

# The Future of Flowserve

DIVERSIFY | DECARBONIZE | DIGITIZE

*Analyst Day*

September 28, 2023



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# Opening Comments

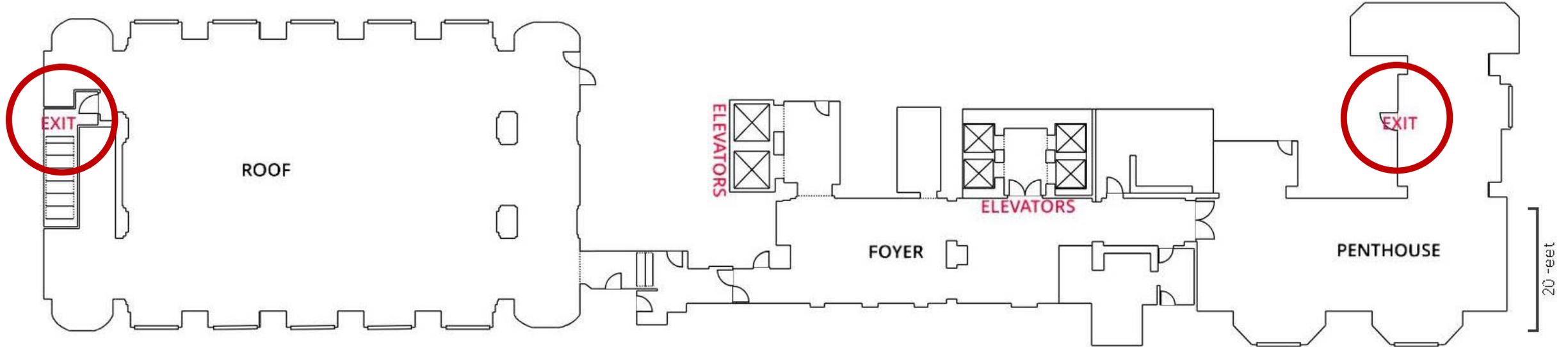
**Jay Roueche**

*Vice President, Treasurer & Investor Relations*



# Hotel Safety

## 20<sup>th</sup> Floor Evacuation Route



### From Ballroom

In the ballroom on the 20th floor **Stairwell A** is located in the back of the ballroom on the right. Stairwell A exits on both the second floor and by the Employee entrance near Madison Ave.

### Stairwell C

On the 20th floor **Stairwell C** is located at the end of the penthouse on the left near the back windows. Please follow the exit signs to the stairwell. Stairwell C exits by the West doors closest to 5th Ave.

Emergency phone number is “4790” or “0” (zero) for the operator from any house phone

# Forward Looking Statements & Non-GAAP Measures

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as, "may," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, earnings forecasts, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations and financial performance and condition

The forward-looking statements included in this presentation are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: the impact of the global outbreak of COVID-19 on our business and operations; global supply chain disruptions and the current inflationary environment could adversely affect the efficiency of our manufacturing and increase the cost of providing our products to customers; a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in global economic conditions and the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers' ability to make required capital investment and maintenance expenditures; if we are not able to successfully execute and realize the expected financial benefits from any restructuring and realignment initiatives, our business could be adversely affected; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; economic, political and other risks associated with our international operations, including military actions, trade embargoes, epidemics or pandemics or changes to tariffs or trade agreements that could affect customer markets, particularly North African, Latin American, Asian and Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; increased aging and slower collection of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela and Argentina; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; expectations regarding acquisitions and the integration of acquired businesses; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; access to public and private sources of debt financing; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud; the recording of increased deferred tax asset valuation allowances in the future or the impact of tax law changes on such deferred tax assets could affect our operating results; our information technology infrastructure could be subject to service interruptions, data corruption, cyber-based attacks or network security breaches, which could disrupt our business operations and result in the loss of critical and confidential information; ineffective internal controls could impact the accuracy and timely reporting of our business and financial results; and other factors described from time to time in our filings with the Securities and Exchange Commission.

All forward-looking statements included in this presentation are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain discrete items present useful comparisons between current results and results in prior periods, providing investors with a clearer view of the underlying trends of the business. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance. Throughout our materials we refer to non-GAAP measures as "Adjusted." Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

We have provided tables in the appendix that reconcile these non-GAAP measures to their corresponding GAAP-based measures.

