

REFINITIV

DELTA REPORT

10-Q

DCI - DONALDSON CO INC

10-Q - APRIL 30, 2024 COMPARED TO 10-Q - JANUARY 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 666

█ CHANGES 433

█ DELETIONS 107

█ ADDITIONS 126

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **JANUARY 31, APRIL 30, 2024**
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number **1-7891**

DONALDSON COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

41-0222640

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1400 West 94th Street
Minneapolis, Minnesota 55431
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(952) 887-3131**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$5.00 par value	DCI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **February 27, 2024** **May 28, 2024**, **120,369,127** **120,405,214** shares of the registrant's common stock, par value \$5.00 per share, were outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (In millions, except per share amounts)
 (Unaudited)

	Three Months Ended		Six Months Ended									
	January 31,		January 31,									
	Three Months Ended		Nine Months Ended									
	2024		2024	2023			2024	2023	2024	2023	2024	2023
Net sales												
Cost of sales												
Gross profit												
Selling, general and administrative												
Research and development												
Operating expenses												
Operating income												
Interest expense												
Other income, net												
Earnings before income taxes												
Income taxes												
Net earnings												
Weighted average shares – basic												
Weighted average shares – basic												
Weighted average shares – basic												
Weighted average shares – diluted												
Net earnings per share – basic												
Net earnings per share – basic												
Net earnings per share – basic												
Net earnings per share – diluted												

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In millions)
 (Unaudited)

	Three Months		Six Months									
	Ended		Ended									
	January 31,		January 31,									
	2024		2024	2023			2024	2023	2024	2023	2024	2023
Net earnings												
Other comprehensive income:												
Foreign currency translation gain (loss)												
Foreign currency translation gain (loss)												
Foreign currency translation gain (loss)												
Pension liability adjustment, net of deferred taxes of \$0.0, \$0.3, \$(0.2) and \$(0.1), respectively												
Foreign currency translation (loss) gain												
Foreign currency translation (loss) gain												
Foreign currency translation (loss) gain												
Pension liability adjustment, net of deferred taxes of \$(0.9), \$0.1, \$(1.1) and \$0.0, respectively												

Derivatives:

(Loss) gain on hedging derivatives, net of deferred taxes of \$0.1, \$1.0, \$0.0 and \$(0.1), respectively

(Loss) gain on hedging derivatives, net of deferred taxes of \$0.1, \$1.0, \$0.0 and \$(0.1), respectively

(Loss) gain on hedging derivatives, net of deferred taxes of \$0.1, \$1.0, \$0.0 and \$(0.1), respectively

Reclassification of loss on hedging derivatives to net earnings, net of taxes of \$0.3, \$0.9, \$0.1 and \$0.3, respectively

Gain (loss) on hedging derivatives, net of deferred taxes of \$0.1, \$0.1, \$0.1 and \$0.0, respectively

Gain (loss) on hedging derivatives, net of deferred taxes of \$0.1, \$0.1, \$0.1 and \$0.0, respectively

Gain (loss) on hedging derivatives, net of deferred taxes of \$0.1, \$0.1, \$0.1 and \$0.0, respectively

Reclassification of loss (gain) on hedging derivatives to net earnings, net of taxes of \$0.1, \$(0.2), \$0.2 and \$0.1, respectively

Total derivatives

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Net other comprehensive (loss) income

Net other comprehensive (loss) income

Net other comprehensive (loss) income

Comprehensive income

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share amounts)
(Unaudited)

	January 31, 2024	July 31, 2023
	April 30, 2024	July 31, 2023
Assets		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable, less allowances of \$5.9 and \$8.3, respectively		
Accounts receivable, less allowances of \$5.9 and \$8.3, respectively		
Accounts receivable, less allowances of \$5.9 and \$8.3, respectively		
Accounts receivable, less allowances of \$6.3 and \$8.3, respectively		
Accounts receivable, less allowances of \$6.3 and \$8.3, respectively		
Accounts receivable, less allowances of \$6.3 and \$8.3, respectively		
Inventories, net		
Prepaid expenses and other current assets		
Total current assets		
Property, plant and equipment, net		
Goodwill		
Goodwill		
Goodwill		
Intangible assets, net		
Other long-term assets		
Other long-term assets		
Other long-term assets		

Total assets
Liabilities and Stockholders' Equity
Liabilities and Stockholders' Equity
Liabilities and Stockholders' Equity
Current liabilities:
Current liabilities:
Current liabilities:
Short-term borrowings
Short-term borrowings
Short-term borrowings
Current maturities of long-term debt
Accounts payable
Accrued employee compensation and related taxes
Deferred revenue
Deferred revenue
Deferred revenue
Income taxes payable
Dividends payable
Other current liabilities
Total current liabilities
Long-term debt
Non-current income taxes payable
Deferred income taxes
Other long-term liabilities
Other long-term liabilities
Other long-term liabilities
Total liabilities
Stockholders' equity:
Stockholders' equity:
Stockholders' equity:
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none issued
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none issued
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none issued
Common stock, \$5.00 par value, 240,000,000 shares authorized, 151,643,194 shares issued
Additional paid-in capital
Retained earnings
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Treasury stock, 31,318,617 and 30,528,696 shares, respectively, at cost
Treasury stock, 30,978,047 and 30,528,696 shares, respectively, at cost
Total stockholders' equity
Total liabilities and stockholders' equity

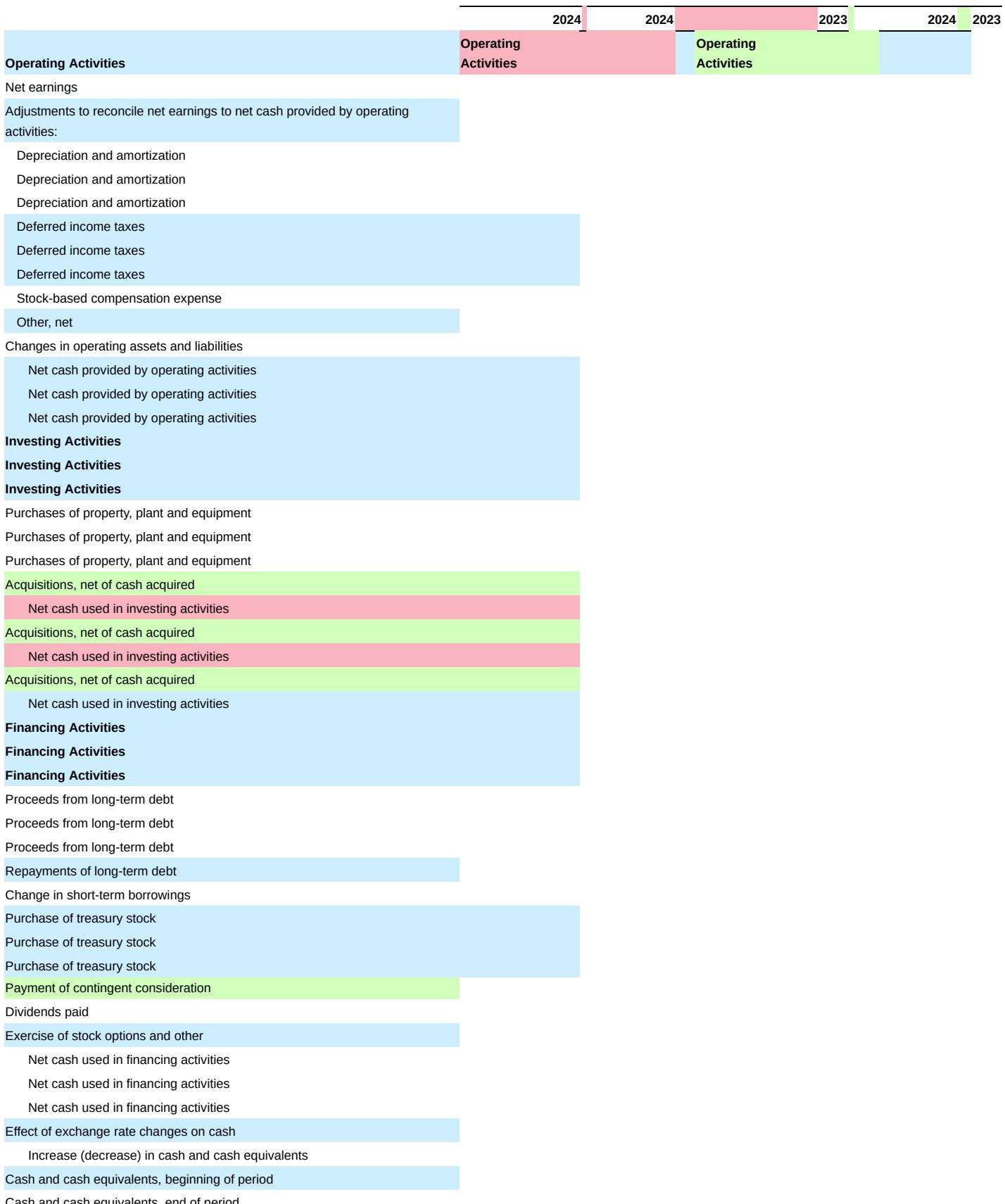
See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
 (Unaudited)

Six Months
Ended
January 31,

Nine Months
Ended
April 30,



Supplemental Cash Flow Information**Supplemental Cash Flow Information****Supplemental Cash Flow Information**

Income taxes paid

Income taxes paid

Income taxes paid

Interest paid

Supplemental Disclosure of Non-Cash Operating and Investing Transactions

Accrued property, plant and equipment additions

Accrued property, plant and equipment additions

Accrued property, plant and equipment additions

Leased assets obtained in exchange for new operating lease liabilities

Leased assets obtained in exchange for new operating lease liabilities

Leased assets obtained in exchange for new operating lease liabilities

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended January 31, 2024 and 2023					Three Months Ended April 30, 2024 and 2023								
	Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total	
Balance as of October 31, 2023														
Balance as of October 31, 2023														
Balance as of January 31, 2024														
Balance as of October 31, 2023														
Balance as of January 31, 2024														
Balance as of January 31, 2024														
Net earnings														
Other comprehensive income														
Other comprehensive loss														
Treasury stock acquired														
Dividends declared (\$0.50 per share)														
Dividends declared (\$0.00 per share)														
Stock compensation and other activity														
Balance as of January 31, 2024														
Balance as of April 30, 2024														
Balance as of October 31, 2022														
Balance as of January 31, 2023														
Balance as of October 31, 2022														
Balance as of January 31, 2023														
Balance as of October 31, 2022														
Balance as of January 31, 2023														
Balance as of January 31, 2023														
Net earnings														
Other comprehensive income														
Treasury stock acquired														
Dividends declared (\$0.46 per share)														
Dividends declared (\$0.00 per share)														

Stock compensation and other activity

Balance as of January 31, 2023

Balance as of April 30, 2023

Six Months Ended January 31, 2024 and 2023

Nine Months Ended April 30, 2024 and 2023

Six Months Ended January 31, 2024 and 2023

Nine Months Ended April 30, 2024 and 2023

Six Months Ended January 31, 2024 and 2023

Nine Months Ended April 30, 2024 and 2023

Common

Stock

Common

Stock

Common

Stock

Balance as of July 31, 2023

Balance as of July 31, 2023

Balance as of July 31, 2023

Net earnings

Net earnings

Net earnings

Other comprehensive loss

Other comprehensive loss

Other comprehensive loss

Treasury stock acquired

Treasury stock acquired

Treasury stock acquired

Dividends declared (\$0.50 per share)

Dividends declared (\$0.50 per share)

Dividends declared (\$0.50 per share)

Stock compensation and other activity

Stock compensation and other activity

Stock compensation and other activity

Balance as of January 31, 2024

Balance as of January 31, 2024

Balance as of January 31, 2024

Balance as of April 30, 2024

Balance as of April 30, 2024

Balance as of April 30, 2024

Balance as of July 31, 2022

Balance as of July 31, 2022

Balance as of July 31, 2022

Net earnings

Net earnings

Net earnings

Other comprehensive income

Other comprehensive income

Other comprehensive income

Treasury stock acquired

Treasury stock acquired

Treasury stock acquired

Dividends declared (\$0.46 per share)

Dividends declared (\$0.46 per share)

Dividends declared (\$0.46 per share)
Stock compensation and other activity
Stock compensation and other activity
Stock compensation and other activity
Balance as of January 31, 2023
Balance as of January 31, 2023
Balance as of January 31, 2023
Balance as of April 30, 2023
Balance as of April 30, 2023
Balance as of April 30, 2023

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Donaldson Company, Inc. and its subsidiaries (the Company) have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.) and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of earnings, comprehensive income, financial position, cash flows and changes in stockholders' equity have been included and are of a normal recurring nature. Operating results for the three and **six** **nine** months ended **January 31, 2024** **April 30, 2024** are not necessarily indicative of the results that may be expected for future periods. The year-end Condensed Consolidated Balance Sheet information was derived from the Company's Audited Consolidated Financial Statements but does not include all disclosures required by GAAP. For further information, refer to the Audited Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company and all its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The Company's joint ventures are not majority-owned and are accounted for under the equity method.

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities and the disclosures regarding contingent assets and liabilities at period end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Significant Accounting Standard Recently Adopted

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-08, Business Combinations (Topic 805), *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as if the entity had originated the contracts. The Company adopted ASU 2021-08 in the first quarter of fiscal 2024 and will apply this guidance to all future business combinations. The adoption did not have an impact on its Condensed Consolidated Financial Statements.

New Significant Accounting Standards Not Yet Adopted

The Company considers the applicability and impact of the FASB's ASUs issued but not yet adopted.

In December 2023, FASB issued ASU No. 2023-09, Income Taxes (Topic 820), *Improvements to Income Tax Disclosures*, which enhances the transparency and decision usefulness of income tax disclosures. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect adoption of this standard will have a material impact on the related disclosures within its financial statements.

In November 2023, FASB issued ASU No. 2023-07, Segment Reporting (Topic 280), *Improvements to Reportable Segment Disclosures*, which improves the segment disclosures to include reportable segment's expenses. The guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. **This ASU is applicable to annual reporting for the Company's fiscal 2025 and interim reporting for the first quarter of the Company's fiscal 2026.** The Company does not expect adoption of this standard will have a material impact on the related disclosures within its financial statements.

