



# Intellisight 2020 Virtual Conference

Tod Carpenter, Chairman, President and CEO | August 12



Donaldson.  
FILTRATION SOLUTIONS

Statements in this release 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 cause the Company's results to differ materially from these statements. These factors include, but are not limited to, economic and industrial conditions worldwide; the Company's ability to maintain competitive advantages; threats from disruptive innovation; highly competitive markets with pricing pressure; the Company's ability to protect and enforce its intellectual property; the difficulties in operating globally; customer concentration in certain cyclical industries; significant demand fluctuations; unavailable raw materials or material cost inflation; inability of operations to meet customer demand; difficulties with information technology systems and security; foreign currency fluctuations; governmental laws and regulations; litigation; changes in tax laws and tax rates, regulations and results of examinations; the Company's ability to attract and retain qualified personnel; changes in capital and credit markets; execution of the Company's acquisition strategy; the possibility of intangible asset impairment; the Company's ability to manage productivity improvements; unexpected events and the disruption on operations, including the COVID-19 pandemic; the Company's ability to maintain an effective system of internal control over financial reporting; and the United Kingdom's decision to end its membership in the European Union. These and other risks and uncertainties are described in Item 1A of the Company's Annual Report on Form 10-K for the year ended July 31, 2019 and Form 10-Q for the period ended April 30, 2020. 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.

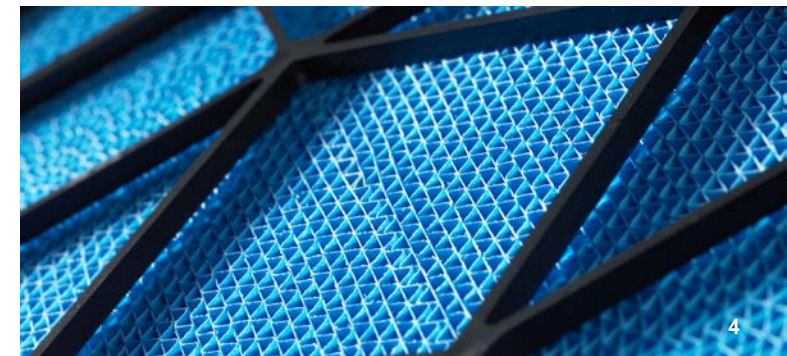
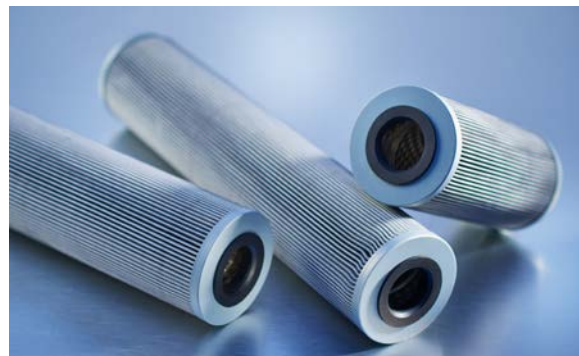
# Reminder: Fiscal Year 2020 Ended July 31, 2020



Statements made during today's presentation reflect the perspectives from the Company's third quarter 2020 earnings release and associated conference call on June 2, 2020, and/or the Company's 'Business Update' press release issued Thursday, August 6, 2020.

Donaldson is scheduled to report fourth quarter and full-year 2020 earnings on Thursday, September 3. The Company will provide an updated perspective at that time.

# Value Proposition in the Context of COVID-19



## Clear Priorities

- Health and safety of employees
- Fulfill customer commitments
- Lessen the spread of COVID-19

## Engaged Employees

- Global coordination and collaboration
- Flexibility with remote work environment
- Dedicated front-line employees

## Disciplined Execution

- Deep engagement with customers, suppliers
- Advance gross margin initiatives and control expenses
- Maintain strong financial position

**Donaldson employees have done an excellent job managing through the dynamic environment!**

# Benefits of Value Proposition Magnified with COVID-19

1.

