



William Blair

*2017 Growth Stock Conference*

*Tod Carpenter*

*President and CEO*

# Safe Harbor Statement

---



*This presentation includes forward-looking statements which reflect the Company's current views with respect to future events and financial performance, but involve uncertainties that could significantly impact results.*



# Overview of Donaldson



We are a filtration company

- Technology leader in our markets
- Diversified portfolio of global businesses

# Value Proposition To Our Customers

---



## Technology Advantages

- Higher efficiency
- Small system size
- Longer filter life
- Reduced operating and maintenance costs

## Better Aftermarket Retention

# Value Proposition To Our Shareholders

---

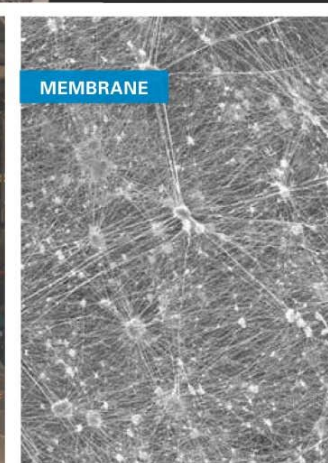
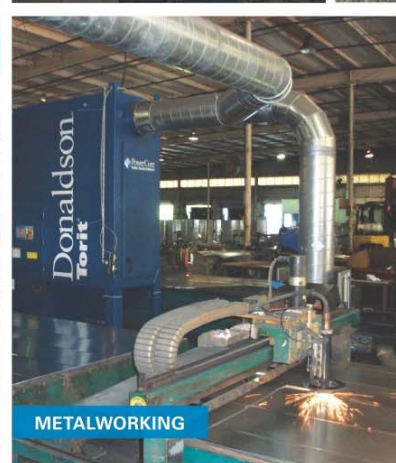
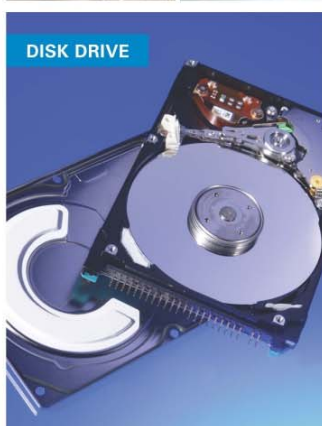
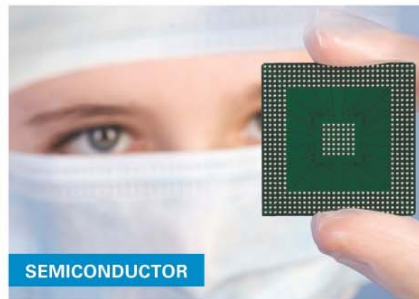


- Diversified portfolio of technology, products
- Deeply integrated into global economy
- Committed to growth & financial performance
- Disciplined capital deployment