# Today's Presenters



**Scott Rowe**

President and Chief  
Executive Officer



**Amy Schwetz**

Senior Vice President,  
Chief Financial Officer



**Lamar Duhon**

President, Flowserve  
Pumps Division



**Kirk Wilson**

President, Flow Control  
Division



**Susan Hudson**

Senior Vice President,  
Chief Legal Officer &  
Corporate Secretary



**Karthik Sivaraman**

Vice President,  
Innovation & Technology

# Agenda

Check-in

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Welcome & Overview

**Jay Roueche / Vice President,  
Treasurer and Investor Relations**

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Leading Flowserve

**Scott Rowe / President and  
Chief Executive Officer**

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Progressing in Pumps

**Lamar Duhon / President,  
Flowserve Pumps Division**

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Advancing in Flow Control

**Kirk Wilson / President,  
Flow Control Division**

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Break

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Innovating for the Future

**Karthik Sivaraman / Vice President,  
Innovation & Technology**

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Advancing Climate, Culture  
& Core Responsibility

**Susan Hudson / Senior Vice President,  
Chief Legal Officer & Corporate Secretary**

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Creating Value Through  
Profitable Growth

**Amy Schwetz / Senior Vice President,  
Chief Financial Officer**

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General Q&A

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Lunch



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# Leading Flowserve

**Scott Rowe**  
President & Chief Executive Officer





# KEY TAKEAWAYS FOR THE DAY

## Flowserve is...



A **global leader** in flow control solutions with a **comprehensive portfolio**



Capitalizing on **large and growing addressable markets** underpinned by **favorable megatrends**



Accelerating growth through **3D strategy**



**Harnessing emerging technology** to deliver innovative flow control solutions



Driving **superior execution** through a **transformed and simplified operating model**



Positioned to deliver enhanced value with a **roadmap to \$5B+ in revenue by 2027**

# Global Leader in Flow Control Solutions



# A Strong Foundation with a Long History of Success

230-year

Distinguished heritage

50+

Trusted global brands



## SELECT CUSTOMERS



# Driven by Our Culture

## Inspired by Our Purpose



## Grounded in Our Values



## Focused on Our Passions



Flow Control



People



Customers

# We Are the Global Leader in Flow Control

**~17,000**

Employees

**50+**

Countries

**10,000+**

Customers Annually

**159**

Aftermarket QRCs  
(quick response centers)

**5,000,000+**

Assets  
(installed base)

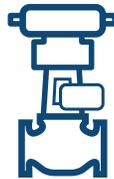
**50+**

Leading Product Brands



## Flowserve Pumps Division (FPD)

Pre-configured industrial pumps, pump systems, mechanical seals, auxiliary systems and replacement parts, highly-engineered pumps, and related services



## Flow Control Division (FCD)

Industrial valves, control valves, actuators, engineered valves and related services

**\$4.0B**

TTM Revenue as of 6/30/23

FY 2023 Revenue Growth Guidance

**16 – 18%**

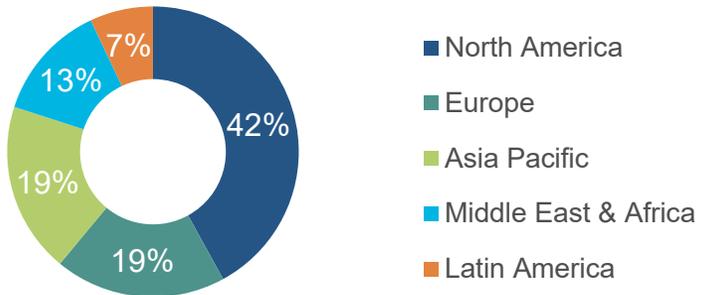
YoY Growth

- Industry-leading scale
- Unmatched portfolio
- Deep customer relationships

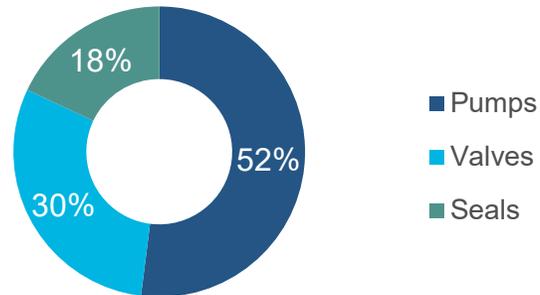
# ...With a Balanced and Diverse Portfolio

FY 2022

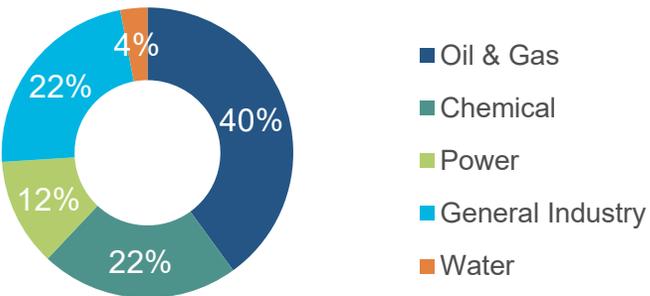
### Geographic Diversity (% Revenues)