Technology-led filtration company with deep customer relationships

2.

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

3.

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

4.

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

5.

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

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# Experienced and Aligned Leadership Team



**Tod Carpenter**

Chairman, President & CEO  
Years with DCI: 23 years



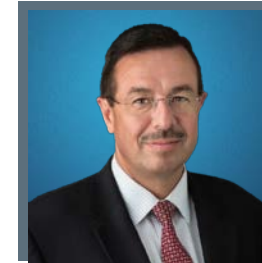
**Scott Robinson**

SVP, CFO  
5 years



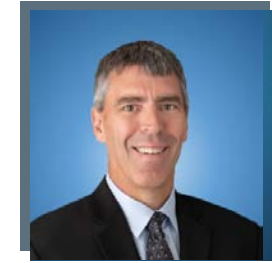
**Amy Becker**

VP, General Counsel & Sec.  
22 years



**Guillermo Briseño**

VP, LATAM  
16 years



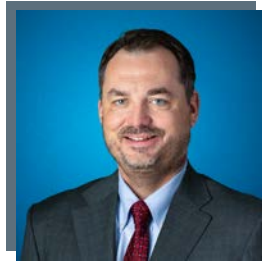
**Andrew Dahlgren**

VP, APAC  
26 years



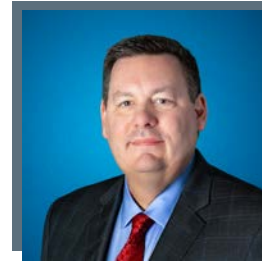
**Sheila Kramer**

VP, Human Resources  
5 years



**Rich Lewis**

SVP, Global Operations  
17 years



**Tom Scalf**

SVP, Engine Products  
30 years



**Jeff Spethmann**

SVP, Industrial Products  
19 years



**Wim Vermeersch**

VP, EMEA  
29 years



**Michael Wynblatt**

VP, CTO  
3 years

**Nearly 200 Years of Combined Donaldson Experience Focused on Addressing Stakeholder Needs**

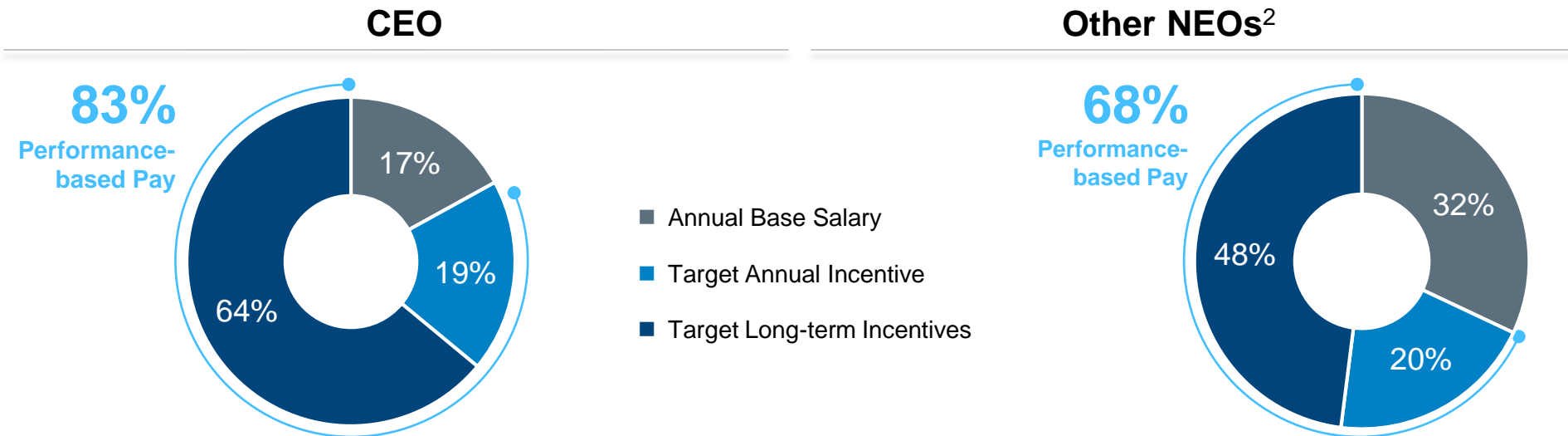


# Strong Alignment with Long-Term Shareholder Interests

## STOCK OWNERSHIP REQUIREMENTS

	DCI	Common Market Practice <sup>1</sup>
CEO	10x Base Salary	5x Base Salary
CFO & SVPs	5x Base Salary	3x Base Salary
VPs	3x Base Salary	1x Base Salary

Target Total Direct Compensation Mix



**Long-term Incentives | 50% Tied to ROI Target (Primary Requirement) and 50% to Sales**

<sup>1</sup> Source: Willis Towers Watson and Company estimates. <sup>2</sup> Named Executive Officers (NEOs).

# Operational Footprint and Business Composition Provide Some Insulation from COVID-19 Impact



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## 4.

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

- **“Critical” and “Essential” Businesses**
  - We have been operating throughout the pandemic
  - Teams employing new techniques (e.g. virtual selling, virtual training)
- **Strong Operational Capabilities**
  - Region-to-support region production strategy creates agility, flexibility
  - Currently at lowest level of disruption since pandemic began

**Disruption Related to COVID-19 Has Been Immaterial to Operations**

## 2.

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

- **Replacement parts outperforming new equipment**
  - Sales of replacement parts ~64% of total revenue in 4Q20
  - Continue winning share with higher-technology products that drive retention
- **Addressable market growth in new, emerging markets**
  - Penetrating markets with less COVID-19 impact (e.g. food and beverage)
  - Gaining share with local customers in China who move up technology curve

**Diverse Business Composition Creates Relative Durability During COVID-19**

## Recent Performance\*

(vs. prior year)

### 4Q Sales \$

~(15)%

- July had highest sales of quarter (and June > May)
- YoY % change in order: APAC > EMEA > Americas
- Replacement > First Fit
- New markets (e.g. food and beverage) outperforming

### QTD GM %



### QTD Expense \$



- Gross margin benefits from optimization initiatives and tight control of manufacturing expense, combined with mix benefits and lower raw materials costs
- Expense savings from lower incentive compensation and tight control of discretionary expenses

### 4Q Cap Ex \$



- Consistent with prior expectations as investment cycle completed
- Long-term benefits from new capacity in optimal locations
- New R&D facility coming online in 2020

\* Details disclosed in August 6, 2020 "Business Update" press release; QTD (quarter-to-date) reflects the two-month period ended June 30, 2020.

