.5	\$ 603.7	\$ 541.7
Impairment of intangible assets	(62.0)	—	(62.0)	—
Restructuring charges	(1.6)	—	(5.3)	—
Gain on the sale of fixed assets	1.2	—	1.2	—
Business development charges	(0.8)	—	(5.2)	—
Adjusted operating expense	<u>\$ 171.4</u>	<u>\$ 186.5</u>	<u>\$ 532.4</u>	<u>\$ 541.7</u>
Operating income	\$ 87.4	\$ 143.6	\$ 343.7	\$ 397.9
Impairment of intangible assets	62.0	—	62.0	—
Restructuring charges	4.2	—	9.6	—
Gain on the sale of fixed assets	(1.2)	—	(1.2)	—
Business development charges	0.8	—	5.2	—
Adjusted operating income	<u>\$ 153.1</u>	<u>\$ 143.6</u>	<u>\$ 419.3</u>	<u>\$ 397.9</u>

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2025	2024	2025	2024
Net earnings	\$ 57.8	\$ 113.5	\$ 252.7	\$ 304.3
Impairment of intangible assets, net tax	58.3	—	58.3	—
Restructuring charges, net tax	3.2	—	7.3	—
Gain on the sale of fixed assets, net tax	(0.8)	—	(0.8)	—
Business development charges, net tax	0.5	—	3.9	—
Adjusted net earnings	<u>\$ 118.9</u>	<u>\$ 113.5</u>	<u>\$ 321.4</u>	<u>\$ 304.3</u>
Diluted EPS	\$ 0.48	\$ 0.92	\$ 2.09	\$ 2.48
Impairment of intangible assets	0.48	—	0.48	—
Restructuring charges	0.03	—	0.06	—
Gain on the sale of fixed assets	(0.01)	—	(0.01)	—
Business development charges	0.01	—	0.04	—
Adjusted diluted EPS	<u>\$ 0.99</u>	<u>\$ 0.92</u>	<u>\$ 2.65</u>	<u>\$ 2.48</u>



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## Reconciliation of Non-GAAP Financial Measures

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

	April 30,		
	2025	2024	2023
Total debt	\$ 722.5	\$ 556.2	\$ 622.1
Less: Cash and cash equivalents	(178.5)	(223.7)	(186.0)
Net debt	\$ 544.0	\$ 332.5	\$ 436.1

	Nine Months ended April 30,		
	2025	2024	2023
Adjusted EBITDA	\$ 686.4	\$ 637.5	\$ 609.0
Net debt to adjusted EBITDA	0.8x	0.5x	0.7x