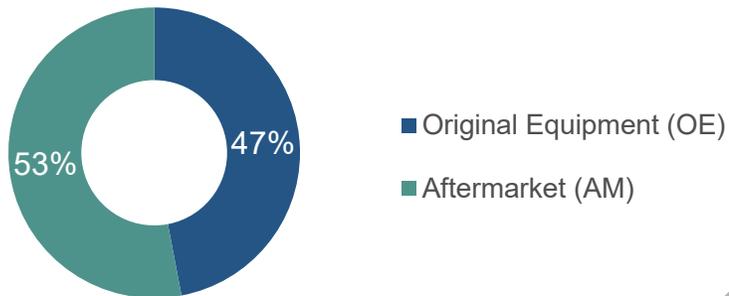
### Balanced Product Portfolio (% Revenues)



### Attractive End Markets (% Bookings)



### Powerful Aftermarket Franchise (% Revenues)



- Broad geographic and industrial base provides **strategic flexibility**
- **Diversity of portfolio** is a key competitive advantage
- **~80-90% of annual revenue** from servicing of existing infrastructure

# Transformed Operating Model



# We Have Transformed Our Business to Drive Profitable Growth

## 2014 – 2017 Pre-FLS 2.0

- Decentralized operating model with 50+ P&Ls
- Site autonomy resulted in disparate business systems and processes
- Heavy corporate structure monitored field operations



## 2018 – 2022 FLS 2.0

- Significantly reduced the number of P&Ls
- Developed consistent processes and metrics across the enterprise
- Enhanced visibility to operational data
- Reduced corporate costs while improving functional capabilities
- Enhanced product and services to support strategic growth

## 2023+ Flowserve Today and Beyond

- Consistent operating metrics and processes across 7 P&Ls
- Organization aligned to enhance 3D strategic growth
- Operational excellence with corporate process ownership and business unit accountability
- Portfolio and product management strategy in place
- Dedicated organization to drive innovation and further migration to solutions

# Significant Progress Achieved... With Further Upside Ahead

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Purpose & Values:  
achieved 1<sup>st</sup> quartile  
**employee engagement**  
from 3<sup>rd</sup> quartile

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Implemented global  
**Customer Relationship  
Management** and  
**Product Life Cycle  
Management** systems

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ERP consolidation  
achieved **41%  
reduction**  
in ERP systems

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Manufacturing  
**site consolidation:**  
27% reduction

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Commercial intensity  
delivered 7 consecutive  
quarters with **\$500M+  
aftermarket bookings**

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**Controlling corporate  
costs** while  
providing functional  
excellence



# New Operating Model Launched in Early 2023...

## Why

Speed

Accountability

Cost

## What

- Creates 7 business units in 2 segments with **full P&L accountability**
- Drives **execution discipline and standardization**
- Dedicated organization to **drive innovation and technology**
- Enhances **product and portfolio management**

# ...Is Delivering Improved Execution...

Speed | Accountability | Cost



**Lamar Duhon,**  
**Flowserve Pumps Division (“FPD”)**  
Strategy | Commercial | Execution

- Engineered Pumps
- Industrial Pumps
- Seals
- Aftermarket Services & Solutions



**Kirk Wilson,**  
**Flow Control Division (“FCD”)**  
Strategy | Commercial | Execution

- Isolation Valves
- Automation & Control Valves
- Aftermarket Services & Solutions

**Karthik Sivaraman,**  
**Innovation and Technology**



↑ JOINED IN THE LAST 12 MONTHS

**Juan Carrera,**  
**Global Operations Excellence**



↑

**Strong Functional Leadership**

-   
**Amy Schwetz**  
Finance
-   
**Elizabeth Burger**  
Human Resources
-   
**Susan Hudson**  
Legal, Risk and Compliance
-   
**Doug Short**  
Information Technology

# ...Accelerating Operational Excellence...

Expected to deliver 100-200 bps margin improvement by 2027



## Foundational

- Employee Engagement
- Safety Program
- Enterprise Management System
- Information Technology & Data Analytics
- Lean Foundation Principles



## Enhancing

- Organizational Design, Alignment & Capabilities
- Sales, Inventory & Operating Planning (SIOP)
- Flowserve Quality System
- Advanced Lean Principles
- Supplier Risk Mitigation & Performance
- Operating Management System
- Roofline Optimization



## Excelling

- Operational Excellence Maturity Model Road Map
- Integrated Operations & Supply Chain Strategy
- Materials, Product & Information Flow
- Order Management & Fulfillment
- Factory of the Future & Manufacturing Centers of Excellence
- Manufacturing Technology & Automation

Operational Excellence Academy Delivering Training & Driving Process Discipline

# ...And Refining Our Product Management

Product Management Competency | Portfolio Optimization |  
Design to Value | Price / Cost Enhancement | Strategic Alignment



