



DONALDSON COMPANY

# FOURTH QUARTER FISCAL YEAR 2025

AUGUST 2025



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## Forward-Looking Statement Safe Harbor

Statements in this presentation regarding future events and expectations, such as forecasts, plans, trends, and projections relating to the Company's business and financial performance, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are identified by words or phrases such as "will likely result," "are expected to," "will continue," "will allow," "estimate," "project," "believe," "expect," "anticipate," "forecast," "plan" and similar expressions. These forward-looking statements speak only as of the date such statements are made and are subject to risks and uncertainties that could affect the Company's performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed. These factors include, but are not limited to, challenges in global operations; impacts of global economic, industrial and political conditions on product demand; impacts from unexpected events; effects of unavailable raw materials, significant demand fluctuations or material cost changes; inability to attract and retain qualified personnel; inability to meet customer demand; inability to maintain competitive advantages; threats from disruptive technologies; effects of highly competitive markets with pricing pressure; exposure to customer concentration in certain cyclical industries; inability to manage productivity improvements; inability to achieve commitments related to sustainability, results of execution of any acquisition, divestiture and other strategic transactions; vulnerabilities associated with information technology systems and security; inability to protect and enforce intellectual property rights; costs associated with governmental laws and regulations; impacts of foreign currency fluctuations; and effects of changes in capital and credit markets. These and other factors are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2024. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. The results presented herein are preliminary, unaudited and subject to revision until the Company files its results with the United States Securities and Exchange Commission on Form 10-K.

### **Non-GAAP Financial Measures**

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



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# Fourth Quarter Fiscal Year 2025 Update and Overview

## Key Updates

### Advancing Filtration for a Cleaner World Through Strong Execution

- ✓ **Record** fourth quarter and full-year 2025 adjusted **earnings per share (EPS)**<sup>(1,2)</sup>
- ✓ Fourth quarter sales **growth and improved profitability** across all three segments
- ✓ **Disciplined expense management** contributed to **160 bps reduction** in adjusted operating expenses<sup>(2)</sup> as a percentage of sales
- ✓ **Returned \$95M** in fourth quarter and **\$465M** in FY25 to **shareholders** in dividends and share repurchases

## Fourth Quarter Financials

### Sales and EPS Up YoY

- ✓ **Sales of \$981M** increased 5% year over year and increased 3% on a constant currency basis
  - Volume, favorable foreign currency, and pricing benefits
- ✓ **Adjusted EPS<sup>(1,2)</sup> of \$1.03**, up 10%
  - Adjusted gross margin<sup>(2)</sup> decrease of 140 bps
  - Adjusted operating margin<sup>(2)</sup> increase of 10 bps
- ✓ **Strong adjusted free cash flow conversion<sup>(2,3)</sup> of 123%**

## FY 2026 Guidance

### Issuing Record Fiscal 2026 Guidance

- ✓ **Sales** outlook centered on **\$3.8 billion** or between **1% to 5% growth**
- ✓ **Operating margin** of **16.1% to 16.7%**, driven by gross margin expansion and leverage on higher sales
- ✓ **EPS** guidance bracketing **\$4.00** and within a range of **\$3.92 to \$4.08**

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

<sup>2</sup> Certain Q4'25, Q4'24, FY25, and FY24 results adjusted for restructuring and other charges. Certain FY25 results also adjusted for impairment of intangibles, gain on the sale of fixed assets and business development charges. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

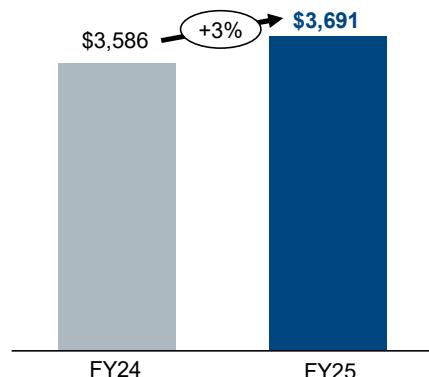
<sup>3</sup> Free cash flow = cash from operations minus capital expenditures; Adjusted free cash flow conversion = free cash flow / adjusted net earnings.