# Diversified Product Assortment: Engine



# Diversified Product Assortment: Industrial







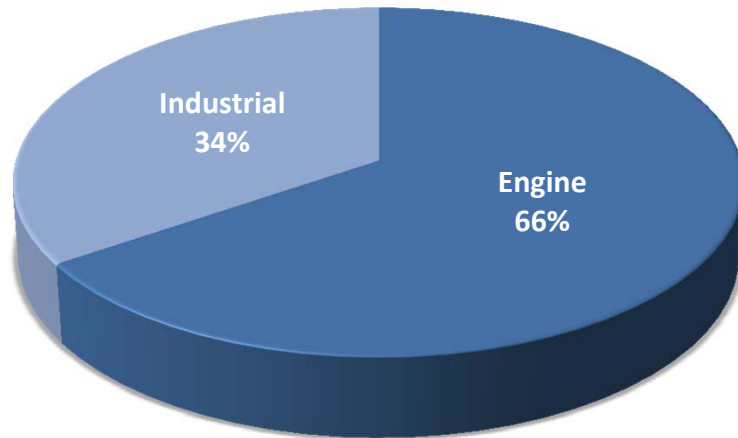
# Revenue Highlights

# Segment Composition and Performance

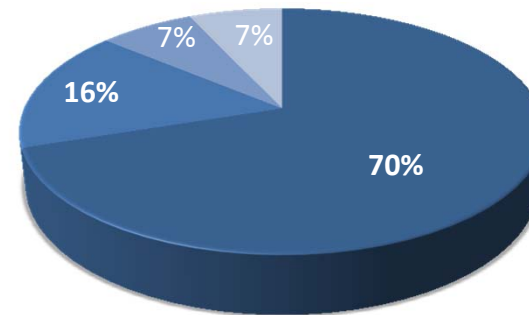


*Year-to-date\* sales of \$1.7 billion; +5.2% over last year*

## Revenue Composition

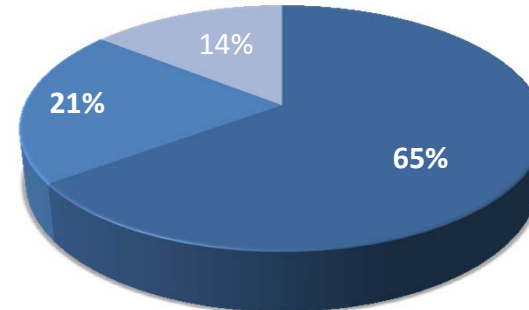


## Engine: +9.4% YTD\*



- Aftermarket
- Off-Road
- On-Road
- A&D

## Industrial: (1.9)% YTD\*



- Ind. Filtration
- Spec. Apps
- Gas Turbine

*\*Nine Months ended April 30, 2017*

# Fiscal 2017 Expectations\*

---



*At the beginning of the year, we forecast:*