In October 2023, FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which modifies the disclosure or presentation requirements of various FASB topics in the Codification. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-K becomes effective, with early adoption prohibited. The Company **does not expect adoption is in the process of this standard will have a material evaluating the impact of the ASU on its financial statements.** related disclosures.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820), *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in

measuring fair values; it also requires additional disclosures, including the nature and remaining duration of such restrictions. The guidance is effective for fiscal years beginning after December 15, 2023, with early application permitted. This ASU is applicable to the Company's fiscal year beginning in the first quarter of fiscal 2025. The Company does not expect adoption of this standard will have a material impact on its financial statements.

Note 2. Acquisitions and Equity Method Investments

Acquisitions

Univercells Technologies (UTEC)

In the fourth quarter of fiscal 2023, the Company acquired UTEC, headquartered in Nivelles, Belgium, for cash consideration of €134.6 million, or \$147.2 million, net of cash acquired. UTEC is a global producer of innovative biomanufacturing solutions for cell and gene therapy research, development and commercial manufacturing. UTEC is reported within the Company's Life Sciences segment. The Company assigned the fair values to the net assets acquired resulting in \$95.8 million for goodwill and \$52.5 million for intangible assets, the amortization of which is not deductible for tax purposes. The valuation resulted in a deferred tax liability of \$13.1 million and a deferred tax asset of \$7.0 million. Net working capital was a net liability of \$0.9 million, and there were \$6.6 million of other non-current assets and \$0.7 million of other non-current liabilities. ~~The purchase price allocation for this acquisition is preliminary pending Purchase accounting was finalized in the outcome third quarter of the final valuation of the net assets acquired.~~ fiscal 2024. Net sales of UTEC were immaterial to the Consolidated Statements of Earnings for the three and ~~six~~ nine months ended ~~January 31, 2024~~ April 30, 2024. Management expects to finalize the purchase accounting by the fourth quarter of fiscal 2024.

Isolere Bio, Inc. (Isolere)

In the third quarter of fiscal 2023, the Company acquired Isolere, headquartered in Durham, North Carolina, for cash consideration of \$62.4 million, net of cash acquired. Isolere develops reagents and accompanying filtration processes used for the purification and streamlined manufacturing of biopharmaceuticals. Isolere is reported within the Company's Life Sciences segment. The Company assigned the fair values to the net assets acquired resulting in \$28.2 million for goodwill and \$44.5 million for intangible assets, the amortization of which is not deductible for tax purposes, resulting in a deferred tax liability of \$10.9 million. Net working capital was a net liability of \$0.4 million, and there were \$1.2 million of other non-current assets and \$0.2 million other non-current liabilities. Purchase accounting was finalized in the first quarter of fiscal 2024. Net sales of Isolere were immaterial to the Condensed Consolidated Statements of Earnings for the three and ~~six~~ nine months ended ~~January 31, 2024~~ April 30, 2024.

Purchase Price Summary

The components of the above acquisitions, net of cash acquired in fiscal 2023, as of each acquisition date were as follows (in millions):

	2023
Intangible assets:	
Technology	\$ 84.9
Trademarks and tradenames	8.2
Customer relationships	1.2
Non-competition agreements	2.7
Intangible assets acquired	97.0
Tangible assets, net	10.4
Assets acquired, net	107.4
Goodwill	124.0
Aggregate purchase price	231.4
Add deferred tax asset	7.0
Less deferred tax liability	(24.0)
Less cash acquired	(4.8)
Acquisitions, net of cash acquired	\$ 209.6

There have been no ~~material~~ acquisitions in fiscal 2024.

Equity Method Investments

During the third quarter of fiscal 2024, the Company announced it has entered into a definitive agreement allowing the Company to purchase a 49% stake in Medica S.p.A. (Medica). Medica is a leader in hollow fiber membrane filtration technology for medical applications and water purification. Headquartered in Medolla, Italy, the Company has over 700 employees globally and generated €80 million of revenue in calendar 2023. The transaction is subject, among other things, to the acceptance of the tender offer on the ordinary shares of Medica, which was formally announced to the market on April 29, 2024. Upon acceptance of the tender offer, Donaldson would acquire a 49% stake of Medica with the option to acquire the remaining 51% stake in the future.

Note 3. Revenue

The Company recognizes revenue on a wide range of filtration solutions sold to customers in many industries around the globe. Most of the Company's performance obligations within customer sales contracts are for manufactured filtration systems and replacement parts. The Company also performs limited services and installation. Customer contracts may include multiple performance obligations and the transaction price is allocated to each distinct performance obligation based on its relative standalone selling price.

Revenue Disaggregation

Net sales, generally disaggregated by location where the customer's order was placed, were as follows (in millions):

	Three Months Ended		Six Months Ended		2024	2023	2024	2023	2024	2023						
	January 31,		January 31,													
	Three Months Ended		Nine Months Ended													
	2024	2024	2024	2023	2024	2023	2024	2023	2024	2023						
U.S. and Canada																
Europe, Middle East and Africa (EMEA)																
Asia Pacific (APAC)																
Latin America (LATAM)																
Total net sales																

See Note 18 for net sales disaggregated by segment and business unit.

Contract Assets and Liabilities

The satisfaction of performance obligations and the resulting recognition of revenue typically correspond with billing of the customer. In limited circumstances, the customer may be billed at a time later than when revenue is recognized, resulting in contract assets, which are reported in other current assets on the Condensed Consolidated Balance Sheets. Contract assets were \$11.2 million and \$14.8 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively. In other limited circumstances, the customer may make a payment at a time earlier than when revenue is recognized and prior to the satisfaction of performance obligations, resulting in contract liabilities, which are reported in deferred revenue on the Condensed Consolidated Balance Sheets. Contract liabilities were \$29.7 million and \$25.8 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively.

The Company will recognize revenue in future periods related to remaining performance obligations for certain open contracts. Generally, these contracts have terms of one year or less. The amount of revenue related to unsatisfied performance obligations in which the original duration of the contract is greater than one year is not significant. None of the Company's contracts contained a significant financing component.

Note 4. Inventories, Net

The components of inventories, net were as follows (in millions):

	January 31,		July 31,	
	2024		2023	
	April 30,		July 31,	
	2024	2023	2024	2023
Raw materials				
Work in process				
Finished products				
Total inventories, net				

Note 5. Property, Plant and Equipment, Net

The components of property, plant and equipment, net were as follows (in millions):

	January 31,		July 31,	
	2024		2023	
	April 30,		July 31,	
	2024	2023	2024	2023
Land				
Buildings				
Machinery and equipment				
Computer software				
Construction in progress				
Less accumulated depreciation				
Total property, plant and equipment, net				

Note 6. Goodwill and Intangible Assets

Goodwill

The Company allocates goodwill to reporting units within its Mobile Solutions, Industrial Solutions and Life Sciences segments. There were no dispositions or impairment charges recorded during the three and six months ended January 31, 2024 April 30, 2024 and 2023. Goodwill is assessed for impairment annually during the third quarter of the fiscal year, or more frequently if events or changes in circumstances indicate the asset may be impaired. The Company performed its annual impairment assessment during the third quarter of fiscal 2023 2024 and did not record any impairment as a result of this assessment.

Goodwill by reportable segment was as follows (in millions):

	Mobile		Solutions Segment		Mobile		Solutions Segment		Industrial Solutions Segment		Life Sciences Segment		Total	Industrial Solutions Segment		Life Sciences Segment		Total
Balance as of July 31, 2023																		
Goodwill acquired																		
Purchase price adjustments																		
Foreign currency translation																		
Foreign currency translation																		
Foreign currency translation																		
Balance as of January 31, 2024																		
Balance as of April 30, 2024																		

Intangible Assets

Intangible assets preliminarily recognized from the UTEC acquisition were \$52.5 million, of which \$43.2 million was technology with an 18 year useful life, \$6.7 million was trademarks with a 10 year useful life, \$1.4 million was non-competition agreements with a 2 year useful life and \$1.2 million was customer relationships with a 10 year useful life.

There was a foreign currency translation gain/loss of \$1.5 million and loss of \$1.7 million for the three and six nine months ended January 31, 2024 April 30, 2024, respectively, and gain of \$3.8 million \$0.8 million and a gain of \$1.7 million \$2.5 million for the three and six nine months ended January 31, 2023 April 30, 2023, respectively.

Intangible asset classes were as follows (in millions):

	January 31, 2024				April 30, 2024			
	Weighted Amortizable Life (in Years)	Weighted Amortizable Life (in Years)	Gross Carrying Amount	Accumulated Amortization Net	Weighted Amortizable Life (in Years)	Gross Carrying Amount	Accumulated Amortization Net	
Customer relationships								
Patents								
Trademarks								
Technology								
Non-compete agreements								
Total intangible assets								

	July 31, 2023			
	Weighted Amortizable Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	10.8	\$ 107.8	\$ (65.6)	\$ 42.2
Patents	18.9	33.4	(6.3)	27.1
Trademarks	9.0	15.9	(3.9)	12.0
Technology	17.2	116.3	(12.9)	103.4
Non-compete agreements	3.1	4.0	(0.6)	3.4
Total intangible assets		\$ 277.4	\$ (89.3)	\$ 188.1

Intangible asset amortization expense was \$3.8 \$3.9 million and \$7.8 million \$11.7 million for the three and six nine months ended January 31, 2024 April 30, 2024, respectively, and was \$2.5 million \$2.9 million and \$5.1 million \$8.0 million for the three and six nine months ended January 31, 2023 April 30, 2023, respectively. Amortization expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings.

Note 7. Long-Term Debt

As of January 31, 2024 April 30, 2024, there was \$452.5 \$382.5 million available and \$40.0 \$110.0 million outstanding on the Company's \$500.0 million unsecured revolving credit facility that expires on May 21, 2026.

Certain debt agreements contain financial covenants related to interest coverage and leverage ratios, as well as other non-financial covenants. As of **January 31, 2024** **April 30, 2024**, the Company was in compliance with all such covenants.

Note 8. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The U.S. Internal Revenue Service has completed examinations of the Company's U.S. federal income tax returns through fiscal 2019. With few exceptions, the Company is no longer subject to state and foreign income tax examinations by tax authorities for years before fiscal 2018.

As of **January 31, 2024** **April 30, 2024**, gross unrecognized tax benefits were **\$15.8** **\$17.3** million and accrued interest and penalties on these unrecognized tax benefits were **\$2.2** **\$2.6** million. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income taxes in the Condensed Consolidated Statements of Earnings. The Company estimates within the next 12 months it is reasonably possible its uncertain tax positions could decrease by as much as \$4.0 million due to lapses in statutes of limitation. The statutes of limitation periods for the Company's various tax jurisdictions range from two years to 10 years.

The Company believes it is remote that any adjustment necessary to the reserve for income taxes over the next 12 months will be material. However, it is possible the ultimate resolution of audits or disputes may result in a material change to the reserve for income taxes, although the quantification of such potential adjustments cannot be made at this time.

Note 9. Earnings Per Share

Basic net earnings per share (EPS) is computed by dividing net earnings by the weighted average number of outstanding common shares. Diluted net EPS is computed by dividing net earnings by the weighted average number of outstanding common shares and common share equivalents relating to stock options and other stock incentive plans.

Basic and diluted net EPS calculations were as follows (in millions, except per share amounts):

	Three Months Ended January 31,		Six Months Ended January 31,		Three Months Ended April 30,		Nine Months Ended April 30,			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Net earnings										
Weighted average common shares outstanding										
Weighted average common shares outstanding										
Weighted average common shares outstanding										
Weighted average common shares – basic										
Weighted average common shares – basic										
Weighted average common shares – basic										
Dilutive impact of stock-based awards										
Weighted average common shares – diluted										
Net EPS – basic										
Net EPS – basic										
Net EPS – basic										
Net EPS – diluted										
Impact of potentially anti-dilutive stock options excluded from net EPS calculation										

Note 10. Stockholders' Equity

Share Repurchases

In November 2023, the Board of Directors authorized the repurchase of up to 12.0 million shares of common stock under the Company's stock repurchase plan, replacing the Company's previous stock repurchase plan dated May 31, 2019. This repurchase authorization is **effective** **effective** until terminated by the Board of Directors. During the **six** **nine** months ended **January 31, 2024** **April 30, 2024**, the Company repurchased **1.4** **1.8** million shares for **\$87.1** **\$114.0** million. During the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, the Company repurchased 2.1 million shares for **\$115.2** **\$119.3** million. As of **January 31, 2024** **April 30, 2024**, the Company had remaining authorization to repurchase **11.8** **11.4** million shares under the November 2023 stock repurchase plan.

Dividends

Dividends paid were 25.0 cents and **50.0** **75.0** cents per common share for the three and **six** **nine** months ended **January 31, 2024** **April 30, 2024** and were 23.0 cents and **46.0** **69.0** cents per common share for the three and **six** **nine** months ended **January 31, 2023** **April 30, 2023**, respectively.

On May 31, 2024, the Company's Board of Directors declared a cash dividend in the amount of 27.0 cents per common share, payable June 28, 2024, to shareholders of record as of June 17, 2024.