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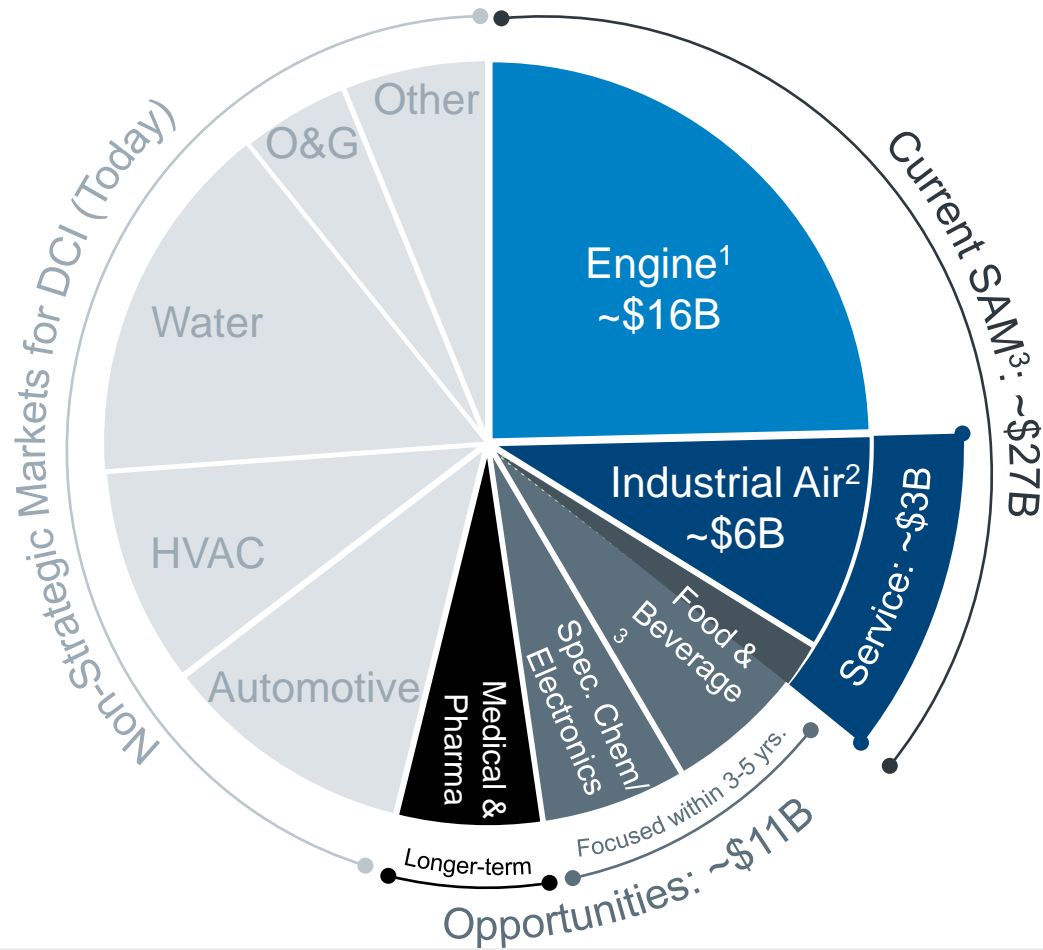
## 1.

Technology-led filtration company with deep customer relationships

- **Continued investment in building capabilities**
  - New research center in Bloomington, MN
  - Enhanced focus on materials science capabilities
- **Prioritizing work on breakthrough technologies**
  - Expand R&D investment as percent of sales to 3% to 4% (from 2% to 3%)
  - Diversify with new technologies in wide variety of applications