- Sales: +/- 2%
  - Both segments had the same guidance range
- EPS: \$1.50 - \$1.66; ~4% above PY\*

*Based on Q3 results and current trends, we now expect:*

- Sales: +6%
  - Engine sales up 10% - 11%
  - Industrial sales down 3% to 2%
- Adjusted EPS: \$1.67 - \$1.71; ~11% above PY \*

\*Guidance as of June 1, 2017; adjusted metrics, which are non-GAAP, exclude certain one-time charges

# Operating Environment



## At the beginning of FY17:

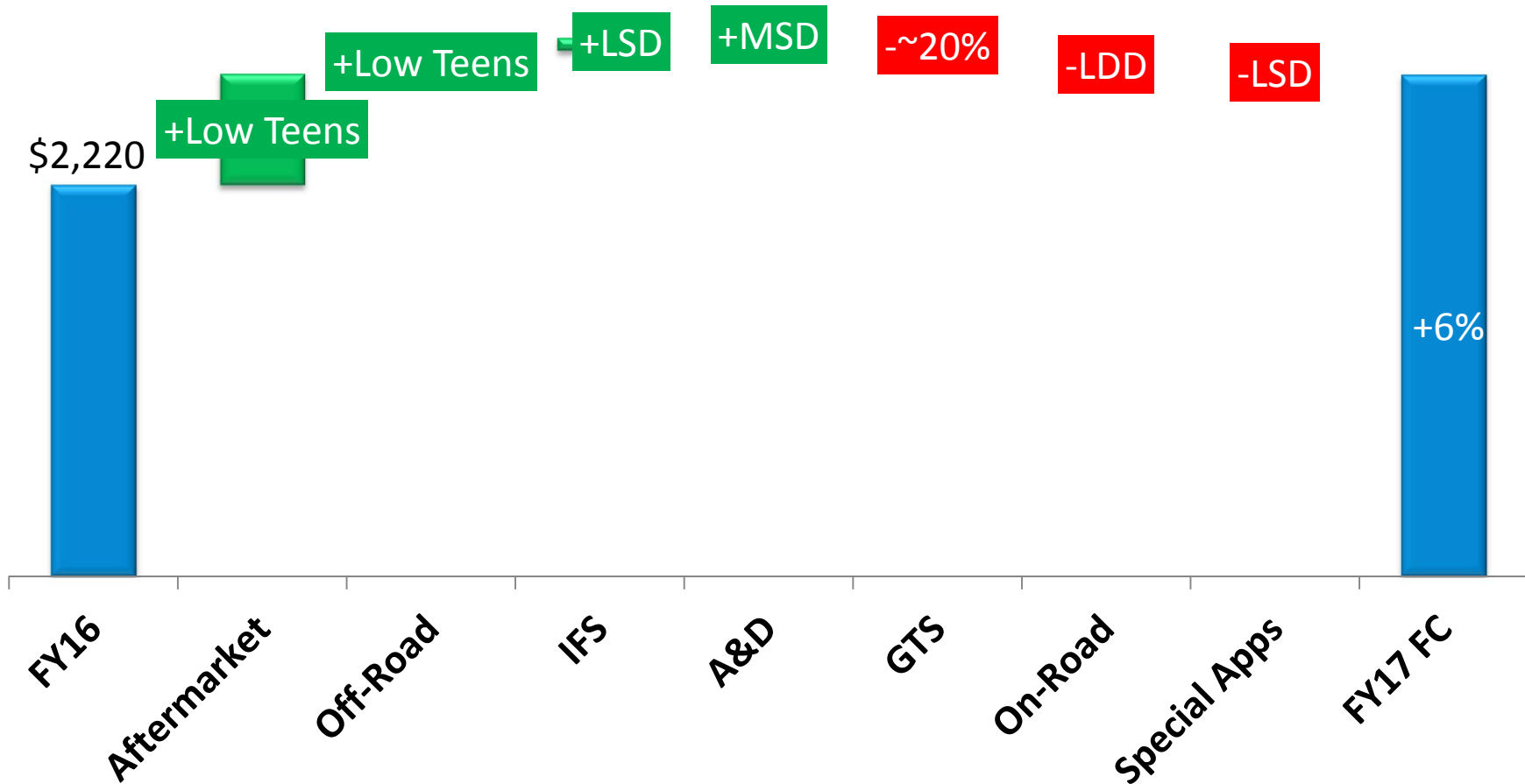
Production expected to decline  
Strength in replacement parts  
Limited global capital spending  
Geopolitical uncertainty