Note 11. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the three months ended **January 31, 2024** **April 30, 2024** and 2023 were as follows (in millions):

Foreign Currency Translation Adjustment	Foreign Currency Translation Adjustment	Foreign Currency Translation Adjustment
		Balance as of October 31, 2023, net of tax
		Balance as of October 31, 2023, net of tax
		Balance as of October 31, 2023, net of tax
		Balance as of January 31, 2024, net of tax
		Balance as of January 31, 2024, net of tax
		Balance as of January 31, 2024, net of tax
		Other comprehensive (loss) income before reclassifications and tax
		Other comprehensive (loss) income before reclassifications and tax
		Other comprehensive (loss) income before reclassifications and tax
		Tax benefit
		Tax benefit
		Tax benefit
		Other comprehensive (loss) income before reclassifications, net of tax
		Other comprehensive (loss) income before reclassifications, net of tax
		Other comprehensive (loss) income before reclassifications, net of tax
		Reclassifications, before tax
		Reclassifications, before tax
		Reclassifications, before tax
		Tax (expense) benefit
		Tax (expense) benefit
		Tax (expense) benefit
		Reclassifications, net of tax
		Reclassifications, net of tax
		Reclassifications, net of tax
		Other comprehensive (loss) income, net of tax
		Other comprehensive (loss) income, net of tax
		Other comprehensive (loss) income, net of tax
		Balance as of April 30, 2024, net of tax
		Balance as of April 30, 2024, net of tax
		Balance as of April 30, 2024, net of tax
		Balance as of January 31, 2023, net of tax
		Balance as of January 31, 2023, net of tax
		Balance as of January 31, 2023, net of tax
		Other comprehensive income (loss) before reclassifications and tax
		Other comprehensive income (loss) before reclassifications and tax
		Other comprehensive income (loss) before reclassifications and tax
		Tax benefit
		Tax benefit
		Tax benefit
		Other comprehensive income (loss) before reclassifications, net of tax
		Other comprehensive income (loss) before reclassifications, net of tax
		Other comprehensive income (loss) before reclassifications, net of tax

Reclassifications, before tax	
Reclassifications, before tax	
Reclassifications, before tax	
Tax benefit	
Tax benefit	
Tax benefit	
Tax expense	
Tax expense	
Tax expense	
Reclassifications, net of tax	
Reclassifications, net of tax	
Reclassifications, net of tax	
Other comprehensive income (loss), net of tax	
Other comprehensive income (loss), net of tax	
Other comprehensive income (loss), net of tax	
Balance as of January 31, 2024, net of tax	
Balance as of January 31, 2024, net of tax	
Balance as of January 31, 2024, net of tax	
Balance as of October 31, 2022, net of tax	
Balance as of October 31, 2022, net of tax	
Balance as of October 31, 2022, net of tax	
Other comprehensive income (loss) before reclassifications and tax	
Other comprehensive income (loss) before reclassifications and tax	
Other comprehensive income (loss) before reclassifications and tax	
Tax benefit	
Tax benefit	
Tax benefit	
Other comprehensive income (loss) before reclassifications, net of tax	
Other comprehensive income (loss) before reclassifications, net of tax	
Other comprehensive income (loss) before reclassifications, net of tax	
Reclassifications, before tax	
Reclassifications, before tax	
Reclassifications, before tax	
Tax benefit	
Tax benefit	
Tax benefit	
Reclassifications, net of tax	
Reclassifications, net of tax	
Reclassifications, net of tax	
Other comprehensive income (loss), net of tax	
Other comprehensive income (loss), net of tax	
Other comprehensive income (loss), net of tax	
Balance as of January 31, 2023, net of tax	
Balance as of January 31, 2023, net of tax	
Balance as of January 31, 2023, net of tax	
Balance as of April 30, 2023, net of tax	
Balance as of April 30, 2023, net of tax	
Balance as of April 30, 2023, net of tax	

(1) In fiscal 2024 and 2023, pension settlement accounting was triggered. Remeasurements of the Company's pension obligations resulted in an increase of \$0.0 million and \$4.4 million in fiscal 2024 and 2023, respectively, to accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets, see Note 13.

(2) Amounts include foreign currency translation loss of \$0.1 million and gain of \$0.6 \$0.3 million, and \$1.5 million and net amortization of prior service costs and actuarial losses of \$0.4 million and \$0.5 \$0.6 million and reclassifications due to settlement charges of \$3.1 million and \$3.3 million in fiscal 2024 and 2023, respectively, included in other income, net in the Condensed

Consolidated Statements of Earnings, see Note 13.

(2)(3) Relates to designated foreign currency forward contracts that were reclassified from accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets to net sales, cost of sales and selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings, see Note 14.

Changes in accumulated other comprehensive loss for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** and 2023 were as follows (in millions):

	Foreign Currency Translation Adjustment	Foreign Currency Translation Adjustment	Foreign Currency Translation Adjustment
Balance as of July 31, 2023, net of tax			
Balance as of July 31, 2023, net of tax			
Balance as of July 31, 2023, net of tax			
Other comprehensive loss before reclassifications and tax			
Other comprehensive loss before reclassifications and tax			
Other comprehensive loss before reclassifications and tax			
Tax expense			
Tax expense			
Tax expense			
Tax benefit			
Tax benefit			
Tax benefit			
Other comprehensive loss before reclassifications, net of tax			
Other comprehensive loss before reclassifications, net of tax			
Other comprehensive loss before reclassifications, net of tax			
Reclassifications, before tax			
Reclassifications, before tax			
Reclassifications, before tax			
Tax (expense) benefit			
Tax (expense) benefit			
Tax (expense) benefit			
Reclassifications, net of tax			
Reclassifications, net of tax			
Reclassifications, net of tax			
Other comprehensive (loss) income, net of tax			
Other comprehensive (loss) income, net of tax			
Other comprehensive (loss) income, net of tax			
Balance at January 31, 2024, net of tax			
Balance at January 31, 2024, net of tax			
Balance at January 31, 2024, net of tax			
Balance at April 30, 2024, net of tax			
Balance at April 30, 2024, net of tax			
Balance at April 30, 2024, net of tax			
Balance as of July 31, 2022, net of tax			
Balance as of July 31, 2022, net of tax			
Balance as of July 31, 2022, net of tax			

Other comprehensive income before reclassifications and tax
Other comprehensive income before reclassifications and tax
Other comprehensive income before reclassifications and tax
Tax expense
Tax expense
Tax expense
Other comprehensive income before reclassifications, net of tax
Other comprehensive income before reclassifications, net of tax
Other comprehensive income before reclassifications, net of tax
Other comprehensive income (loss) before reclassifications and tax
Other comprehensive income (loss) before reclassifications and tax
Other comprehensive income (loss) before reclassifications and tax
Tax benefit
Tax benefit
Tax benefit
Other comprehensive income (loss) before reclassifications, net of tax
Other comprehensive income (loss) before reclassifications, net of tax
Other comprehensive income (loss) before reclassifications, net of tax
Reclassifications, before tax
Reclassifications, before tax
Reclassifications, before tax
Tax (expense) benefit
Tax (expense) benefit
Tax (expense) benefit
Reclassifications, net of tax
Reclassifications, net of tax
Reclassifications, net of tax
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Other comprehensive income (loss), net of tax
Balance at January 31, 2023, net of tax
Balance at January 31, 2023, net of tax
Balance at January 31, 2023, net of tax
Balance at April 30, 2023, net of tax
Balance at April 30, 2023, net of tax
Balance at April 30, 2023, net of tax

(1) In fiscal 2024 and 2023, pension settlement accounting was triggered. Remeasurements of the Company's pension obligations resulted in an increase of \$0.0 million and \$4.4 million in fiscal 2024 and 2023, respectively, to accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets, see Note 13.

(2) Amounts include foreign currency translation loss of \$0.2 million \$0.3 million and gain of \$0.5 million and \$0.8 million, net amortization of prior service costs and actuarial losses of \$0.8 million \$1.2 million and \$1.1 million \$1.7 million and reclassifications due to settlement charges of \$3.1 million and \$3.3 million in fiscal 2024 and 2023, respectively, included in other income, net in the Condensed Consolidated Statements of Earnings, see Note 13.

(2)(3) Relates to designated foreign currency forward contracts that were reclassified from accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets to net sales, cost of sales and selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings, see Note 14.

Note 12. Stock-Based Compensation

The Company recognizes compensation expense for all stock-based awards based on the grant date fair value of the award. Stock-based awards consist primarily of non-qualified stock options, performance-based awards, restricted stock awards and restricted stock units. Grants related to restricted stock awards and restricted stock units are immaterial. The Company issues treasury shares for stock options and performance-based awards.

Stock Options

The exercise price of options granted is equal to the market price of the Company's common stock at the date of the grant. Options are generally exercisable for up to 10 years from the date of grant and vest in equal increments over three years.

Pretax stock-based compensation expense associated with options was \$2.0 \$1.8 million and \$10.5 million \$12.3 million for the three and six nine months ended January 31, 2024 April 30, 2024, respectively, and was \$1.8 million \$1.5 million and \$9.3 million \$10.8 million for the three and six nine months ended January 31, 2023 April 30, 2023, respectively.

Fair value is calculated using the Black-Scholes option pricing model. The weighted average fair value for options granted was \$18.98 \$18.99 and \$15.62 \$15.67 per share during the **six** **nine** months ended **January 31, 2024** **April 30, 2024** and 2023, respectively.

Option activity was as follows:

	Options	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance outstanding as of July 31, 2023					
Granted					
Exercised					
Expired/forfeited					
Balance outstanding as of January 31, 2024					
Balance outstanding as of April 30, 2024					

Performance-Based Awards

Performance-based awards are payable in common stock and are based on a formula that measures Company performance over a three-year period. These awards are settled after three years with payouts ranging from 0% to 200% of the target award depending on achievement.

Pretax performance-based awards expense was \$1.5 \$1.4 million and \$3.1 million \$4.5 million for the three and **six** **nine** months ended **January 31, 2024** **April 30, 2024**, respectively, and was \$1.7 million \$1.5 million and \$3.5 million \$5.0 million for the three and **six** **nine** months ended **January 31, 2023** **April 30, 2023**, respectively.

Performance-based awards for non-vested activity were as follows:

	Performance Shares	Performance Shares	Weighted Average Grant Date Fair Value	Performance Shares	Weighted Average Grant Date Fair Value
Balance outstanding as of July 31, 2023					
Granted					
Vested					
Forfeited					
Balance outstanding as of January 31, 2024					
Balance outstanding as of April 30, 2024					

Note 13. Employee Benefit Plans

The Company has defined benefit pension plans for certain hourly and salaried employees. They consist of plans in the U.S., Belgium, Germany, Mexico and the United Kingdom. These plans generally provide pension benefits based on years of service and compensation level. Components of net periodic pension costs other than the service cost component are included in other income, net in the Condensed Consolidated Statements of Earnings.

Net periodic pension costs for the Company's pension plans were as follows (in millions):

	Three Months Ended January 31,		Six Months Ended January 31,		Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Service cost								
Interest cost								
Expected return on assets								
Prior service cost amortization								
Actuarial loss amortization								
Settlement charge								
Net periodic pension costs								
Net periodic pension costs								
Net periodic pension costs								

In the third quarter of fiscal 2024, the Company recorded a pension settlement charge of \$3.1 million as a result of lump sum distributions exceeding the service and interest cost components of the annual net periodic pension cost. The corresponding remeasurement did not result in a change to the Company's pension asset, and therefore did not result in an adjustment to other comprehensive loss in the Condensed Consolidated Statements of Comprehensive Income. See Note 11.

In the third quarter of fiscal 2023, the Company recorded pension settlement charges of \$3.3 million as a result of lump sum distributions exceeding the service and interest cost components of the annual net periodic pension cost. The corresponding remeasurements resulted in a decrease in the Company's pension assets and a corresponding adjustment to other comprehensive loss in the Consolidated Statements of Comprehensive Income of \$4.4 million. See Note 11.

The Company's general funding policy is to make at least the minimum required contributions under applicable regulations, plus any additional amounts it determines to be appropriate. Future required pension plan contributions may change significantly depending on the actual rate of return on plan assets, discount rates and regulatory requirements.

Note 14. Derivative Instruments and Hedging

Derivative Fair Value Measurements

The Company enters into derivative instrument agreements, including foreign currency forward contracts and net investment hedges, to manage risk in connection with changes in foreign currency. The Company only enters into derivative instrument agreements with counterparties who have highly rated credit. There is risk the counterparties to derivative contracts will fail to meet their contractual obligations. In order to mitigate counterparty credit risk, the Company only enters into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors.

Contract provisions may require the posting of collateral or settlement of the contracts for various reasons, including if the Company's credit ratings are downgraded below its investment grade credit rating by any of the major credit agencies, or for cross default contractual provisions, if there is a failure under other financing arrangements related to payment terms or covenants. As of **January 31, 2024** **April 30, 2024** and July 31, 2023, no collateral was posted.

The Company does not enter into derivative instrument agreements for trading or speculative purposes. For discussion on the fair value of the Company's derivatives, see Note 15.

Foreign Currency Forward Contracts - Cash Flow Hedges and Derivatives Not Designated as Hedging Instruments

The Company buys materials from foreign suppliers. Those transactions can be denominated in those suppliers' local currency. The Company also sells to customers in foreign countries. Those transactions can be denominated in those customers' local currency. Both of these transaction types can create volatility in the Company's financial statements. The Company uses foreign currency forward contracts to manage those exposures and fluctuations. These contracts generally mature in 12 months or less, which is consistent with the forecasts of the related purchases and sales. Certain contracts are designated as cash flow hedges, whereas the remaining contracts, most of which are related to certain intercompany transactions which offset balance sheet exposure, are not designated as hedging instruments. The total notional amount of the foreign currency forward contracts designated as hedges was **\$53.0** **\$25.8** million and \$84.9 million as of **January 31, 2024** **April 30, 2024** and July 31, 2023, respectively. The total notional amount of the foreign currency forward contracts not designated as hedges was **\$148.0** **\$141.9** million and \$147.5 million as of **January 31, 2024** **April 30, 2024** and July 31, 2023, respectively.

Changes in the fair value of the Company's designated hedges are reported in accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets until the related transaction occurs, see Note 11. Designated hedges are recognized as a component of either net sales, cost of sales, selling, general and administrative expenses or other income, net in the Condensed Consolidated Statements of Earnings upon occurrence of the related hedged transaction.

Hedges and subsequent changes in the fair value of hedges that are not designated are recognized in other income, net in the Condensed Consolidated Statements of Earnings along with the related hedged transactions.

Amounts related to foreign currency forward contracts designated as hedges are expected to be reclassified into earnings during the next 12 months based upon the timing of inventory purchases and sales.

Net Investment Hedges

The Company uses fixed-to-fixed cross-currency swap agreements to hedge its exposure to adverse foreign currency exchange rate movements for its operations in Europe. The Company has elected the spot method for designating these contracts as net investment hedges.

The total notional amount of net investment hedges was €80 million, or \$88.8 million, as of **January 31, 2024** **April 30, 2024** and July 31, 2023. The maturity dates range from 2027 to 2029.

Gains and losses resulting from a change in fair value of the net investment hedge are offset by gains and losses on the underlying foreign currency exposure and are included in accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets. Amounts related to excluded components associated with the net investment hedge are expected to be reclassified into earnings in interest expense in the Condensed Consolidated Statements of Earnings through their maturity.

Cash Flows

Cash flows from derivative transactions are recorded in operating activities in the Condensed Consolidated Statements of Cash Flows.

Note 15. Fair Value Measurements

Fair value measurements of financial instruments are reported in one of three levels based on the lowest level of significant input used. For Level 1, inputs to the fair value measurement are quoted prices in active markets for identical assets or liabilities. For Level 2, inputs to the fair value measurement include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For Level 3, inputs to the fair value measurement are unobservable inputs or are based on valuation techniques.

Short-Term Financial Instruments

As of **January 31, 2024** **April 30, 2024** and July 31, 2023, the carrying values of cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable approximate fair value because of the short-term nature of these instruments. Short-term financial instruments are classified as Level 1 in the fair value hierarchy.