**Strong Execution of Innovation Leadership Strategy to Maintain Innovation Advantage Post-COVID**

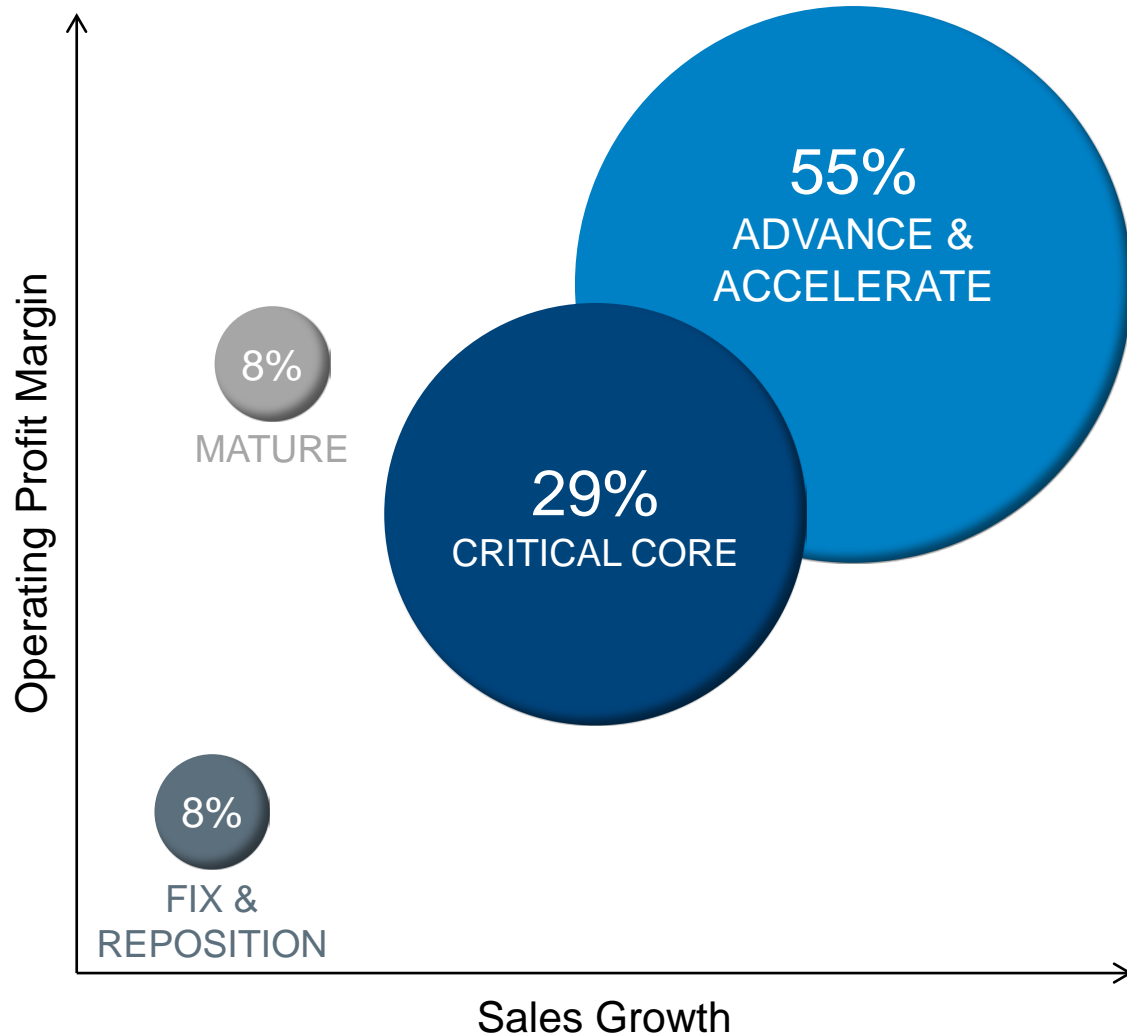
# Strategic Growth Priorities for \$65B Filtration Products Market



## Investment Agenda Aligned to Support Growth Priorities to Grow Market Share

<sup>1</sup> Includes Hydraulics, Fuel, Engine Air, A&D and Lube; <sup>2</sup> Industrial Air Filtration, including industrial dust collection, inlet air filtration for gas turbines, and fume and mist extraction; <sup>3</sup> Served Addressable Market (SAM) including ~\$2B within Food & Beverage.





- **Advance & Accelerate**

- IAF Aftermarket
- Engine Aftermarket
- Venting Solutions
- Process Filtration
- Semiconductor
- Industrial Hydraulics

- **Critical Core**

- Off-Road First-fit
- On-Road First-fit
- IAF Equipment
- Compressed Air Filtration
- Aerospace