## As of Q3'17 earnings:

Off-road production increasing  
Stronger-than-expected aftermarket  
Limited global capital spending  
Geopolitical uncertainty

*Increased guidance driven entirely by Engine;  
Industrial markets still uncertain*

# FY17 Revenue Guidance\* vs. Prior Year



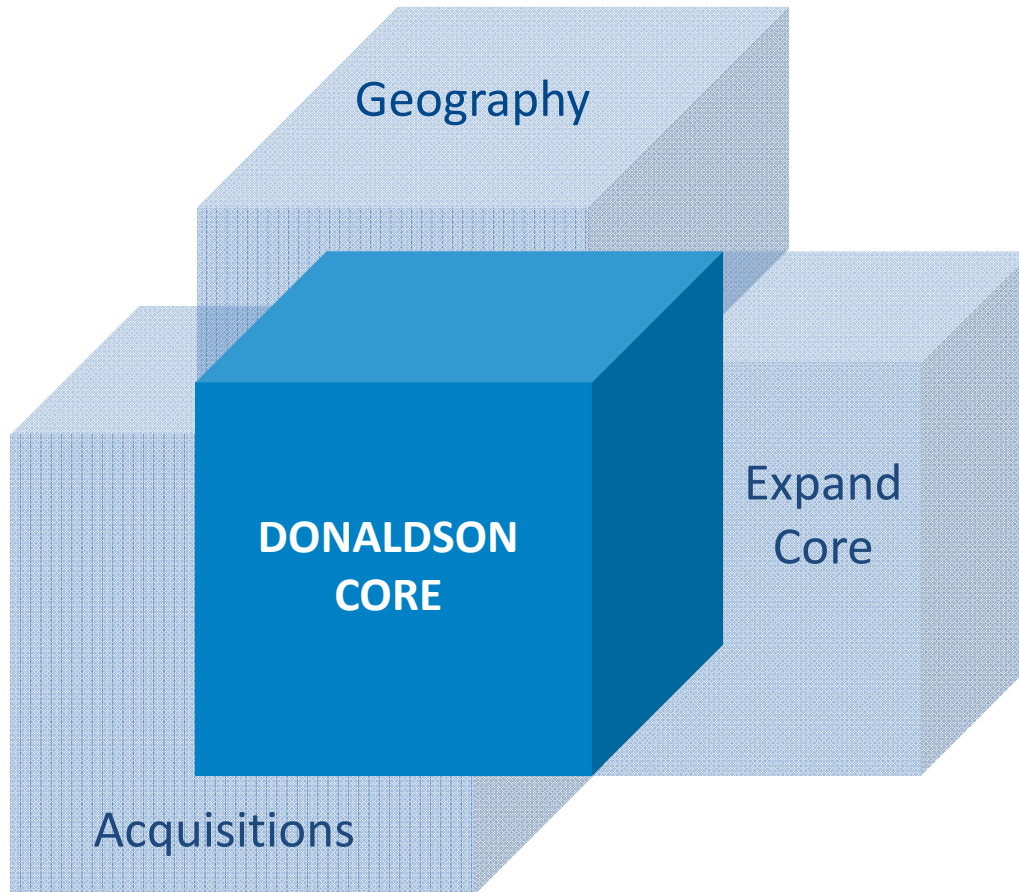
\*Guidance as of June 1, 2017



# Strategic Growth Plans

# Strategic Growth Plans

---

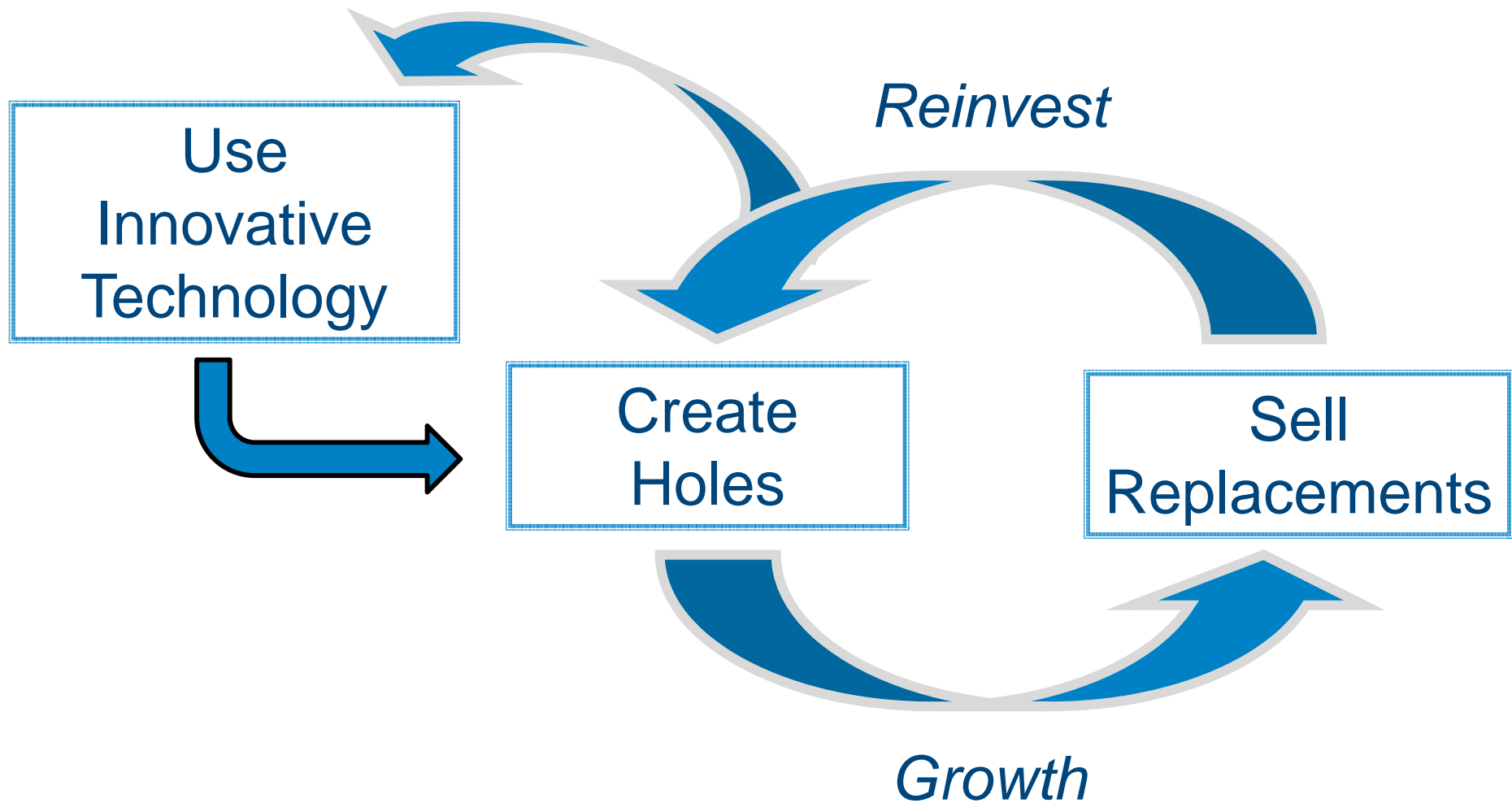


Expand **core products & technologies**