Long-Term Debt

As of January 31, 2024 April 30, 2024, the estimated fair values of fixed interest rate long-term debt were \$388.0 \$255.7 million compared to the carrying values of \$425.0 \$300.0 million, inclusive of a current portion with a fair value of \$124.5 \$24.3 million and carrying value of \$125.0 \$25.0 million. As of July 31, 2023, the estimated fair values of fixed interest rate long-term debt were \$378.9 million compared to the carrying values of \$425.0 million. The fair values are estimated by discounting the projected cash flows using the interest rates at which similar amounts of debt could currently be borrowed. The carrying values of total variable interest rate long-term debt were \$140.2 \$208.5 million and \$198.4 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively, and approximate their fair values. Long-term debt is classified as Level 2 in the fair value hierarchy.

Equity Method Investments

The Company holds equity method investments in its joint ventures, which are included in other long-term assets on the Condensed Consolidated Balance Sheets. The aggregate carrying amount of these investments was \$24.3 \$25.9 million and \$24.4 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively. These equity method investments are measured at fair value on a non-recurring basis. The fair value of the Company's equity method investments has not been adjusted for the three or six months ended January 31, 2024 April 30, 2024 or 2023 as there have been no triggering events or changes in circumstance that would have had an adverse impact on the value of these investments. In the event these investments are required to be measured, they would fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value, as the investments are in privately-held entities.

Derivative Fair Value Measurements

The fair values of the Company's foreign currency forward contracts and net investment hedges reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price). The fair values are based on inputs other than quoted prices that are observable for the asset or liability and are determined by standard calculations and models that use readily observable market parameters. These inputs include foreign currency exchange rates. Industry standard data providers are the primary source for forward and spot rate information for foreign currency exchange rates. The fair values of the Company's foreign currency forward contracts and net investment hedges are classified as Level 2 in the fair value hierarchy. For discussion of the Company's derivatives and hedging, see Note 14.

Fair Value of Derivatives Contracts

The fair value of the Company's derivative contracts, recorded on the Condensed Consolidated Balance Sheets, was as follows (in millions):

Balance Sheet Location	Balance Sheet Location	Assets		Assets		Liabilities		Assets		Liabilities		
		January 31, 2024	July 31, 2023	January 31, 2024	July 31, 2023	Balance Sheet Location	April 30, 2024	July 31, 2023	April 30, 2024	July 31, 2023	April 30, 2024	July 31, 2023
Designated as hedging instruments												
Foreign currency forward contracts												
Foreign currency forward contracts												
Foreign currency forward contracts												
Net investment hedges												
Total designated												
Total designated												
Total designated												
Not designated as hedging instruments												
Not designated as hedging instruments												
Not designated as hedging instruments												
Foreign currency forward contracts												
Foreign currency forward contracts												
Foreign currency forward contracts												
Total not designated												
Total												

Amounts related to excluded components, such as forward points, are excluded from the assessment of hedge effectiveness of net investment hedges and are expected to be reclassified into earnings throughout their maturity dates. See Note 11 for additional information on accumulated other comprehensive loss.

Fair Value of Contingent Consideration

The fair value of the contingent consideration liability is determined using a probability-weighted discounted cash flow method. This fair value measurement is based on unobservable inputs in the market and thus, represents a Level 3 measurement within the fair value hierarchy. This analysis reflects the contractual terms of the purchase

agreement (e.g., potential payment amounts, length of measurement periods, manner of calculating any amounts due) and utilizes assumptions with regard to future financial and operational milestones, probabilities of achieving such milestones and a discount rate. Depending on the contractual terms of the purchase agreement, the probability of achieving such milestones generally represents the only significant unobservable input. The contingent consideration liability is measured at fair value each reporting period and changes in estimates of fair value are recognized in earnings.

The fair value of the Company's contingent consideration liability that uses unobservable inputs was \$26.0 million as of January 31, 2024 April 30, 2024 and \$25.0 million as of July 31, 2023. The maximum potential payout of the contingent consideration was \$29.7 million as of January 31, 2024 April 30, 2024 and July 31, 2023 was \$30.7 million as of July 31, 2023, see Note 17.

Note 16. Guarantees

Letters of Credit

The Company has letters of credit which guarantee payment to third parties in the event the Company is in breach of contract terms as detailed in each letter of credit. The outstanding contingent liability for standby letters of credit was as follows (in millions):

	January 31, 2024	July 31, 2023
	April 30, 2024	July 31, 2023
Contingent liability for standby letters of credit issued under the Company's revolving credit facility		
Amounts drawn for letters of credit under the Company's revolving credit facility		

Advanced Filtration Systems Inc. (AFSI)

The Company has an unconsolidated joint venture, AFSI, established by the Company and Caterpillar Inc. (Caterpillar) in 1986. AFSI designs and manufactures high-efficiency fluid filters used in Caterpillar's machinery worldwide. The Company and Caterpillar equally own the shares of AFSI and both companies guarantee certain debt and banking services, including credit and debit cards, merchant processing and treasury management services, of the joint venture. The Company accounts for AFSI as an equity method investment.

The outstanding debt relating to AFSI, which the Company guarantees half, was \$55.4 million \$49.7 million and \$59.6 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively. AFSI has a \$63.0 million revolving credit facility, which expires July 31, 2024, and an additional \$17.0 million multi-currency revolving credit facility, which terminates upon notification by either AFSI or the financial institution.

Earnings from AFSI, which are recorded in other income, net in the Condensed Consolidated Statements of Earnings, were \$2.5 million \$4.3 million and \$4.2 million \$8.5 million for the three and six nine months ended January 31, 2024 April 30, 2024, respectively, and were \$0.5 million \$4.0 million and \$1.8 \$5.8 million for the three and six nine months ended January 31, 2023 April 30, 2023, respectively.

Note 17. Commitments and Contingencies

The Company records provisions when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and litigation are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter. The Company believes the estimated liability in its Condensed Consolidated Financial Statements for claims or litigation is adequate and appropriate for the probable and estimable outcomes. Liabilities recorded were not material to the Company's financial position, results of operations or liquidity. The Company believes it is remote that the settlement of any of the currently identified claims or litigation will be materially in excess of what is accrued.

Contingent Compensation and Consideration

Acquisition Agreement - Purilogics

The Company's agreement with Purilogics includes deferred payment provisions representing potential milestone payments for Purilogics' former owners. The provisions are made up of two general types of arrangements, contingent compensation and contingent consideration. The contingent compensation arrangement is contingent on the former owner's future employment with the Company and the related amounts are recognized over the required employment period. The contingent consideration is not contingent on employment and was recorded as purchase consideration in both other current and other long-term liabilities on the Condensed Consolidated Balance Sheets at the time of the initial acquisition based on the fair value of the estimated liability. The amounts are paid over a two- to five-year period, contingent on the achievement of certain revenue and manufacturing milestones.

The total contingent compensation arrangement liability was \$1.7 \$2.0 million and \$1.1 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively, which was included in other long-term liabilities on the Condensed Consolidated Balance Sheets. The maximum payout of the contingent compensation arrangement upon completion of the future performance periods was \$3.0 million as of January 31, 2024 April 30, 2024 and July 31, 2023, inclusive of the \$1.7 \$2.0 million and \$1.1 million accrued, respectively.

The Company primarily determines the contingent consideration liability based on the forecasted probability of achieving the respective milestones. The contingent consideration liability is measured at fair value each reporting period and changes in estimates of fair value are recognized in earnings. The total contingent consideration liability was \$24.3 \$22.5 million and \$23.2 million as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively, and was included in other current and other long-term liabilities on the Condensed Consolidated Balance Sheets. The maximum payout of the contingent consideration was \$27.0 million and \$29.0 million, inclusive of the \$24.3 accruals of \$22.5 million and \$23.2 million accrued, as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively. The total contingent consideration paid was \$2.0 million as of April 30, 2024.

Other Acquisition Agreements

For other acquisitions, there was no contingent compensation arrangement liability as of January 31, 2024 April 30, 2024, as the contingent compensation agreement was terminated. The total contingent compensation arrangement liability was \$0.9 million as of July 31, 2023, which was included in other long-term liabilities on the Condensed

Consolidated Balance Sheets.

The total contingent consideration liability was \$2.7 million as of April 30, 2024 and was included in other current and other long-term liabilities on the Condensed Consolidated Balance Sheets. The total contingent consideration liability was \$1.7 million which as of July 31, 2023 and was included in other long-term liabilities on the Condensed Consolidated Balance Sheets, as of January 31, 2024 and July 31, 2023. Sheets. The maximum payout of the contingent consideration was \$2.7 million and \$1.7 million, which concludes three years from the acquisition date of November 22, 2021 and was fully accrued as of January 31, 2024 April 30, 2024 and July 31, 2023, respectively.

For additional discussion regarding the fair value of the Company's contingent consideration liability, see Note 15.

Note 18. Segment Reporting

The Company's reportable segments are: Mobile Solutions, Industrial Solutions and Life Sciences. The organizational structure also includes Corporate and Unallocated, which includes interest expense and certain corporate expenses determined to be non-allocable to the segments, such as restructuring charges and business development expenses. The Company determines its operating segments consistent with the manner in which it manages its operations and evaluates performance for internal review and decision-making. For the three and ~~six~~ nine months ended January 31, 2023 April 30, 2023, Corporate and Unallocated also included non-recurring charges of \$9.3 ~~\$0.0~~ million and \$16.9 million, see Note 19.

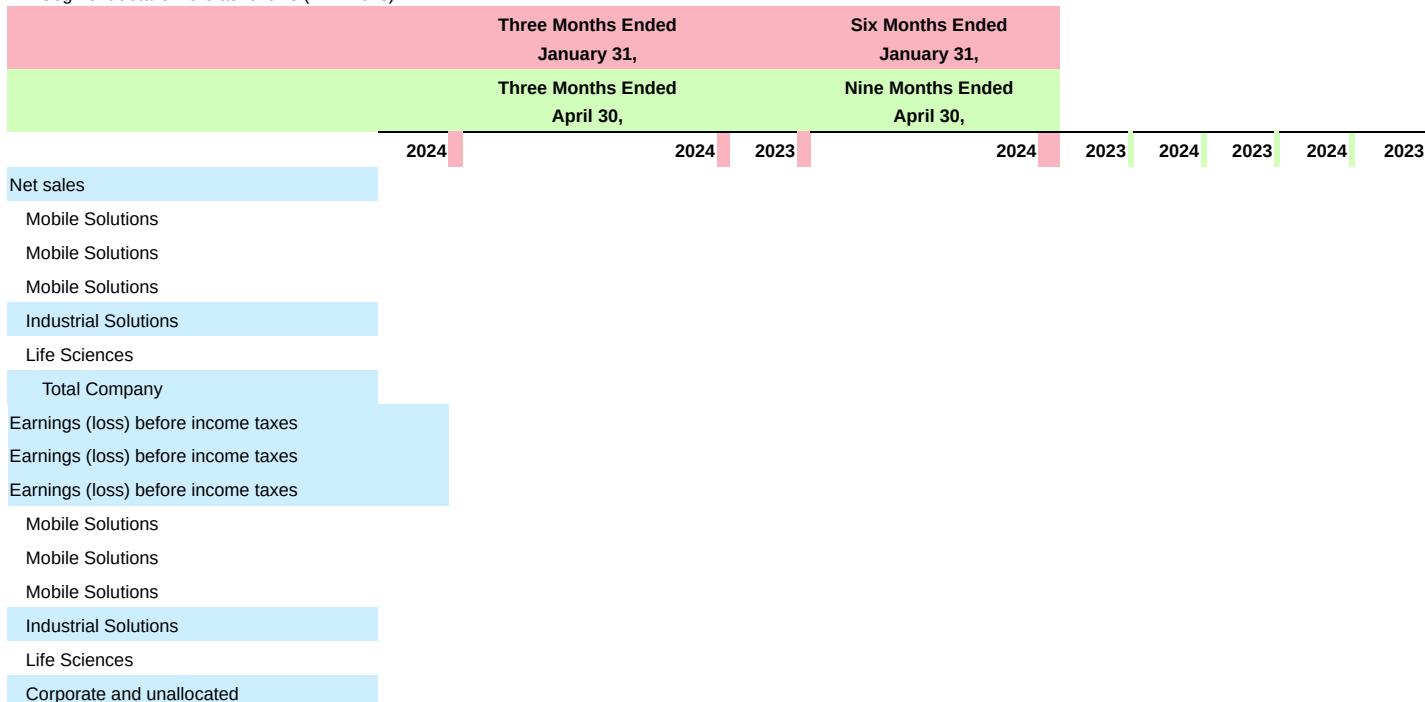
The Mobile Solutions segment is organized based on a combination of customers and products and consists of the Off-Road, On-Road and Aftermarket business units. Within these business units, products consist of replacement filters for both air and liquid filtration applications and filtration housings for new equipment production and systems related to exhaust and emissions. Applications include air filtration systems, fuel, lube and hydraulic systems, emissions systems and sensors, indicators and monitoring systems. Mobile Solutions sells to original equipment manufacturers (OEMs) in the construction, mining, agriculture and transportation end markets and to independent distributors and OEM dealer networks.

The Industrial Solutions segment is organized based on product type and consists of the Industrial Air Filtration, Industrial Gasses, Industrial Hydraulics, Power Generation and Aerospace and Defense business units. Within our Industrial Solutions portfolio, the Company provides a wide product offering in the market to industrial customers consisting of equipment, ancillary components, replacement parts, performance monitoring and service globally, that cost-effectively enhances productivity and manufacturing efficiency. Industrial Air Filtration, Industrial Gasses and Industrial Hydraulics products consist of dust, fume and mist collectors, compressed air and industrial gasses purification systems, hydraulic and lubricated rotating filtration applications as well as gas and liquid filtration for industrial processes. Power Generation products consist of air inlet systems and filtration sold to gas compression, power generation and natural gas liquification industries. Aerospace and Defense products consist of air, fuel, lubrication and hydraulic filtration for fixed-wing and rotorcraft aerospace applications and ground defense vehicle and naval platforms. Industrial Solutions businesses sell through multiple channels which include OEMs, distributors and direct-to-consumer in some markets.

The Life Sciences segment is organized by end market, including the Bioprocessing, Food and Beverage, Medical Device, Vehicle Electrification, Microelectronics and Disk Drive business units. Our products include gas and liquid filtration bioprocessing equipment (including bioreactors, fermenters and filtration skids), bioprocessing consumables (including membrane chromatography devices, reagents and filters) and specialized air and gas filtration systems for hard disk drive, semiconductor and electric vehicle applications. Life Sciences primarily sells to large OEMs and directly to various end users requiring cell growth, separation, purification, high purity filtration and device protection.