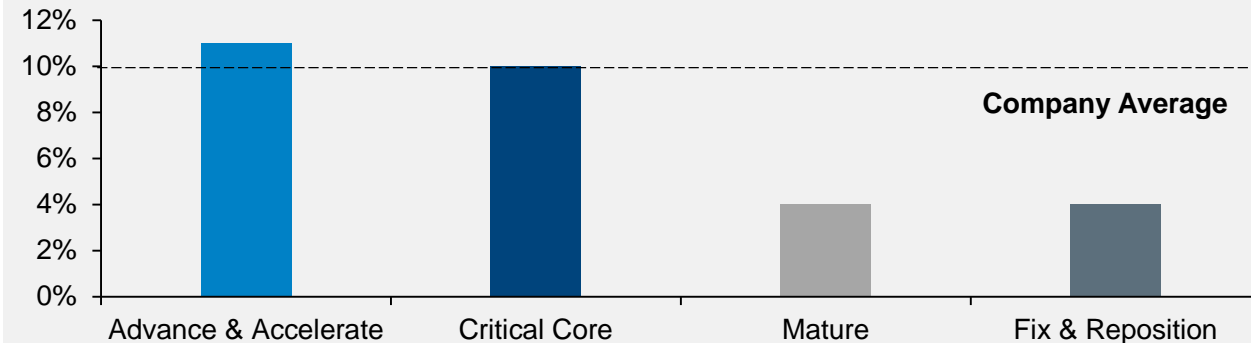
- **Mature**

- Disk Drive
- Defense
- On-Compressor
- PTFE Rolled Goods
- Functional and Support Groups