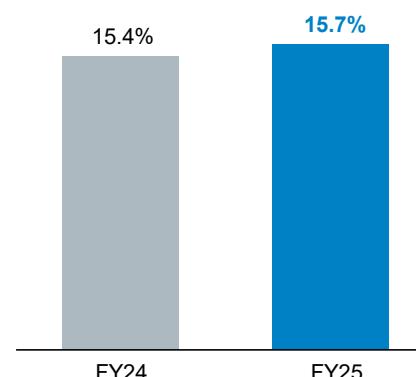
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# Full-Year FY25 Overview & Highlights

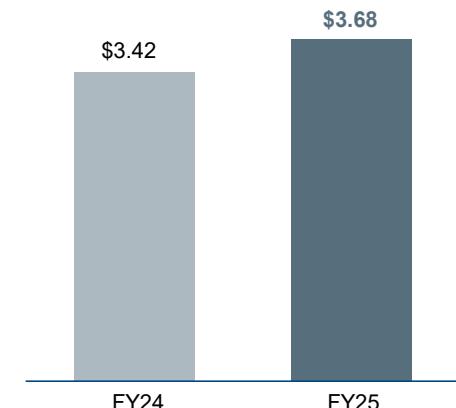
## Sales (\$M) Up 3% YoY Constant Currency Basis



## Adjusted Operating Margin<sup>(1)</sup> Up 30 bps YoY



## Adjusted Diluted EPS<sup>(1)</sup> Up 8% YoY



### Highlights

- Contribution from volume (+2%) and price (+1%)
- Segment Performance YoY:
  - Industrial Solutions +4%
  - Mobile Solutions +2%
  - Life Sciences +10%

### Highlights

- Adjusted gross margin<sup>(1)</sup> decreased 60 bps versus prior year from inventory valuation headwinds due to tariffs, as well as increased costs from optimization initiatives
- Adjusted operating expenses as a percentage of sales<sup>(1)</sup> decreased 100 bps YoY

### Highlights

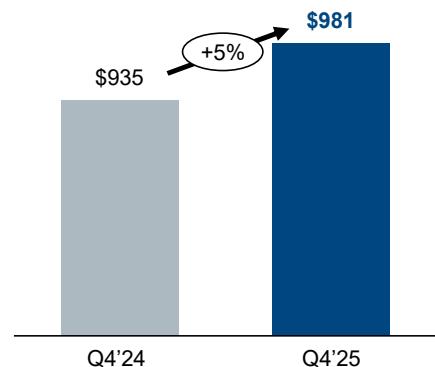
- Adjusted operating income<sup>(1)</sup> increased 5% YoY as a result of operating expense leverage
- Below-the-line benefits include other income due to lower pension related expenses



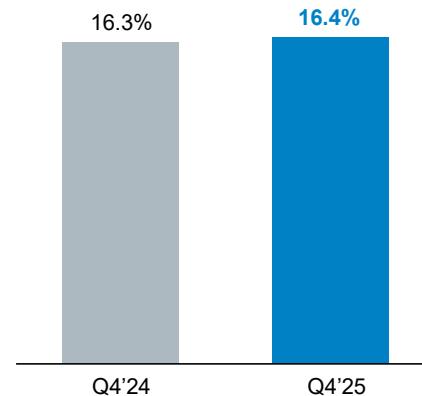
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# Fourth Quarter FY25 Overview & Highlights

## Sales (\$M) Up 3% YoY Constant Currency Basis



## Adjusted Operating Margin<sup>(1)</sup> Up 10 bps YoY



## Adjusted Diluted EPS<sup>(1)</sup> Up 10% YoY



### Highlights

- YoY contribution from volume (+2%), favorable currency translation (+2%), and price (+1%)
- Segment Performance YoY:
  - Industrial Solutions +8%
  - Mobile Solutions +2%
  - Life Sciences +14%

### Highlights

- Adjusted gross margin<sup>(1)</sup> decreased 140 bps versus prior year from inventory valuation headwinds due to tariffs, as well as increased costs from optimization initiatives
- Adjusted operating expenses as a percentage of sales<sup>(1)</sup> decreased 160 bps YoY from disciplined expense management