Expand **geographies**

Execute **acquisitions**

# Sales Growth Model

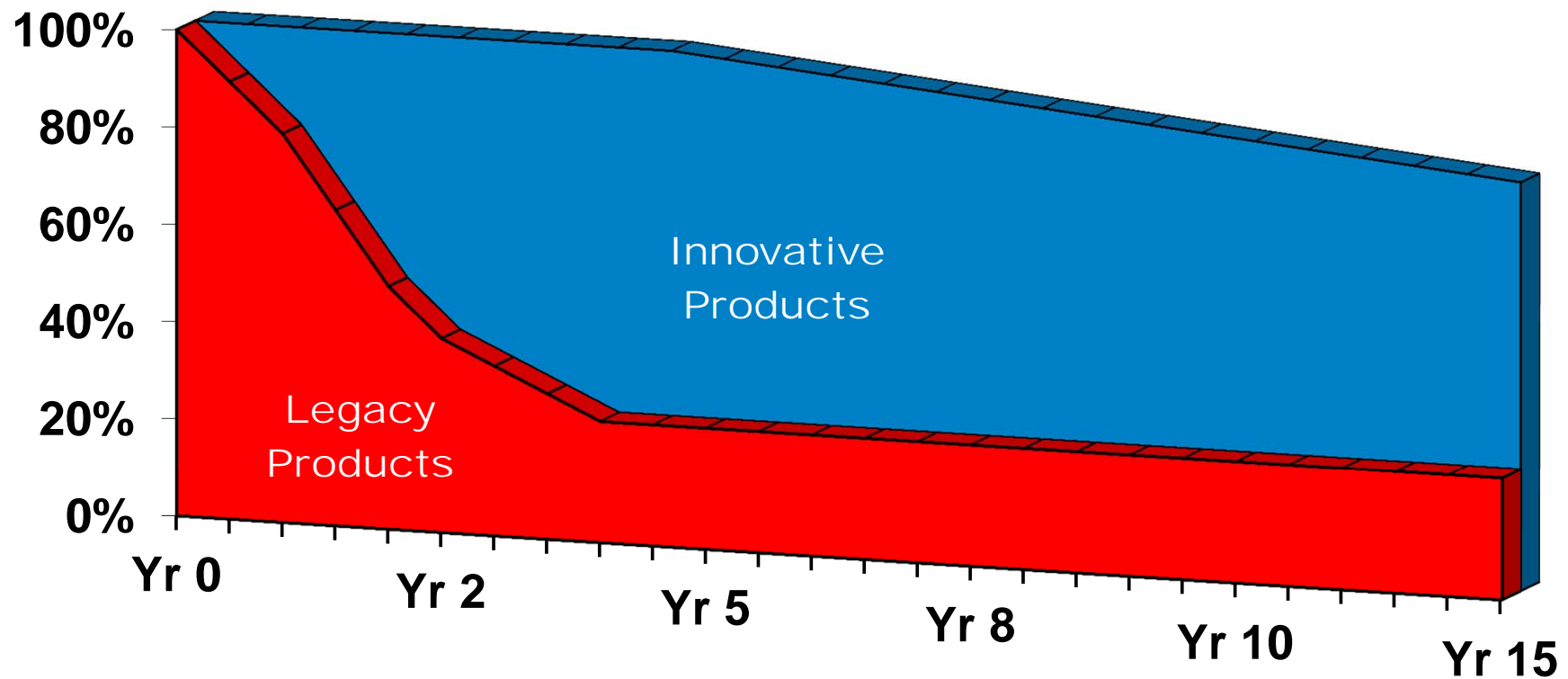




# Innovative Product to Improve Retention



*Aftermarket retention rate of innovative products is higher than legacy products over time*



# Innovative Air Filtration



## PowerCore



## DownFlo Evolution



# Innovative Liquid Filtration



- Designed for new diesel fuels, higher fuel injector pressure
- Higher efficiency and extended filter life