The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report earnings before income taxes and other financial information as stated below.

Segment details were as follows (in millions):

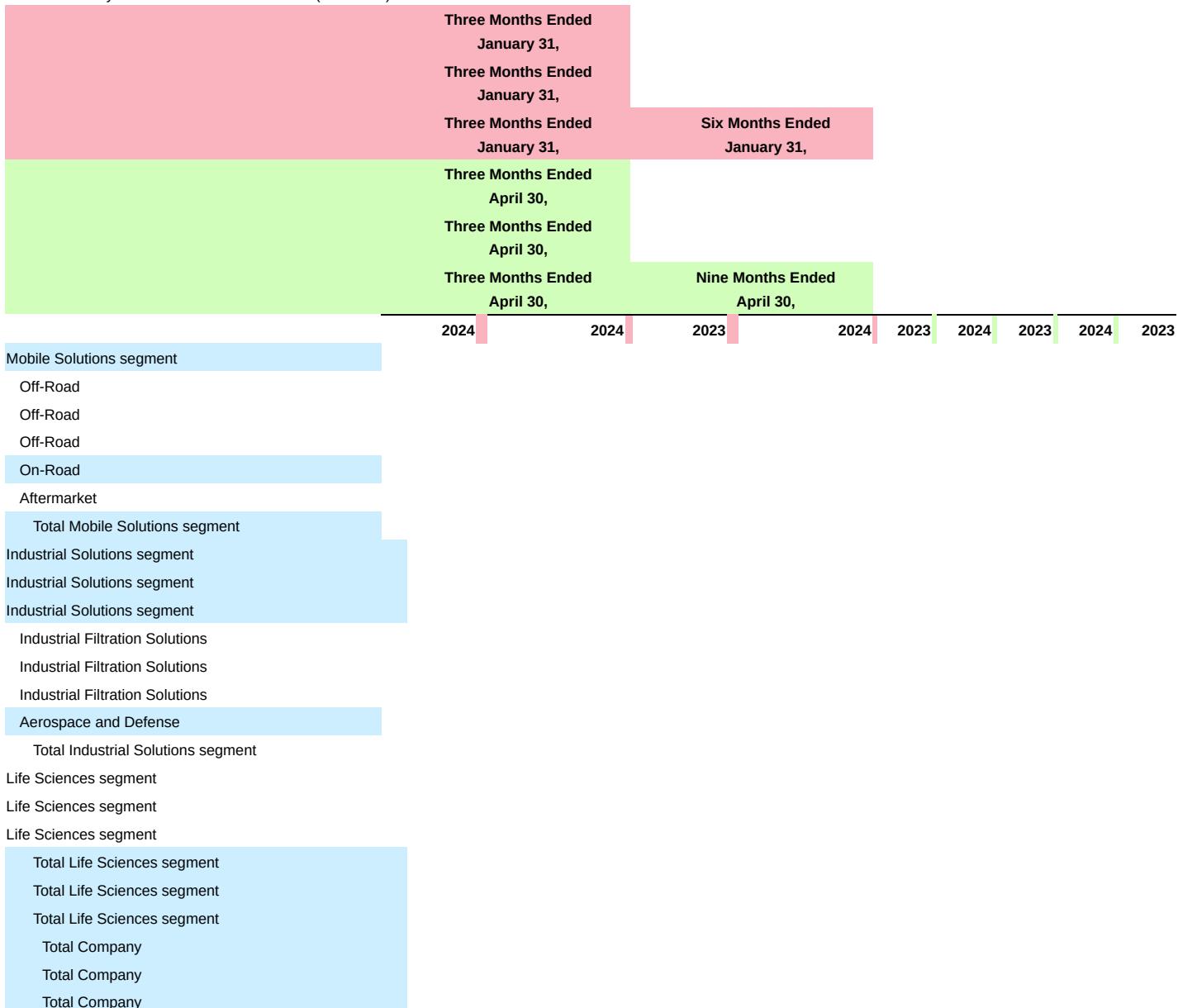


Total Company

Assets by segment were as follows (in millions):

	January 31, 2024	July 31, 2023
	April 30, 2024	July 31, 2023
Mobile Solutions		
Industrial Solutions		
Life Sciences		
Corporate and unallocated		
Total assets		

Net sales by business unit were as follows (in millions):



Concentrations

There were no customers that accounted for over 10% of net sales for the three and **six** nine months ended **January 31, 2024** **April 30, 2024** or 2023. There were no customers that accounted for over 10% of gross accounts receivable as of **January 31, 2024** **April 30, 2024** or **July 31, 2023**.

Note 19. Restructuring and Other Charges

There were no material charges for restructuring or other related activities for the three and **six** **nine** months ended **January 31, 2024** **April 30, 2024**.

During the first quarter of fiscal 2023, the Company announced a company-wide organizational redesign to further support the Company's growth strategies and better serve its customers. In conjunction with the organizational redesign, the Company recorded \$7.6 million of charges consisting of \$4.2 million of severance charges and \$3.4 million of other organizational redesign costs. These amounts were included in selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings.

During the second quarter of fiscal 2023, the Company recorded additional charges of \$9.3 million, consisting of \$3.1 million of severance charges, \$1.4 million of other organizational redesign costs and \$4.8 million of costs mainly associated with the exiting of a lower-margin customer program. Of these amounts, \$1.5 million were included in cost of sales and \$7.8 million were included in selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Founded in 1915, Donaldson Company, Inc. is a global leader in technology-led filtration products and solutions, serving a broad range of industries and advanced markets. Donaldson's diverse, skilled employees at over 150 locations, 75 of which are manufacturing and/or distribution centers, on six continents, partner with customers - from small business owners to the world's largest original equipment manufacturer (OEM) brands - to solve complex filtration challenges. Customers choose Donaldson's filtration solutions due to their stringent performance requirements and need for reliability.

The Company's operating segments are Mobile Solutions, Industrial Solutions and Life Sciences. The Mobile Solutions segment is organized based on a combination of customers and products and consists of the Off-Road, On-Road and Aftermarket business units. Within these business units, products consist of replacement filters for both air and liquid filtration applications and filtration housings for new equipment production and systems related to exhaust and emissions. Applications include air filtration systems, fuel, lube and hydraulic systems, emissions systems and sensors, indicators and monitoring systems. Mobile Solutions sells to OEMs in the construction, mining, agriculture and transportation end markets and to independent distributors and OEM dealer networks.

The Industrial Solutions segment is organized based on product type and consists of the Industrial Air Filtration, Industrial Gasses, Industrial Hydraulics, Power Generation and Aerospace and Defense business units. Within our Industrial Solutions portfolio, the Company provides a wide product offering in the market to industrial customers consisting of equipment, ancillary components, replacement parts, performance monitoring and service globally, that cost-effectively enhances productivity and manufacturing efficiency. Industrial Air Filtration, Industrial Gasses and Industrial Hydraulics products consist of dust, fume and mist collectors, compressed air and industrial gasses purification systems, hydraulic and lubricated rotating filtration applications as well as gas and liquid filtration for industrial processes. Power Generation products consist of air inlet systems and filtration sold to gas compression, power generation and natural gas liquification industries. Aerospace and Defense products consist of air, fuel, lubrication and hydraulic filtration for fixed-wing and rotorcraft aerospace applications and ground defense vehicle and naval platforms. Industrial Solutions businesses sell through multiple channels which include OEMs, distributors and direct-to-consumer in some markets.

The Life Sciences segment is organized by end market, including the Bioprocessing, Food and Beverage, Medical Device, Vehicle Electrification, Microelectronics and Disk Drive business units. Our products include gas and liquid filtration bioprocessing equipment (including bioreactors, fermenters and filtration skids), bioprocessing consumables (including membrane chromatography devices, reagents and filters) and specialized air and gas filtration systems for hard disk drive, semiconductor and electric vehicle applications. Life Sciences primarily sells to large OEMs and directly to various end users requiring cell growth, separation, purification, high purity filtration and device protection.

The Company's results of operations are affected by conditions in the global economic and geopolitical environment. Under most economic conditions, the Company's diversification between its diesel engine end markets, its global end markets, its diversification through technology and its OEM and replacement parts customers has helped to limit the impact of weakness in any one product line, market or geography on the consolidated operating results of the Company.

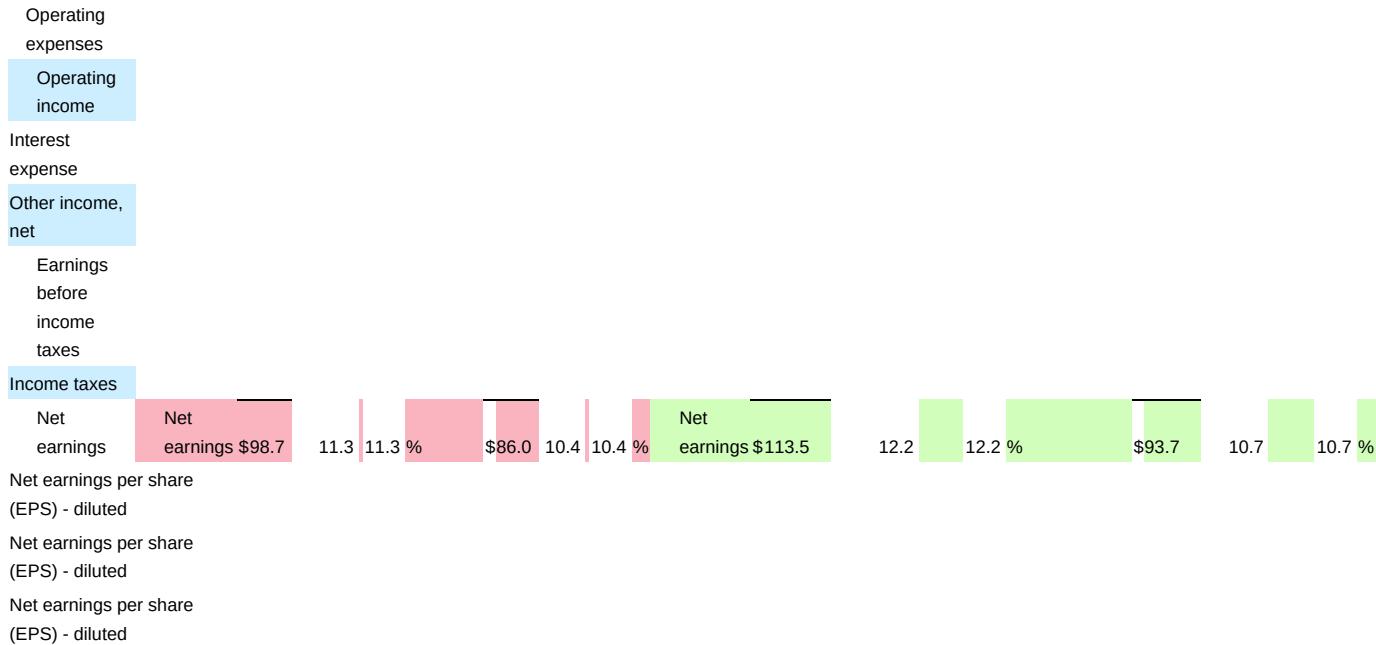
Consolidated Results of Operations

Three months ended January 31, 2024 **April 30, 2024** compared with **three months ended January 31, 2023** **April 30, 2023**

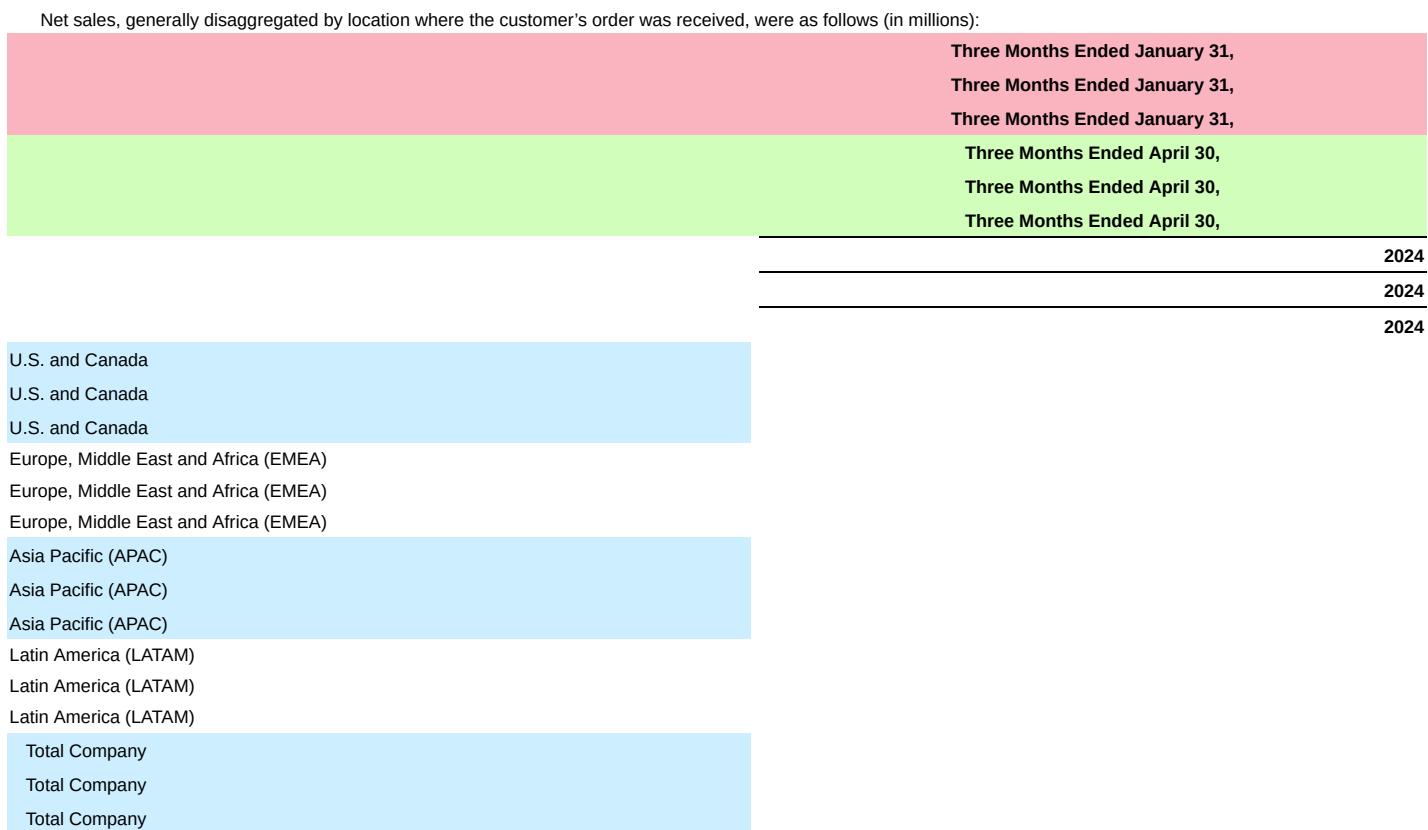
Operating Results

Operating results were as follows (in millions, except per share amounts):