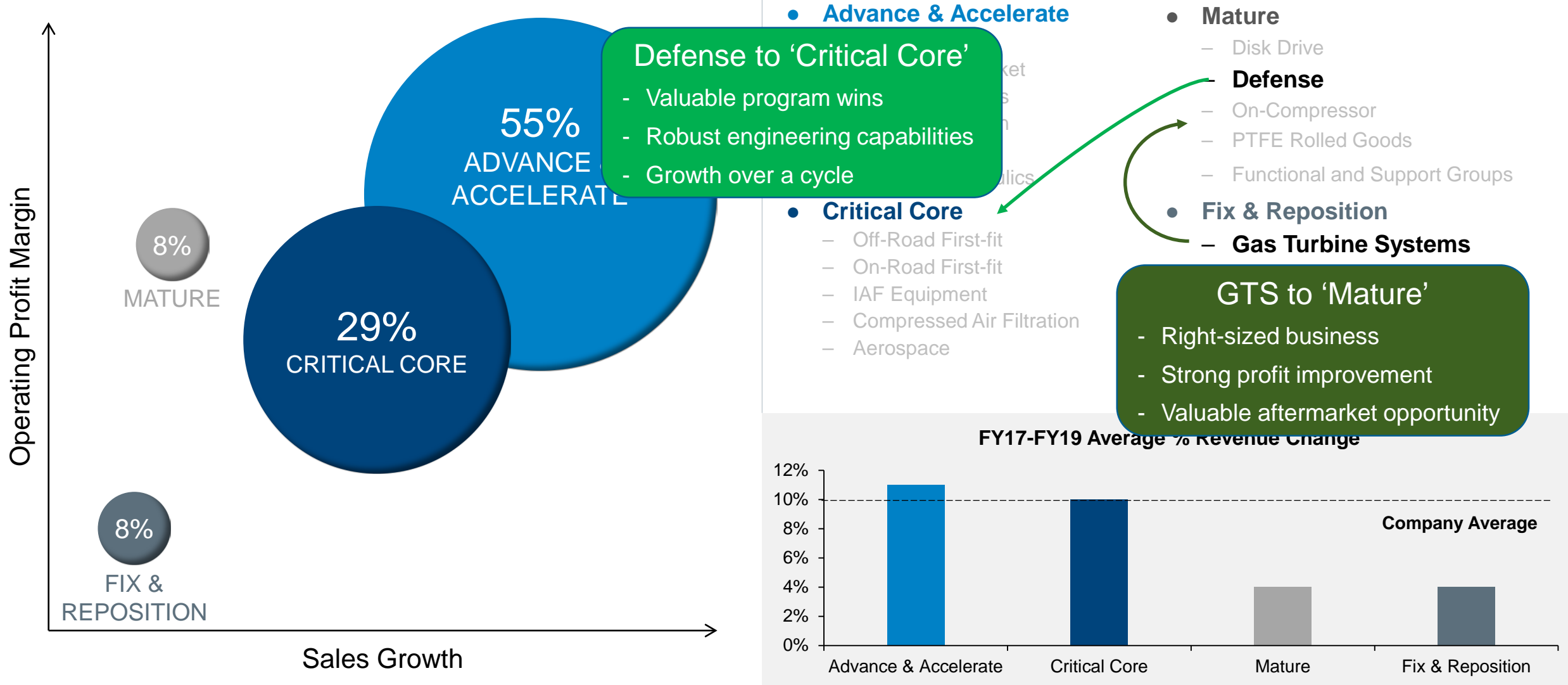
- **Fix & Reposition**

- Gas Turbine Systems
- Exhaust and Emissions

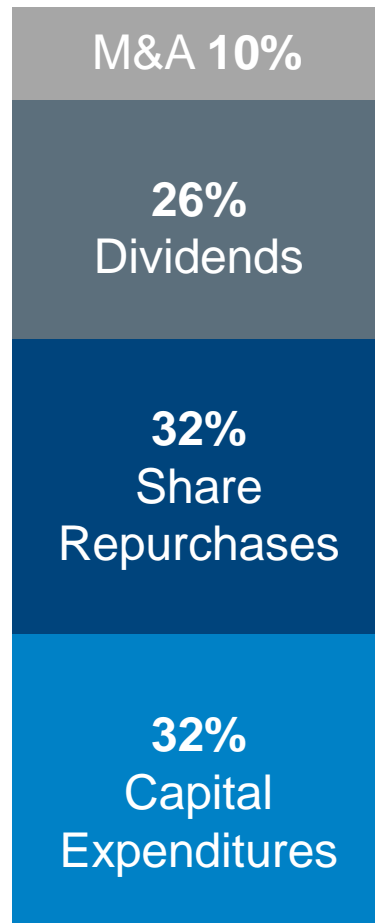
**FY17-FY19 Average % Revenue Change**



# Portfolio Analysis and Roles – Changes for FY21



## Use of Cash Over Last 3-Years<sup>1</sup> ~\$1,170M

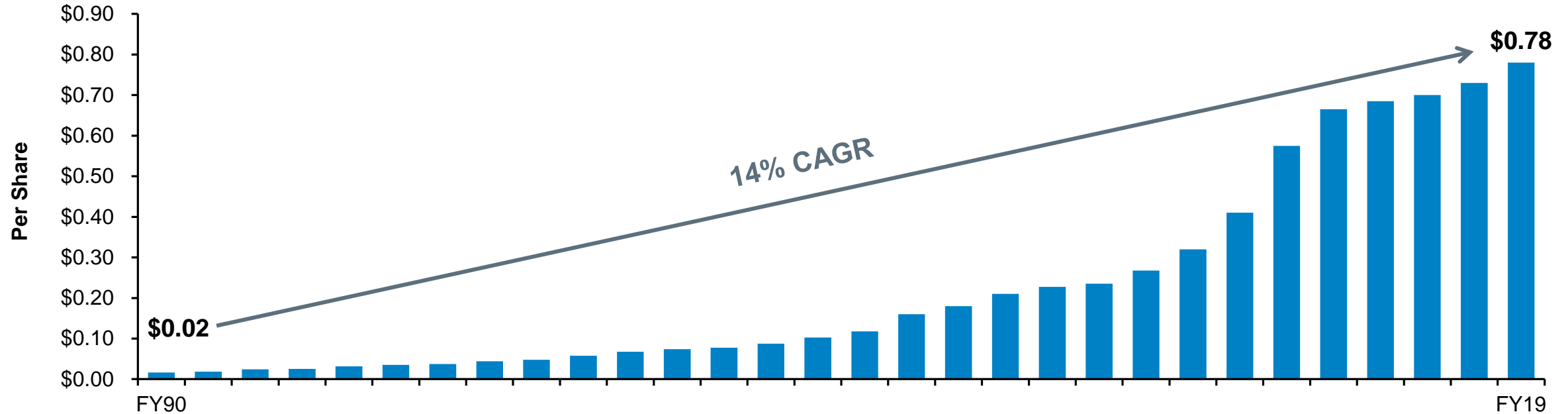


## FUTURE PRIORITIES

- **Capex:** elevated through FY20, then below long-term target of +/- 3% of sales for period of time
- **Dividends:** long-standing commitment to dividend growth
- **Share Repurchases:** consistent level over time