### Highlights

- Adjusted operating income<sup>(1)</sup> increased 6% YoY from expense leverage
- Below-the-line benefits include higher other income due to the timing of charitable donations

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

# Mobile Solutions Segment Fourth Quarter FY25 Results



	Q4'25	Q4'24	YoY
<b>Sales</b>	<b>\$588</b>	\$575	+2%
<b>EBT</b>	<b>\$112</b>	\$105	+7%
<b>% of sales</b>	<b>19.1%</b>	18.3%	+80 bps

## Fourth Quarter Overview

### Sales

- Total Sales YoY: +2% reported and +1% on a constant currency basis
  - Sales increase mainly driven by strength in Aftermarket and Off-Road, partially offset by lower sales in On-Road
- Performance by region YoY:
  - US/CA -3%
  - EMEA +11%
  - APAC +5%
  - LATAM 0%
- China Sales YoY:
  - +14% driven by first-fit and aftermarket growth
- Performance by end-market YoY:
  - Off-Road +5%
  - On-Road -20%
  - Aftermarket +3%

### Margins and Key Updates

- Segment EBT margin +80 bps YoY driven by inventory valuation adjustments and leverage on higher sales



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# Industrial Solutions Segment Fourth Quarter FY25 Results



	Q4'25	Q4'24	YoY
<b>Sales</b>	<b>\$310</b>	\$288	+8%
<b>EBT</b>	<b>\$65</b>	\$58	+12%
<b>% of sales</b>	<b>20.9%</b>	20.1%	+80 bps



## Fourth Quarter Overview

### Sales

- Total Sales YoY: +8% reported and +6% constant currency basis
  - Sales growth driven by new equipment demand in dust collection in Europe and the United States and Power Generation project timing
- Performance by region YoY:
  - US/CA +4%
  - EMEA +15%
  - APAC +6%
  - LATAM -8%
- Performance by end-market YoY:
  - Industrial Filtration Solutions (IFS) +11%
  - Aerospace & Defense -6%

### Margins and Key Updates

- Segment EBT margin +80 bps YoY driven by leverage on higher sales

# Life Sciences Segment Fourth Quarter FY25 Results



	Q4'25	Q4'24	YoY
<b>Sales</b>	<b>\$82</b>	\$72	+14%
<b>EBT</b>	<b>\$4</b>	-\$1	NM
<b>% of sales</b>	<b>5.3%</b>	-1.2%	+650 bps

## Fourth Quarter Overview

### Sales

- Total Sales YoY: +14% reported and +9% constant currency basis
  - Higher sales driven by strong new equipment and replacement part sales in Food and Beverage as well as Disk Drive strength
- Performance by region YoY:
  - US/CA +28%
  - EMEA +9%
  - APAC +14%
  - LATAM +22%

### Margins and Key Updates

- Segment EBT margin expansion was driven by strength in high-margin Food & Beverage and Disk Drive sales and leverage from an optimized cost structure, more than offset investments in bioprocessing