	Three Months Ended January				Three Months Ended April 30,			
	31,	2024	% of net sales	2023	31,	2024	% of net sales	2023
Net sales								
Cost of sales								
Cost of sales	568.1	64.8	64.8 %	543.9	65.7	65.7 %	597.8	64.4
Gross profit								
Selling, general and administrative								
Research and development								



Geographic Net Sales by Origination



Net Sales

Net sales for the three months ended January 31, 2024 April 30, 2024 increased \$48.4 \$52.2 million, or 5.8% 6.0%, from the three months ended January 31, 2023 April 30, 2023, reflecting higher sales in the Mobile Solutions segment of \$27.8 \$30.2 million, or 5.3% 5.5% growth, the Life Sciences segment of \$14.4 million, or 24.2% growth and the Industrial Solutions segment of \$17.0 \$7.6 million, or 6.9% growth and the Life Sciences segment of \$3.6 million, or 6.0% 2.9% growth. Foreign currency translation increased/decreased net sales by \$4.8 \$7.1 million compared to the three months ended January 31, 2023 April 30, 2023, reflecting increases/decreases in the Mobile Solutions,

Industrial Solutions and Life Sciences segments of \$2.7 \$4.6 million, \$1.6 \$1.1 million and \$0.5 \$1.4 million, respectively. During the three months ended January 31, 2024 April 30, 2024, the Company's net sales increase was driven primarily by volume increases due to strong underlying market growth and higher pricing.

Gross Margin

Gross margin as a percentage of net sales for the three months ended January 31, 2024 April 30, 2024 was 35.2% 35.6% compared with 34.3% 33.0% for the three months ended January 31, 2023 April 30, 2023. The increase in gross margin as a percentage of net sales was primarily driven by leverage on higher sales, pricing actions and lower freight and select material costs, input cost deflation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended January 31, 2024 April 30, 2024 were \$156.8 \$161.7 million, or 17.9% 17.4% of net sales, compared with \$149.6 \$145.8 million, or 18.1% 16.7% of net sales, for the three months ended January 31, 2023 April 30, 2023, an increase of \$7.2 \$15.9 million, or 4.9% 10.9%. The decrease increase in selling, general and administrative expenses as a percentage of net sales was primarily due to a decrease in severance and other non-recurring costs, partially offset by increased headcount and incremental expenses associated with investments in acquired Life Sciences businesses.

Research and Development Expenses

Research and development expenses for the three months ended January 31, 2024 April 30, 2024 were \$22.1 \$24.8 million, or 2.5% 2.7% of net sales, compared with \$18.5 \$19.0 million, or 2.2% of net sales, for the three months ended January 31, 2023 April 30, 2023, primarily due to increased headcount, headcount and incremental expenses associated with investments in acquired Life Sciences businesses.

Non-Operating Items

Interest expense for the three months ended January 31, 2024 April 30, 2024 was \$5.6 \$5.0 million, compared with \$4.6 \$5.1 million for the three months ended January 31, 2023 April 30, 2023, an increase a decrease of \$1.0 \$0.1 million, or 20.3%. The increase reflected 2.1%, which was primarily due to lower debt levels, offset by rising variable interest rates.

Other income, net for the three months ended January 31, 2024 April 30, 2024 was \$4.9 \$5.4 million, compared with other income, net of \$1.6 \$2.6 million for the three months ended January 31, 2023 April 30, 2023, an increase of \$3.3 \$2.8 million, which was driven primarily by increases in earnings from joint ventures and lower foreign currency losses, related gains in the current period compared to foreign currency related losses in the prior year.

Income Taxes

The effective tax rate was 23.5% 21.2% and 24.1% 22.9% for the three months ended January 31, 2024 April 30, 2024 and 2023, respectively. The decrease in the lower effective tax rate was primarily due to a favorable shift in the mix of global earnings and increased foreign excess tax credit benefits, benefits on stock-based compensation.

Net Earnings

Net earnings for the three months ended January 31, 2024 April 30, 2024 were \$98.7 \$113.5 million, compared with \$86.0 \$93.7 million for the three months ended January 31, 2023 April 30, 2023, an increase of \$12.7 \$19.8 million, or 14.8% 21.1%. Diluted EPS were \$0.81 \$0.92 for the three months ended January 31, 2024 April 30, 2024, compared with \$0.70 \$0.76 for the three months ended January 31, 2023 April 30, 2023, an increase of \$0.11 \$0.16, or 15.9% 21.7%.

Six Nine months ended January 31, 2024 April 30, 2024 compared with six nine months ended January 31, 2023 April 30, 2023

Operating Results

Operating results were as follows (in millions, except per share amounts):

	Six Months Ended January 31,				Nine Months Ended April 30,				
	2024	2024	% of net sales	2023	2024	2024	% of net sales	2023	% of net sales
Net sales									
Cost of sales									
Cost of sales									
Cost of sales	1,113.5	64.6	64.6 %	1,104.0	65.9	65.9 %	1,711.3	64.6	64.6 %
Gross profit									
Selling, general and administrative									
Research and development									
Operating expenses									
Operating income									

Interest
expense
Other
income, net

Earnings
before
income
taxes

Income taxes

Net
earnings

Net
earnings \$190.8

11.1

11.1 %

\$173.2

10.3

10.3 %

Net
earnings \$304.3

11.5

11.5 %

\$266.9

10.5

10.5 %

Net EPS - diluted

Net EPS - diluted

Net EPS - diluted

Geographic Net Sales by Origination

Net sales, generally disaggregated by location where the customer's order was received, were as follows (in millions):

Six Months Ended January 31,

Six Months Ended January 31,

Six Months Ended January 31,

Nine Months Ended April 30,

Nine Months Ended April 30,

Nine Months Ended April 30,

U.S. and Canada

U.S. and Canada

U.S. and Canada

EMEA

EMEA

EMEA

APAC

APAC

APAC

LATAM

LATAM

LATAM

Total Company

Total Company

Total Company

Net Sales

Net sales for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** increased **\$47.4** **\$99.6** million, or **2.8%** **3.9%**, from the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, reflecting higher sales in the **Mobile Solutions** segment of **\$43.2** million, or **2.6%** growth, the **Industrial Solutions** segment of **\$33.6** **\$41.1** million, or **7.0%** growth, the **Mobile Solutions** segment of **\$12.9** million, or **1.2%** **5.6%** growth and the **Life Sciences** segment of **\$0.9** **\$15.3** million, or a **0.8%** **8.4%** growth. Foreign currency translation increased net sales by **\$17.2** million **\$10.1** million compared to the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, reflecting increases in the **Mobile Solutions**, **Industrial Solutions** and **Life Sciences** segments of **\$9.7** **\$5.1** million, **\$5.3** **\$4.2** million and **\$2.2** **\$0.8** million, respectively. During the **six** **nine** months ended **January 31, 2024** **April 30, 2024**, the Company's net sales increased primarily from volume growth, higher pricing **volume growth** and a positive impact from foreign currency translation. **market share gains**.

Gross Margin

Gross margin as a percentage of net sales for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** was 35.4% compared with 34.1% 33.7% for the **six** **nine** months ended **January 31, 2023** **April 30, 2023**. The increase in gross margin as a percentage of net sales was primarily driven by **higher volume** and **pricing benefits** and **lower freight and certain material costs**. **actions**.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the **six nine** months ended **January 31, 2024** **April 30, 2024** were **\$311.8** **\$473.5** million, or **18.1%** **17.9%** of net sales, compared with **\$298.8** **\$444.7** million, or **17.8%** **17.4%** of net sales, for the **six nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$13.0** **\$28.8** million, or **4.4%** **6.5%**. The increase in selling, general and administrative expenses as a percentage of net sales was primarily due to increased headcount and incremental expenses associated with investments in acquired Life Sciences businesses.

Research and Development Expenses

Research and development expenses for the **six nine** months ended **January 31, 2024** **April 30, 2024** were **\$43.4** **\$68.2** million, or **2.5%** **2.6%** of net sales, compared with **\$37.2** **\$56.2** million, or 2.2% of net sales, for the **six nine** months ended **January 31, 2023** **April 30, 2023**. The increase in research and development expenses as a percent of revenue was due to higher **headcount**, **headcount** and incremental expenses associated with investments in acquired Life Sciences businesses.

Non-Operating Items

Interest expense for the **six nine** months ended **January 31, 2024** **April 30, 2024** was **\$11.1** **\$16.1** million, compared with **\$9.2 million** **\$14.3 million** for the **six nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$1.9** **\$1.8** million, or **20.5%** **12.4%**. The increase reflected rising variable interest rates.

Other income, net for the **six nine** months ended **January 31, 2024** **April 30, 2024** was **\$8.7** **\$14.1** million, compared with other income, net of **\$3.4** **\$6.1** million for the **six nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$5.3** **\$8.0** million, which was driven primarily by **increases in earnings from joint ventures and lower foreign currency losses**, related losses in the current year and higher income from joint ventures.

Income Taxes

The effective tax rate was **24.2%** **23.1%** and **24.7%** **24.0%** for the **six nine** months ended **January 31, 2024** **April 30, 2024** and 2023, respectively. The **decrease in the lower effective tax rate** was primarily due to a **favorable shift** in **an increase in the mix of global earnings and increased foreign excess tax credit benefits**, **benefits on stock-based compensation**.

Net Earnings

Net earnings for the **six nine** months ended **January 31, 2024** **April 30, 2024** were **\$190.8** **\$304.3** million, compared with **\$173.2** **\$266.9** million for the **six nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$17.6** **\$37.4** million, or **10.2%** **14.0%**. Diluted EPS were **\$1.56** **\$2.48** for the **six nine** months ended **January 31, 2024** **April 30, 2024**, compared with **\$1.40** **\$2.16** for the **six nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$0.16**, **\$0.32**, or **11.4%** **15.0%**.

Segment Results of Operations

Net sales and earnings (loss) before income taxes were as follows (in millions):

	Three Months Ended January 31,		Six Months Ended January 31,		Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023	2023	2024	2023	2024
Net sales								
Mobile Solutions								
Mobile Solutions								
Mobile Solutions								
Industrial Solutions								
Life Sciences								
Total Company								
Earnings (loss) before income taxes								
Earnings (loss) before income taxes								
Earnings (loss) before income taxes								
Earnings (loss) before income taxes								
Mobile Solutions								
Mobile Solutions								
Mobile Solutions								
Industrial Solutions								
Life Sciences								
Corporate and unallocated ⁽¹⁾								
Total Company								

(1) Corporate and unallocated includes interest expense and certain corporate expenses determined to be non-allocable to the segments, such as restructuring charges and incentive compensation.

Mobile Solutions Segment

Net sales and earnings (loss) before income taxes were as follows (in millions):

	Three Months Ended January 31,		Six Months Ended January 31,		Three Months Ended April 30,			Nine Months Ended April 30,			
	2024	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Off-Road											
On-Road											
Aftermarket											
Total Mobile Solutions segment											
Mobile Solutions segment earnings before income taxes											
Mobile Solutions segment earnings before income taxes											
Mobile Solutions segment earnings before income taxes											
Mobile Solutions segment earnings before income taxes											
% of net sales											
Mobile Solutions segment earnings before income taxes											
% of net sales											
18.0 %											
15.0 %											
17.6 %											
14.7 %											
Mobile Solutions segment earnings before income taxes											
% of net sales											
18.4 %											
15.0 %											
17.9 %											
14.8 %											

Three months ended January 31, 2024 April 30, 2024 compared with three months ended January 31, 2023 April 30, 2023

Net sales for the Mobile Solutions segment for the three months ended January 31, 2024 April 30, 2024 were \$550.3 \$585.2 million, compared with \$522.5 \$555.0 million for the three months ended January 31, 2023 April 30, 2023, an increase of \$27.8 \$30.2 million, or 5.3% 5.5%. Excluding a \$2.7 \$4.6 million increase decrease from foreign currency translation, net sales for the Mobile Solutions segment increased 4.8% 6.3%. All business units were negatively impacted by foreign currency translation.

Net sales of Aftermarket increased \$43.1 \$43.9 million, driven by market share gains, strong end market demand destocking in the prior year period and pricing benefits. Net sales of Off-Road decreased \$14.3 \$11.4 million, primarily due to weak agriculture end market conditions.

Earnings before income taxes for the Mobile Solutions segment for the three months ended January 31, 2024 April 30, 2024 were \$99.2 \$107.9 million, or 18.0% 18.4% of net sales, an increase from 15.0% of net sales for the three months ended January 31, 2023 April 30, 2023. The increase was driven by higher volume, favorable product mix and pricing actions and lower freight costs, partially offset by higher labor and overhead costs. actions.

Six Nine months ended January 31, 2024 April 30, 2024 compared with six nine months ended January 31, 2023 April 30, 2023

Net sales for the Mobile Solutions segment for the six nine months ended January 31, 2024 April 30, 2024 were \$1,090.3 \$1,675.5 million, compared with \$1,077.4 \$1,632.3 million for the six nine months ended January 31, 2023 April 30, 2023, an increase of \$12.9 \$43.2 million, or 1.2% 2.6%. Excluding a \$9.7 \$5.1 million increase from foreign currency translation, net sales for the Mobile Solutions segment increased 0.3% 2.3%. All Off-Road and Aftermarket business units were positively impacted by foreign currency translation.