# Capital Deployment

# Capital Deployment Priorities

---



- Invest in our company
- Pay a dividend
- Repurchase our shares

# Reinvesting in the Business



- Organic Growth Investments
  - Development of new and innovative products
  - Lab upgrades and IT investments
  - Production capacity and distribution expansion
- Acquisitions
  - Completed five bolt-on acquisitions in 2 ½ years

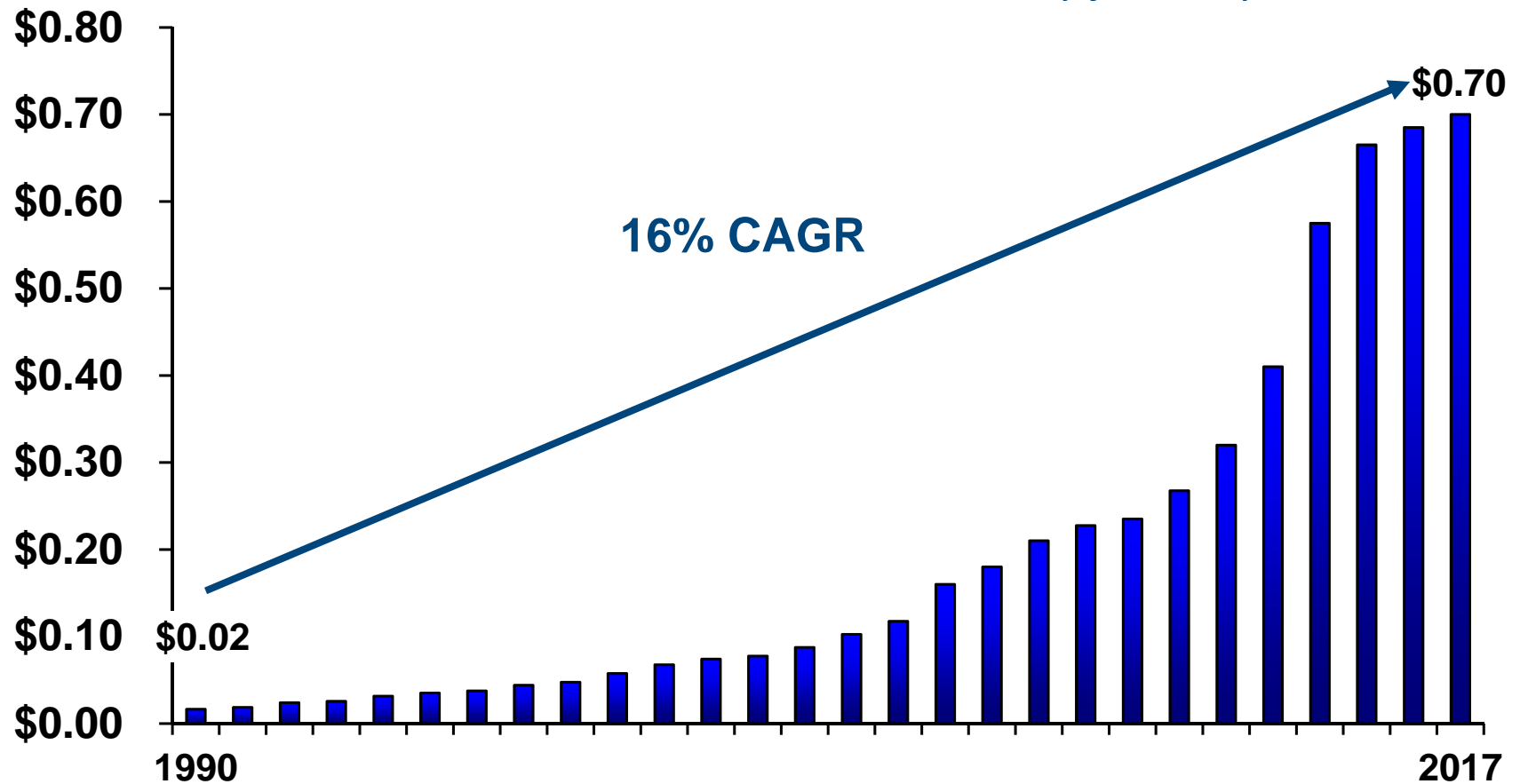


# Consistent Dividend Growth



- *Paid quarterly dividend for 60+ years*
- *Increased annually for 20+ years*

Per Share

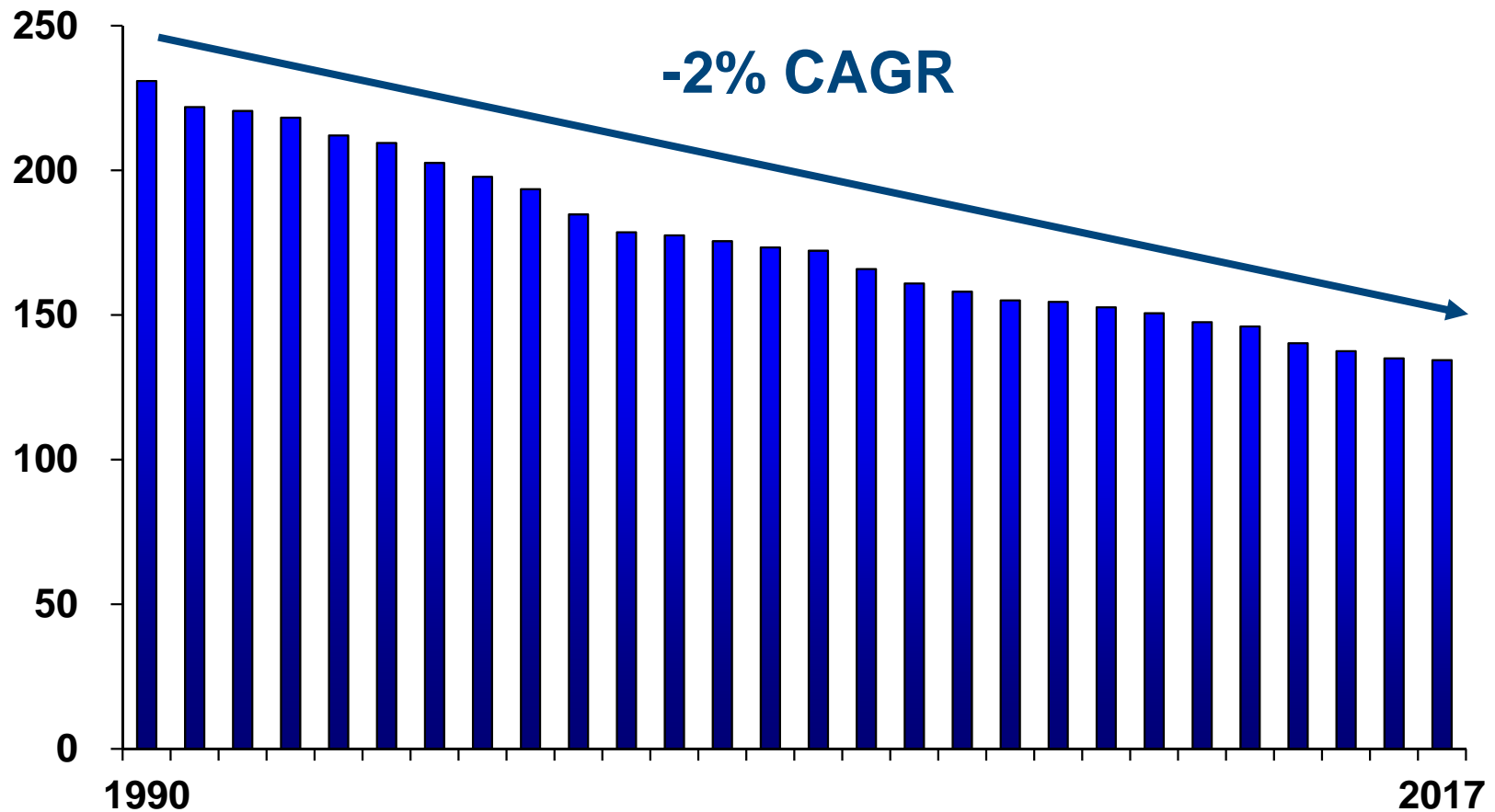


# Consistent Share Repurchase



Shares  
Outstanding  
in Millions

- Goal is to at least offset annual dilution of ~1%





# Value Proposition To Our Shareholders

---