- **M&A:** disciplined and strategic approach to M&A

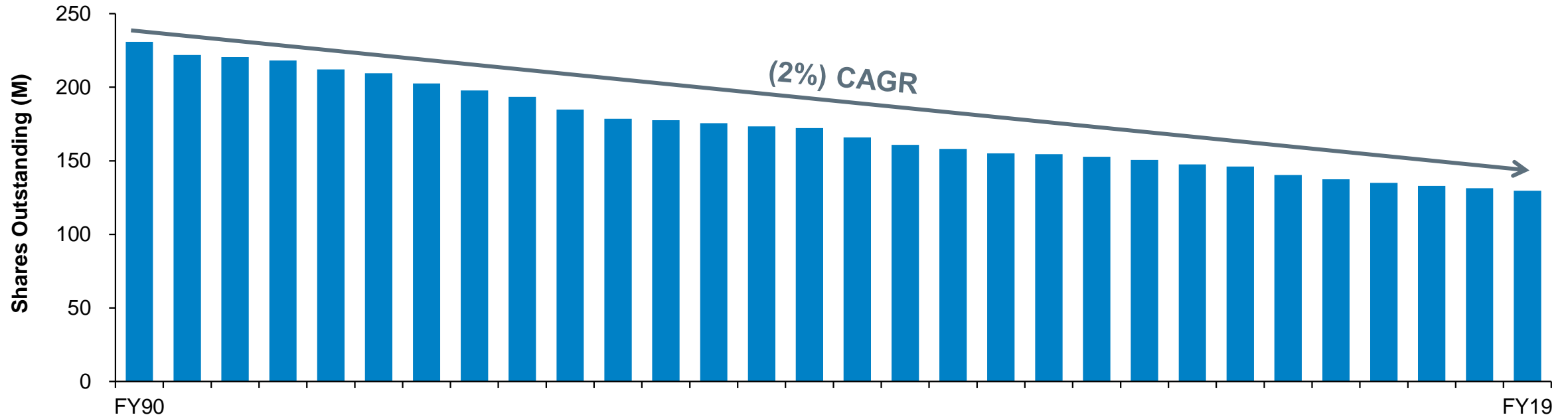
<sup>1</sup> Includes the past 12 quarters through the 3-month period ended April 30, 2020.

# Longstanding Commitment to Consistent Dividend Growth



- Paid quarterly dividend for 60 years
- Increased annually for 20+ years; added to S&P High-Yield Dividend Aristocrat Fund in Jan. 2016

# Consistent Share Repurchase



- Long consistent history of repurchasing shares
- Committed to offset annual dilution of ~1%
- Level of incremental repurchase governed by balance sheet

## Advancing Filtration for a Cleaner World

### Technology-Led Filtration Company

- World-class materials science and conversion expertise
- Digitally intelligent solutions

### Diverse Businesses with Expanding Market Opportunities

- Organic growth execution
- Strategic acquisitions

### Global Presence with Deep Customer Relationships

- End-to-end operational excellence
- Talent management

**Act with Integrity**

**Engage and Empower Our People**

**Deliver for our Customers**

**Cultivate Innovation**

**Operate Sustainably and Safely**

**Enrich our Communities**

Thank You