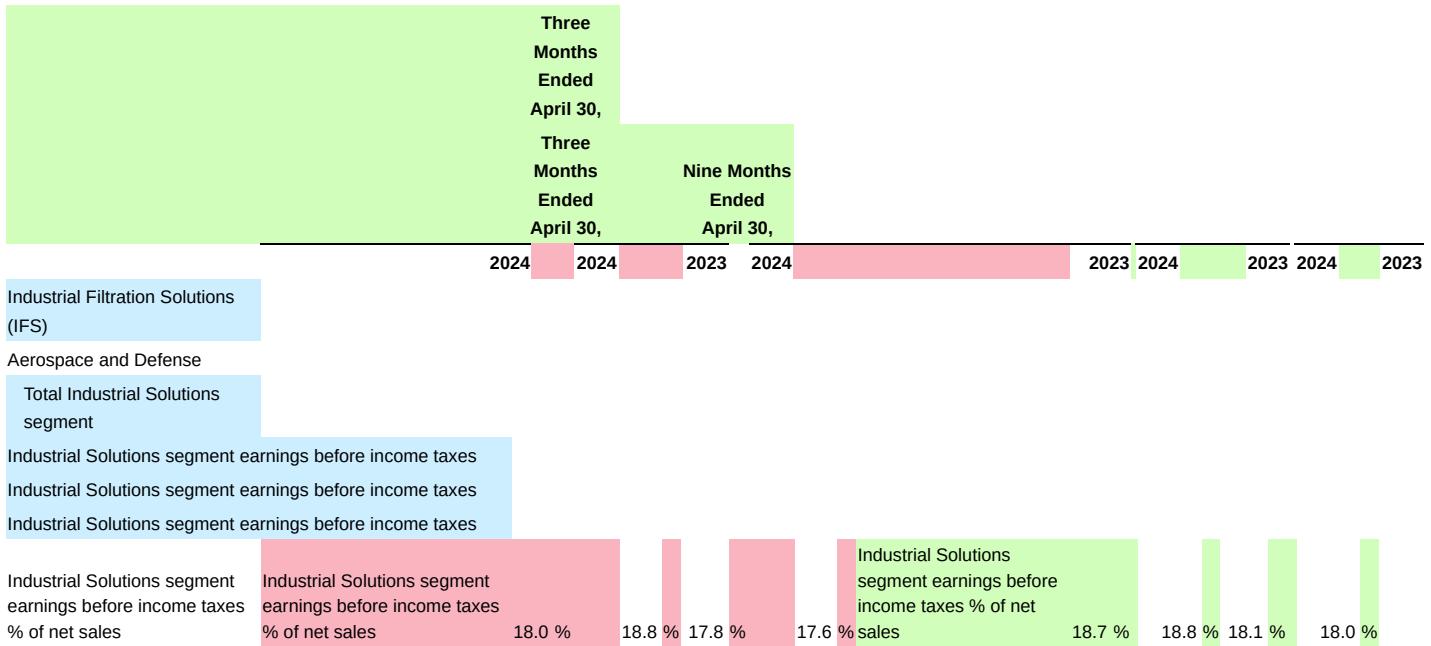
Net sales of Aftermarket increased \$35.3 \$79.2 million driven by market share gains, strong end market demand and pricing benefits. Net sales of Off-Road decreased \$23.2 \$34.4 million, primarily due to weaker agriculture end market conditions.

Earnings before income taxes for the Mobile Solutions segment for the six nine months ended January 31, 2024 April 30, 2024 were \$191.4 \$299.3 million, or 17.6% 17.9% of net sales, an increase from 14.7% 14.8% of net sales for the six nine months ended January 31, 2023 April 30, 2023. The increase was driven by higher volume, favorable product mix and pricing actions and lower input costs, partially offset by higher labor and overhead costs. actions.

Industrial Solutions Segment

Net sales and earnings before income taxes were as follows (in millions):

	Three Months Ended January 31,	Three Months Ended January 31,	Three Months Ended January 31,	Six Months Ended January 31,



Three months ended January 31, 2024 April 30, 2024 compared with three months ended January 31, 2023 April 30, 2023

Net sales for the Industrial Solutions segment for the three months ended January 31, 2024 April 30, 2024 were \$263.4 \$269.1 million, compared with \$246.4 \$261.5 million for the three months ended January 31, 2023 April 30, 2023, an increase of \$17.0 \$7.6 million, or 6.9% 2.9%. Excluding a \$1.6 \$1.1 million decrease from foreign currency translation, net sales for the Industrial Solutions segment increased 3.3%. IFS was negatively impacted by foreign currency translation.

Net sales of IFS increased \$5.3 million, reflecting higher sales volume in industrial dust collection replacement parts and Power Generation. Net sales of Aerospace and Defense increased by \$2.3 million due to strength in the Aerospace end market.

Earnings before income taxes for the Industrial Solutions segment for the three months ended April 30, 2024 were \$50.3 million, or 18.7% of net sales, a decrease from 18.8% of net sales for the three months ended April 30, 2023.

Nine months ended April 30, 2024 compared with nine months ended April 30, 2023

Net sales for the Industrial Solutions segment for the nine months ended April 30, 2024 were \$778.7 million, compared with \$737.6 million for the nine months ended April 30, 2023, an increase of \$41.1 million, or 5.6%. Excluding a \$4.2 million increase from foreign currency translation, net sales for the Industrial Solutions segment increased 6.2% 5.0%. Both business units were positively impacted by foreign currency translation.

Net sales of IFS increased \$12.7 million, reflecting higher sales volume in power generation and industrial dust collection. Net sales of Aerospace and Defense increased by \$4.3 million due to ongoing strength in the defense end market.

Earnings before income taxes for the Industrial Solutions segment for the three months ended January 31, 2024 were \$47.4 million, or 18.0% of net sales, a decrease from 18.8% of net sales for the three months ended January 31, 2023. The decrease was primarily due to unfavorable product mix, partially offset by the impact from leveraging operating expenses.

Six months ended January 31, 2024 compared with six months ended January 31, 2023

Net sales for the Industrial Solutions segment for the six months ended January 31, 2024 were \$509.6 million, compared with \$476.0 million for the six months ended January 31, 2023, an increase of \$33.6 million, or 7.0%. Excluding a \$5.3 million increase from foreign currency translation, net sales for the Industrial Solutions segment increased 5.9%. Both business units were positively impacted by foreign currency translation.

Net sales of IFS increased \$27.3 \$32.6 million, reflecting higher sales volume in power generation and industrial dust collection from strong demand in most geographies. Net sales of Aerospace and Defense increased by \$6.3 \$8.5 million due to ongoing strength in the defense end market.

Earnings before income taxes for the Industrial Solutions segment for the six months ended January 31, 2024 April 30, 2024 were \$90.7 \$141.0 million, or 17.8% 18.1% of net sales, an increase from 17.6% 18.0% of net sales for the six months ended January 31, 2023 April 30, 2023. The increase was primarily due to the impact from leveraging operating expenses, operational efficiencies and lower freight costs, partially offset by unfavorable product mix.

Life Sciences Segment

Net sales and (losses) earnings before income taxes were as follows (in millions):

	Three Months Ended January 31,				Six Months Ended January 31,			
	2024		2023		2024		2023	
	Life Sciences segment net sales	\$ 63.0	\$ 59.4	\$ 123.1	\$ 122.2			
Life Sciences segment (losses) earnings before income taxes	\$ (5.8)	\$ 6.3	\$ (10.0)	\$ 17.1				

Life Sciences segment (losses) earnings before income taxes % of net sales	(9.2)%	10.6 %	(8.1)%	14.0 %
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	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2024	2023	2024	2023
Life Sciences segment net sales	\$ 73.6	\$ 59.2	\$ 196.7	\$ 181.4
Life Sciences segment earnings (losses) before income taxes	\$ 0.5	\$ 0.2	\$ (9.5)	\$ 17.3
Life Sciences segment earnings (losses) before income taxes % of net sales	0.7 %	0.3 %	(4.8)%	9.5 %

Three months ended **January 31, 2024** April 30, 2024 compared with three months ended **January 31, 2023** April 30, 2023

Net sales for the Life Sciences segment for the three months ended **January 31, 2024** April 30, 2024 were **\$63.0** \$73.6 million, compared with **\$59.4** \$59.2 million for the three months ended **January 31, 2023** April 30, 2023, an increase of **\$3.6** \$14.4 million, or **6.0%** 24.2%. Excluding a \$1.4 million decrease from foreign currency translation, net sales for the Life Sciences segment increased 26.5%. The increase was driven by timing of Bioprocessing Equipment sales and strong market demand in Disk Drive.

Earnings before income taxes for the Life Sciences segment for the three months ended April 30, 2024 were \$0.5 million, or 0.7% of net sales, an increase from earnings before income taxes of 0.3% of net sales for the three months ended April 30, 2023.

Nine months ended April 30, 2024 compared with nine months ended April 30, 2023

Net sales for the Life Sciences segment for the nine months ended April 30, 2024 were \$196.7 million, compared with \$181.4 million for the nine months ended April 30, 2023, an increase of \$15.3 million, or 8.4%. Excluding a \$0.8 million increase from foreign currency translation, net sales for the Life Sciences segment increased **5.1%** 8.0%. The increase was primarily driven by a recovery in timing of Bioprocessing Equipment sales and strong market demand for products in the disk drive business, drive.

Losses before income taxes for the Life Sciences segment for the **three** nine months ended **January 31, 2024** April 30, 2024 were **\$5.8** \$9.5 million, or **9.2%** 4.8% of net sales, a decrease from earnings before income taxes of **10.6%** 9.5% of net sales for the **three** nine months ended **January 31, 2023** April 30, 2023. The decrease was driven by the expected impact from investments made to scale up the Company's recently-acquired businesses.

Six months ended January 31, 2024 compared with six months ended January 31, 2023

Net sales for the Life Sciences segment for the six months ended January 31, 2024 were \$123.1 million, compared with \$122.2 million for the six months ended January 31, 2023, an increase of \$0.9 million, or 0.8%. Excluding a \$2.2 million increase from foreign currency translation, net sales for the Life Sciences segment declined 1.0%.

Losses before income taxes for the Life Sciences segment for the six months ended January 31, 2024 were \$10.0 million, or 8.1% of net sales, a decrease from earnings before income taxes of 14.0% of net sales for the six months ended January 31, 2023 April 30, 2023. The decrease was driven by the expected impact from investments made to scale up the Company's recently-acquired businesses.

Liquidity, Capital Resources and Financial Condition

Liquidity

Liquidity is assessed in terms of the Company's ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity are cash flows generated from operating activities, capital expenditures, acquisitions, dividends, repurchases of outstanding shares, adequacy of available credit facilities and the ability to attract long-term capital with satisfactory terms. The Company generates substantial cash from the operation of its businesses as its primary source of liquidity, with sufficient liquidity available to fund growth through reinvestment in existing businesses and strategic acquisitions.

Cash Flow Summary

Cash flows were as follows (in millions):

	Six Months Ended		\$ Change	\$ Change		
	January 31,					
	Nine Months Ended					
	2024	2023	2024	2023		
Net cash provided by (used in):						
Operating activities						
Operating activities						
Operating activities						
Investing activities						
Financing activities						
Effect of exchange rate changes on cash						
Increase (decrease) in cash and cash equivalents						

Net cash provided by (used in):

Operating activities

Operating activities

Operating activities

Investing activities

Financing activities

Effect of exchange rate changes on cash

Increase (decrease) in cash and cash equivalents

Operating Activities

Cash provided by operating activities for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** was **\$225.0** **\$366.5** million, compared with **\$220.5** **\$353.7** million for the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, an increase of **\$4.5** million **\$12.8** million. The increase in cash provided by operating activities was primarily driven by higher earnings.

Investing Activities

Cash used in investing activities for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** was **\$44.5** **\$67.8** million, compared with **\$57.6** **\$155.1** million for the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, a decrease of **\$13.1** **\$87.3** million. The decrease in cash used was due to **lower cash usage related to acquisitions in the first nine months of the current year compared to the prior year and the timing of investments of capital in various projects in the current year**.

Financing Activities

Cash used in financing activities generally relates to the use of cash for payment of dividends and repurchases of the Company's common stock, net of borrowing activity and proceeds from the exercise of stock options. Cash used in financing activities for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** was **\$171.7** **\$257.5** million, compared with **\$176.8** **\$204.1** million for the **six** **nine** months ended **January 31, 2023** **April 30, 2023**, a decrease an increase of **\$5.1** **\$53.4** million. The **decrease** **increase** was primarily driven by **costs associated with the purchase** a **net debt repayment** of **treasury stock of \$86.6 million** **\$109.1 million** in the current year compared to **\$115.2 million** in the **prior year**, partially offset by a **net debt repayment of \$37.4 million** in the current year compared to **\$24.7 million** **\$55.0 million** in the **prior year**.

To determine the level of dividend and share repurchases, the Company considers recent and projected performance across key financial metrics, including earnings, cash flow from operations and total debt. Dividends paid for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** and 2023 were **\$60.3** **\$90.3** million and **\$56.2 million** **\$84.1** million, respectively. Share repurchases for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** and 2023 were **\$86.6** **\$113.8** million and **\$115.2** **\$119.3** million, respectively.

Capital Resources

Additional sources of liquidity are existing cash and available credit facilities. Cash and cash equivalents as of **January 31, 2024** **April 30, 2024** was **\$193.8** **\$223.7** million, compared with \$187.1 million as of July 31, 2023. The Company has capacity of **\$642.2 million** **\$573.4 million** available for further borrowing under existing credit facilities as of **January 31, 2024** **April 30, 2024**, which includes **\$452.5** **\$382.5** million available on the Company's \$500.0 million unsecured revolving credit facility that expires on May 21, 2026.

The Company believes the liquidity available from the combination of expected cash generated by operating activities, existing cash and available credit under existing credit facilities will be sufficient to meet its cash requirements for the next 12 months and beyond, including working capital needs, debt service obligations, capital expenditures, payment of dividends, share repurchase activity and potential acquisitions.

Financial Condition

Short-Term Borrowings and Long-Term Debt

As of **January 31, 2024** **April 30, 2024**, total debt, including short-term borrowings and long-term debt, represented **30.9%** **27.3%** of total capitalization, defined as total debt plus total stockholders' equity, compared with 33.2% as of July 31, 2023. As of **January 31, 2024** **April 30, 2024**, the Company was in compliance with its financial covenants.

Long-term debt outstanding was **\$563.7 million** **\$506.8 million** as of **January 31, 2024** **April 30, 2024**, compared with \$621.6 million as of July 31, 2023, a decrease of **\$57.9** **\$114.8 million**, primarily due to a **repayment on the unsecured revolving credit facility** **\$125.0 million** payment of maturing long-term debt during the **six** **three** months ended **January 31, 2024** **April 30, 2024**. As of **January 31, 2024** **April 30, 2024**, there was **\$452.5** **\$382.5 million** available and **\$40.0** **\$110.0 million** outstanding on the Company's \$500.0 million unsecured revolving credit facility that expires on May 21, 2026.