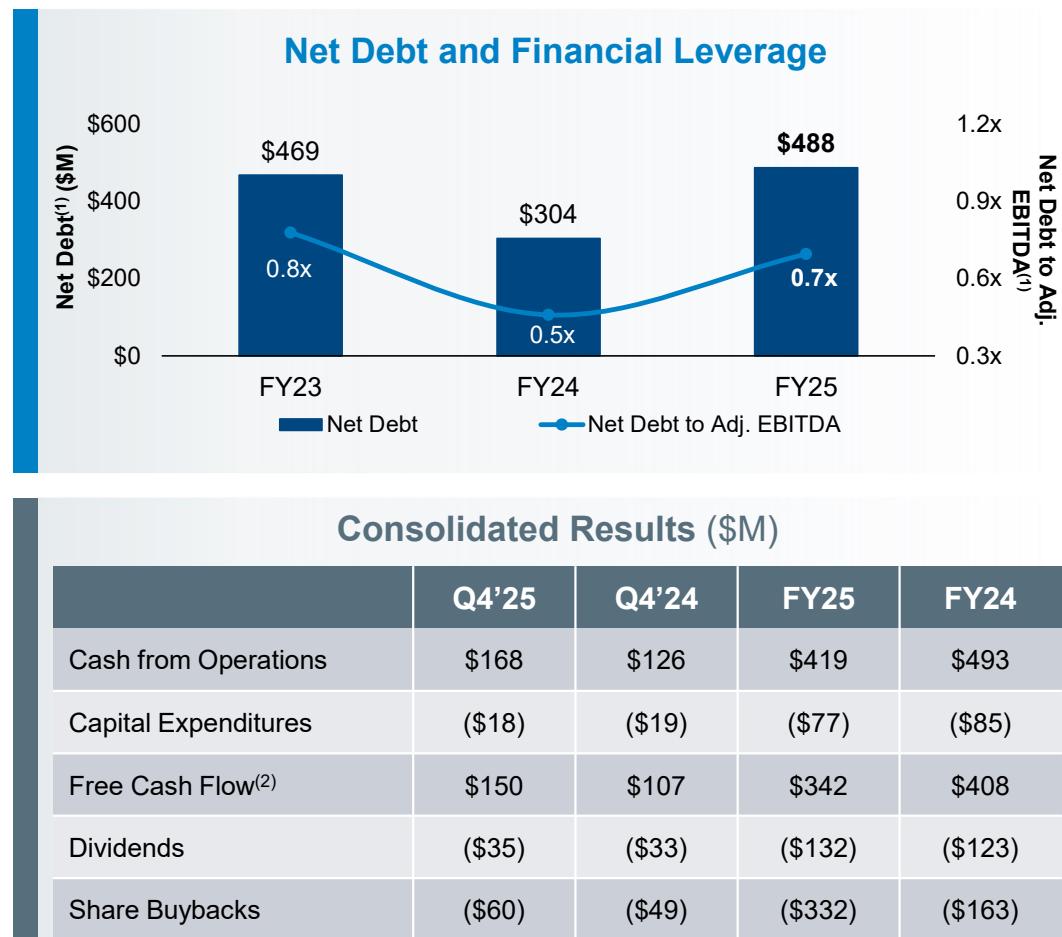


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# Balance Sheet and Cash Flow Overview

## Highlights

- Adjusted free cash flow conversion<sup>(1,2)</sup> of 123% in Q4'25; 77% in FY25
  - Supported by continued efficient management of working capital, including the working down of inventory
- Returned \$465 million to shareholders in dividends and share buybacks in FY25
- Strong balance sheet supports future growth and strategic investments



<sup>1</sup>Certain Q4'25, Q4'24, FY25, and FY24 results adjusted for restructuring and other charges. Certain FY25 results also adjusted for impairment of intangibles, gain on the sale of fixed assets and business development charges. See the reconciliation of Non-GAAP Financial measures appendix for additional information.

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



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## Fiscal 2026 Financial Outlook

**+1% to 5%** Total Company Sales Growth

**YoY Expansion** Total Company Gross Margin

**16.1% to 16.7%** Total Company Operating Margin

**\$3.92 to \$4.08** Diluted EPS

**\$65M to \$85M** Capital Expenditures

**85% to 95%** FCF Conversion



### Segment Outlook

<b>Total Sales</b>	<b>0% to +4%</b>
Off-Road	+ Mid-single digits
On-Road	+ High-single digits
Aftermarket	+ Low-single digits

<b>Total Sales</b>	<b>+2% to +6%</b>
Industrial Filtration Solutions	+ Mid-single digits
Aerospace & Defense	Flat

<b>Total Sales</b>	<b>+ Low-single digits</b>
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### Other Assumptions

- Tax rate of 23.5% to 25.5%
- Pricing benefit of approximately 1%
- Interest expense approximately \$22M to \$23M
- Other income between \$14M to \$18M



## Key Investment Points

1

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

2

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

3

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

4

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

5

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



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# Appendix



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# Reconciliation of Non-GAAP Financial Measures