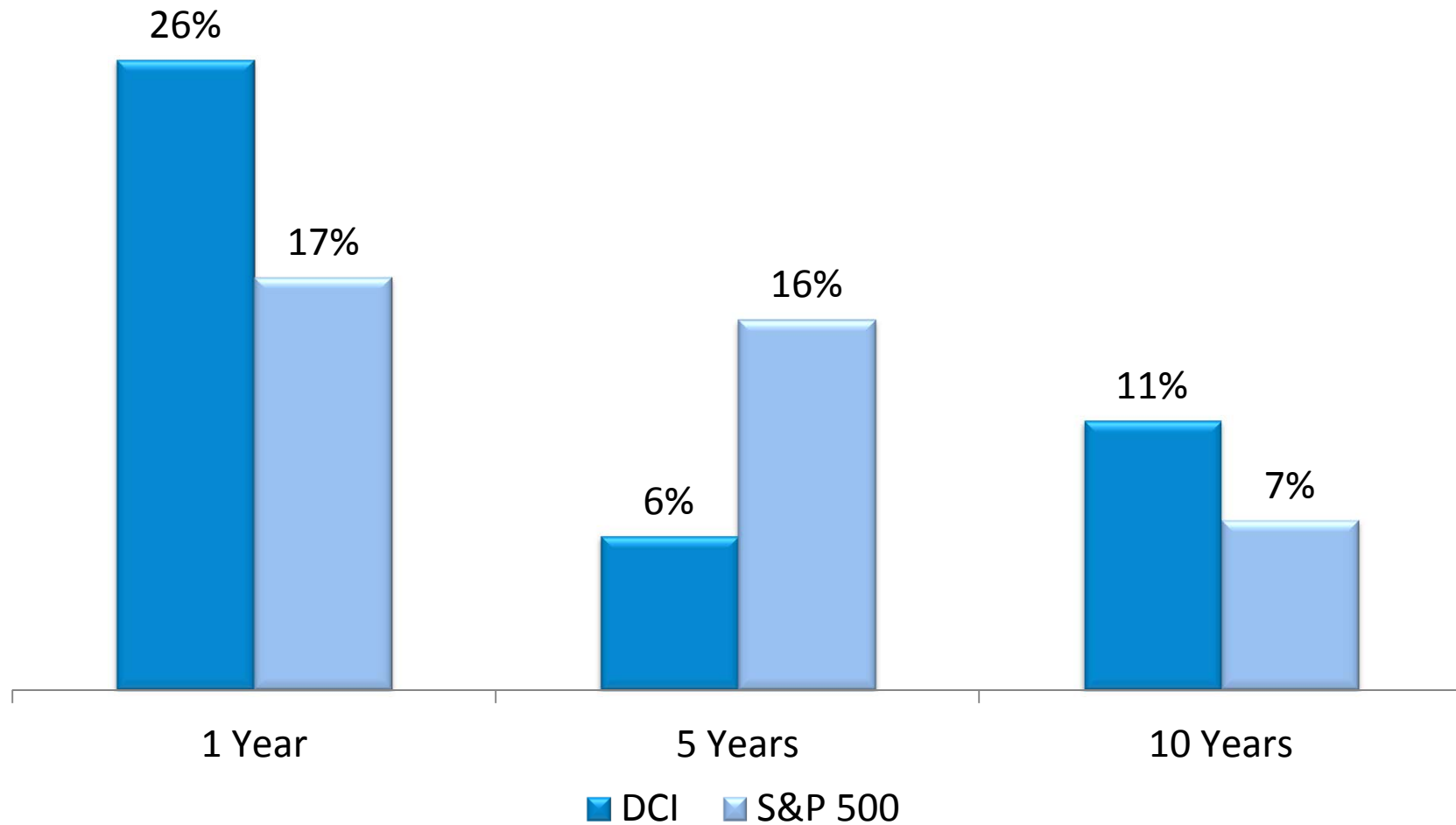


- Diversified portfolio of technology, products
- Deeply integrated into global economy
- Committed to growth & financial performance
- Disciplined capital deployment

# A Measure of Performance



## Annualized Total Return to Shareholders\*



\*As of 6/7/2017.



Donaldson®  
FILTRATION SOLUTIONS

---

Thank You