Working Capital

In order to help measure and analyze the impact of working capital management, the Company reviews its cash conversion cycle. The Company calculates days sales outstanding as the average accounts receivable, net for the quarter, divided by net sales for the quarter multiplied by the number of days in the quarter. The Company calculates days inventory outstanding as the average inventories, net for the quarter, divided by cost of sales for the quarter multiplied by the number of days in the quarter and calculates inventory turns as the cost of sales for the quarter, annualized by the ratio of the number of days in the year to the number of days in the quarter, divided by the average inventories, net for the quarter. The Company calculates days payable outstanding as the average accounts payable for the quarter, divided by cost of sales for the quarter multiplied by the number of days in the quarter.

Accounts receivable, net as of **January 31, 2024** **April 30, 2024**, was **\$599.3** **\$638.4** million, compared with \$599.7 million as of July 31, 2023, a decrease an increase of **\$0.4** **\$38.7 million**. Days sales outstanding were **62** **60** days as of **January 31, 2024** **April 30, 2024**, a decrease from 64 days as of July 31, 2023.

Inventories, net as of **January 31, 2024** **April 30, 2024**, was **\$433.4** **\$444.7** million, compared with \$418.1 million as of July 31, 2023, an increase of **\$15.3** **\$26.6** million. Days inventory on hand were **70** **66** days as of **January 31, 2024** **April 30, 2024**, an increase a decrease from 69 days as of July 31, 2023. Inventory turns were 5.2 times and 5.3 times per year as of January 31, 2024 and July 31, 2023, respectively.

Accounts payable as of **January 31, 2024** **April 30, 2024**, was **\$325.8** **\$370.0** million, compared with \$304.9 million as of July 31, 2023, an increase of **\$20.9** **\$65.1** million. Days payable outstanding were **53** **52** days as of **January 31, 2024** **April 30, 2024**, an increase from 49 days as of July 31, 2023.

Off-Balance Sheet Arrangements

The Company guarantees 50% of certain debts of its joint venture, AFSI, as discussed in Note 16 in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report.

Critical Accounting Estimates

There have been no material changes to the Company's critical accounting estimates as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

New Accounting Standards Not Yet Adopted

For new accounting standards not yet adopted, refer to Note 1 in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

The Company, through its management, may make forward-looking statements reflecting the Company's current views with respect to future events and expectations, such as forecasts, plans, trends and projections relating to the Company's business and financial performance. These forward-looking statements, which may be included in reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), in press releases and in other documents and materials as well as in written or oral statements made by or on behalf of the Company, are subject to certain risks and uncertainties, including those discussed in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023, which could cause actual results to differ materially from historical results or those anticipated. The 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 are intended to identify forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended, as enacted by the Private Securities Litigation Reform Act of 1995 (PSLRA). In particular, the Company desires to take advantage of the protections of the PSLRA in connection with the forward-looking statements made in this Quarterly Report on Form 10-Q. All statements other than statements of historical fact are forward-looking statements. These statements do not guarantee future performance.

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 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; 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, 2023. 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk includes the potential loss arising from adverse changes in foreign currency exchange rates, interest rates and commodity prices. To manage these risks, the Company employs certain strategies to mitigate the effect of these fluctuations. The Company does not enter into any of these strategies for trading or speculative purposes.

The Company maintains significant assets and operations outside the U.S., resulting in exposure to foreign currency gains and losses. A portion of the Company's foreign currency exposure is naturally hedged by incurring liabilities, including bank debt, denominated in the local currency in which the Company's foreign subsidiaries are located.

During the **six** **nine** months ended **January 31, 2024** **April 30, 2024**, the U.S. dollar was generally weaker than in the **six** **nine** months ended **January 31, 2023** **April 30, 2023** compared with many of the currencies of the foreign countries in which the Company operates. The overall weaker U.S. dollar had a positive impact on the Company's international net sales and net earnings because the foreign denominated revenues translated into more U.S. dollars in many regions around the world. The estimated impact of foreign currency translation for the **six** **nine** months ended **January 31, 2024** **April 30, 2024** resulted in an overall increase in reported net sales of **\$17.2 million** **\$10.1 million** and an increase in reported net earnings of **\$1.9 million** **\$0.6 million**.

Derivative Fair Value Measurements

The Company enters into derivative instrument agreements, including foreign currency forward contracts and net investment hedges, to manage risk in connection with changes in foreign currency. The Company only enters into derivative instrument agreements with counterparties who have highly rated credit. See Notes 11, 14 and 15 in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report.

Foreign Currency Forward Contracts - Cash Flow Hedges and Derivatives Not Designated as Hedging Instruments

The Company buys materials from foreign suppliers. Those transactions can be denominated in those suppliers' local currency. The Company also sells to customers in foreign countries. Those transactions can be denominated in those customers' local currency. Both of these transaction types can create volatility in the Company's financial statements. The Company uses foreign currency forward contracts to manage those exposures and fluctuations. These contracts generally mature in 12 months or less, which is consistent with the forecasts of the related purchases and sales. Certain contracts are designated as cash flow hedges, whereas the remaining contracts, most of which are related to certain intercompany transactions which offset balance sheet exposure, are not designated as hedging instruments. The total notional amount of the foreign currency forward contracts designated as hedges was **\$53.0 million** **\$25.8 million** and **\$84.9 million** as of **January 31, 2024** **April 30, 2024** and July 31, 2023, respectively. The total notional amount of the foreign currency forward contracts not designated as hedges was **\$148.0 million** **\$141.9 million** and **\$147.5 million** as of **January 31, 2024** **April 30, 2024** and July 31, 2023, respectively.

Net Investment Hedges

The Company uses fixed-to-fixed cross-currency swap agreements to hedge its exposure to adverse foreign currency exchange rate movements for its operations in Europe. The Company has elected the spot method for designating these contracts as net investment hedges.

The total notional amount of net investment hedges was €80 million, or \$88.8 million, as of **January 31, 2024** **April 30, 2024** and July 31, 2023. The maturity dates range from 2027 to 2029.

Based on the net investment hedges outstanding as of **January 31, 2024** **April 30, 2024**, a 10% appreciation of the U.S. dollar compared to the Euro would result in a net gain of **\$7.9 million** **\$7.6 million** in the fair value of these contracts.

Interest Rates

The Company's exposure to market risk for changes in interest rates primarily relates to debt obligations that are at variable rates, as well as the potential increase in the fair value of long-term debt resulting from a potential decrease in interest rates. As of **January 31, 2024** **April 30, 2024**, the Company's financial liabilities with exposure to changes in interest rates consisted mainly of **\$40.0 million** **\$110.0 million** outstanding on the Company's unsecured revolving credit facility, €80.0 million, or **\$86.7 million** **\$85.8 million**, of a variable rate term loan and ¥2.0 billion, or **\$13.5 million** **\$12.7 million**, of variable rate senior notes. As of **January 31, 2024** **April 30, 2024**, variable short-term borrowings outstanding

consisted of **\$49.8 million**, **\$48.7 million**. Assuming a hypothetical 0.5 percentage point increase in short-term interest rates, with all other variables remaining constant, interest expense would have increased approximately **\$0.5** **\$1.0 million** in the **six** **nine** months ended **January 31, 2024** **April 30, 2024**. The Company has no interest rate hedging agreements. Interest rate changes would also affect the fair market value of fixed-rate debt. As of **January 31, 2024** **April 30, 2024**, the estimated fair values of fixed interest rate long-term debt were **\$388.0 million** **\$255.7 million** compared to the carrying values of **\$425.0** **\$300.0 million**. The fair values are estimated by discounting the projected cash flows using the interest rates at which similar amounts of debt could currently be borrowed.

The interest on cash and cash equivalents will vary as short-term yields change. Assuming a hypothetical 0.5 percentage point increase in yields, with all other variables remaining constant, interest income would have increased approximately **\$0.5** **\$0.8 million** in the **six** **nine** months ended **January 31, 2024** **April 30, 2024**.

Commodity Prices

The Company is exposed to market risk from fluctuating prices of purchased commodity raw materials, including steel, filter media and petrochemical-based products including plastics, rubber and adhesives. On an ongoing basis, the Company enters into selective supply arrangements that allow the Company to reduce volatility in its costs. The Company strives to recover or offset all material cost increases through price increases to its customers and the Company's cost reduction initiatives, which include material substitution, process improvement and product redesigns. However, an increase in commodity prices could result in lower gross profit.

Bankers' Acceptance Notes

Consistent with common business practice in APAC, the Company has subsidiaries which accept bankers' acceptance notes from their customers in settlement of certain customer billed accounts receivable. Bankers' acceptance notes represent a commitment by the issuing financial institution to pay a certain amount of money at a specified future maturity date to the legal owner of the bankers' acceptance note as of the maturity date. The maturity dates of bankers' acceptance notes vary, but it is the Company's policy to only accept bankers' acceptance notes with maturity dates no more than 180 days from the date of the Company's receipt of such draft. As of **January 31, 2024** **April 30, 2024** and July 31, 2023, the Company owned **\$14.8** **\$10.2 million** and **\$13.2 million**, respectively, of these bankers' acceptance notes and includes them in accounts receivable on the Condensed Consolidated Balance Sheets.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of its Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period. Based on their evaluation, as of the end of the period covered, the Company's Chief Executive Officer and Chief Financial Officer concluded the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective. The Company's disclosure controls and procedures are designed so information required to be disclosed by the issuer in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms and such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting (as defined by Rule 13a-15(f) under the Exchange Act) occurred during the fiscal quarter ended **January 31, 2024** **April 30, 2024**, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company records provisions when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and litigation are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter. The Company believes the estimated liability in its Condensed Consolidated Financial Statements for claims or litigation is adequate and appropriate for the probable and estimable outcomes. Liabilities recorded were not material to the Company's financial position, results of operations or liquidity. The Company believes it is remote that the settlement of any of the currently identified claims or litigation will be materially in excess of what is accrued.

Item 1A. Risk Factors

There are inherent risks and uncertainties associated with the Company's global operations that involve the manufacturing and sale of products for highly demanding customer applications throughout the world. These risks and uncertainties could adversely affect the Company's business, reputation, financial condition or results of operations. The "Risk Factors" section in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023 outlines the risks and uncertainties the Company believes are the most material to its business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

Information in connection with purchases made by, or on behalf of, the Company or any affiliated purchaser of the Company, of shares of the Company's common stock during the three months ended **January 31, 2024** **April 30, 2024** was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
November 1 - November 30, 2023	400,000	\$ 59.21	400,000	11,940,000

December 1 - December 31, 2023	8,004	61.86	—	11,940,000
January 1 - January 31, 2024	195,497	64.23	150,000	11,790,000
Total	603,501	\$ 60.87	550,000	11,790,000

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
February 1 - February 29, 2024	56,766	\$ 65.32	56,766	11,733,234
March 1 - March 31, 2024	1,337	72.52	—	11,733,234
April 1 - April 30, 2024	321,500	73.02	321,500	11,411,734
Total	379,603	\$ 71.86	378,266	11,411,734

On November 17, 2023, the Board of Directors authorized the repurchase of up to 12.0 million shares of the Company's common stock. This repurchase authorization is effective until terminated by the Board of Directors. The Company has remaining authorization to repurchase 11.8 million 11.4 million shares under this plan. There were no repurchases of common stock made outside of the Company's current repurchase authorization during the three months ended January 31, 2024 April 30, 2024. The "Total Number of Shares Purchased" column of the table above includes 53,501 1,337 shares of previously owned shares tendered by option holders in payment of the exercise price of options during the three months ended January 31, 2024 April 30, 2024. While not considered repurchases of shares, the Company does at times withhold shares that would otherwise be issued under stock-based awards to cover the withholding of taxes due as a result of exercising stock options or payment of stock-based awards.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended January 31, 2024 April 30, 2024, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

3-A*	Restated Certificate of Incorporation of Registrant, dated as of September 22, 2023 (Filed as Exhibit 3-A to Form 10-Q Report filed on December 6, 2023)
3-B*	Amended and Restated Bylaws of Registrant, dated as of July 28, 2023 (Filed as Exhibit 3-B to Form 8-K Report filed on July 28, 2023)
10**	Donaldson Company, Inc. 2019 Master Stock Incentive Plan, as amended and restated (filed as Appendix A to definitive proxy statement filed on October 3, 2023)
31-A	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31-B	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the Donaldson Company, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2024 April 30, 2024, formatted in inline eXtensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Stockholders' Equity and (vi) the Notes to Condensed Consolidated Financial Statements
104	The cover page from the Donaldson Company Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2024 April 30, 2024, formatted in iXBRL (included as Exhibit 101)

* Exhibit has previously been filed with the Securities and Exchange Commission and is incorporated herein by reference as an exhibit.

** Denotes compensatory plan or management contract.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: **March 4, 2024** June 4, 2024

By: /s/ Tod E. Carpenter

Tod E. Carpenter
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: **March 4, 2024** June 4, 2024

By: /s/ Scott J. Robinson

Scott J. Robinson
Chief Financial Officer
(Principal Financial Officer)

Date: **March 4, 2024** June 4, 2024

By: /s/ Andrew J. Cebulla

Andrew J. Cebulla
Vice President and Corporate Controller
(Principal Accounting Officer)

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Tod E. Carpenter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Donaldson Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March June 4, 2024

/s/ Tod E. Carpenter

Tod E. Carpenter
Chairman, President and Chief Executive Officer

Exhibit 31-B

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Scott J. Robinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Donaldson Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March June 4, 2024

/s/ Scott J. Robinson

Scott J. Robinson
Chief Financial Officer

Exhibit 32

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certifications are being made to accompany the Form 10-Q for the quarter ended **January 31, 2024** **April 30, 2024**, for Donaldson Company, Inc.:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Tod E. Carpenter, Chief Executive Officer of Donaldson Company, Inc., certify that:

1. The Form 10-Q of Donaldson Company, Inc. for the quarter ended **January 31, 2024** **April 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Donaldson Company, Inc.

Date: **March** **June** 4, 2024

/s/ Tod E. Carpenter

Tod E. Carpenter
Chairman, President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Scott J. Robinson, Chief Financial Officer of Donaldson Company, Inc., certify that:

1. The Form 10-Q of Donaldson Company, Inc. for the quarter ended **January 31, 2024** **April 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Donaldson Company, Inc.

Date: **March** **June** 4, 2024

/s/ Scott J. Robinson

Scott J. Robinson
Chief Financial Officer

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