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

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	July 31,		July 31,	
	2025	2024	2025	2024
Net cash provided by operating activities	\$ 167.8	\$ 126.0	\$ 418.8	\$ 492.5
Net capital expenditures	(18.1)	(19.1)	(76.8)	(84.9)
Free cash flow	<u>\$ 149.7</u>	<u>\$ 106.9</u>	<u>\$ 342.0</u>	<u>\$ 407.6</u>
Net earnings	\$ 114.3	\$ 109.7	\$ 367.0	\$ 414.0
Income taxes	35.4	29.7	125.2	121.3
Interest expense	7.1	5.3	24.2	21.4
Depreciation and amortization	24.4	24.9	99.5	98.4
EBITDA	<u>\$ 181.2</u>	<u>\$ 169.6</u>	<u>\$ 615.9</u>	<u>\$ 655.1</u>
Adjusted net earnings	\$ 121.4	\$ 114.5	\$ 442.8	\$ 418.8
Adjusted income taxes	37.8	31.3	134.5	122.9
Interest expense	7.1	5.3	24.2	21.4
Depreciation and amortization	24.4	24.9	99.5	98.4
Adjusted EBITDA	<u>\$ 190.7</u>	<u>\$ 176.0</u>	<u>\$ 701.0</u>	<u>\$ 661.5</u>
Gross profit	\$ 338.8	\$ 334.8	\$ 1,286.2	\$ 1,274.4
Impairment of intangible assets	—	—	—	—
Restructuring and other charges	2.2	3.8	6.5	3.8
Gain on the sale of fixed assets	—	—	—	—
Business development charges	—	—	—	—
Adjusted gross profit	<u>\$ 341.0</u>	<u>\$ 338.6</u>	<u>\$ 1,292.7</u>	<u>\$ 1,278.2</u>
Operating expense	\$ 187.1	\$ 188.6	\$ 790.8	\$ 730.3
Impairment of intangible assets	—	—	(62.0)	—
Restructuring and other charges	(7.3)	(2.6)	(12.6)	(2.6)
Gain on the sale of fixed assets	—	—	1.2	—
Business development charges	—	—	(5.2)	—
Adjusted operating expense	<u>\$ 179.8</u>	<u>\$ 186.0</u>	<u>\$ 712.2</u>	<u>\$ 727.7</u>
Operating income	\$ 151.7	\$ 146.2	\$ 495.4	\$ 544.1
Impairment of intangible assets	—	—	62.0	—
Restructuring and other charges	9.5	6.4	19.1	6.4
Gain on the sale of fixed assets	—	—	(1.2)	—
Business development charges	—	—	5.2	—
Adjusted operating income	<u>\$ 161.2</u>	<u>\$ 152.6</u>	<u>\$ 580.5</u>	<u>\$ 550.5</u>

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	July 31,		July 31,	
	2025	2024	2025	2024
Net earnings	\$ 114.3	\$ 109.7	\$ 367.0	\$ 414.0
Impairment of intangible assets, net tax	—	—	58.3	—
Restructuring and other charges, net tax	7.1	4.8	14.4	4.8
Gain on the sale of fixed assets, net tax	—	—	(0.8)	—
Business development charges, net tax	—	—	3.9	—
Adjusted net earnings	<u>\$ 121.4</u>	<u>\$ 114.5</u>	<u>\$ 442.8</u>	<u>\$ 418.8</u>
Diluted EPS	\$ 0.97	\$ 0.90	\$ 3.05	\$ 3.38
Impairment of intangible assets	—	—	0.48	—
Restructuring and other charges	0.06	0.04	0.12	0.04
Gain on the sale of fixed assets	—	—	(0.01)	—
Business development charges	—	—	0.04	—
Adjusted diluted EPS	<u>\$ 1.03</u>	<u>\$ 0.94</u>	<u>\$ 3.68</u>	<u>\$ 3.42</u>



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## Reconciliation of Non-GAAP Financial Measures

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

	July 31,		
	2025	2024	2023
Total debt	\$ 668.3	\$ 536.7	\$ 655.7
Less: Cash and cash equivalents	(180.4)	(232.7)	(187.1)
Net debt	<u>\$ 487.9</u>	<u>\$ 304.0</u>	<u>\$ 468.6</u>

	Twelve months ended July 31,		
	2025	2024	2023
Adjusted EBITDA	\$ 701.0	\$ 661.5	\$ 602.0
Net debt to adjusted EBITDA	0.7x	0.5x	0.8x