## Transition to Higher Revenue, Higher Margin Products

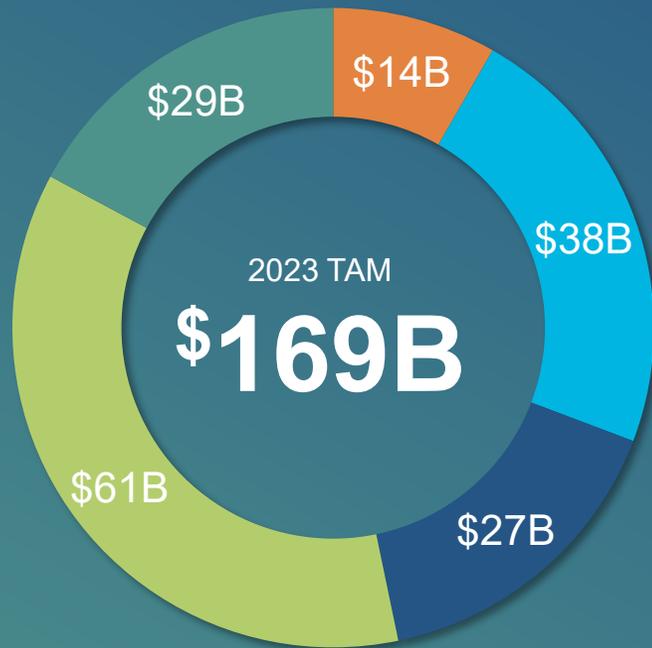


Anticipated to contribute 100-200 bps  
to margin expansion

# Large and Growing End Markets



# Our Traditional Markets Remain Large and Growing...



## TAM\* CAGR 2023-2028

Power	+3.2%
Oil & Gas	+3.4%
Chemical	+3.4%
General Industries	+3.1%
Water	+3.7%

# 3.3%

5-yr CAGR\*

- 100 bps higher than 2022
- 2nd largest growth rate in last 6 years

# ...Underpinned by Powerful Megatrends...



## DECARBONIZATION / SUSTAINABILITY

- 90+ countries with **net-zero targets**
- Corporations investing to achieve internal **ESG goals**
- Capital migrating to **new energy technologies** to unlock external incentives
- **Nuclear, LNG, CCUS and Hydrogen** becoming increasingly prominent in new energy mix



## RESOURCE SECURITY

- Geopolitical tension and shifting alliances driving **increased need for resource security**
- Desire for energy security is **accelerating all forms of energy investment**
- **Significant infrastructure investment** in industrializing countries



## REGIONALIZATION

- Increasing investment in **supply chain proximity**
- **Reshoring of critical manufacturing** in developed countries
- **Semiconductor and electronic regionalization** in U.S. and Europe



## DIGITIZATION

- Increased **connectivity, advanced data analytics and AI** continue to advance
- **“Smart product” adoption** growing quickly
- **Data capture, ownership and analysis** becoming increasingly more important
- **Digitization** creating the single biggest productivity opportunity

# ...Creating Significant Opportunities for Today and Tomorrow



## DECARBONIZATION / SUSTAINABILITY



## RESOURCE SECURITY



## REGIONALIZATION

### Oil & Gas

- Hydrogen
- Sustainable Fuels
- Carbon Capture, Utilization, and Storage

- Liquefied Natural Gas (LNG)

- Traditional Oil and Gas

### Chemical

- Carbon Capture, Utilization, and Storage
- Recyclable Plastics

- Specialty Chemicals

### Water

- Municipal Water
- Desalination
- Waste and Industrial Water

### Power

- Solar Power
- Hydrogen

- Nuclear

### General Industry

- Energy Storage
- Mining

- Mining

- Steel Production
- Semiconductor Manufacturing
- Pharmaceutical Production

# ...Creating Significant Opportunities for Today and Tomorrow



## DECARBONIZATION / SUSTAINABILITY

### Oil & Gas

- Hydrogen
- Sustainable Fuels
- Carbon Capture, Utilization, and Storage

### Chemical

- Carbon Capture, Utilization, and Storage
- Recyclable Plastics

### Water

### Power

- Solar Power
- Hydrogen

### General Industry

- Energy Storage
- Mining



## RESOURCE SECURITY

- Liquefied Natural Gas (LNG)

- Municipal Water
- Desalination
- Waste and Industrial Water

- Nuclear

- Mining



## REGIONALIZATION

- Traditional Oil and Gas

- Specialty Chemicals

- Steel Production
- Semiconductor Manufacturing
- Pharmaceutical Production



## DIGITIZATION

✓

✓

✓

✓

✓

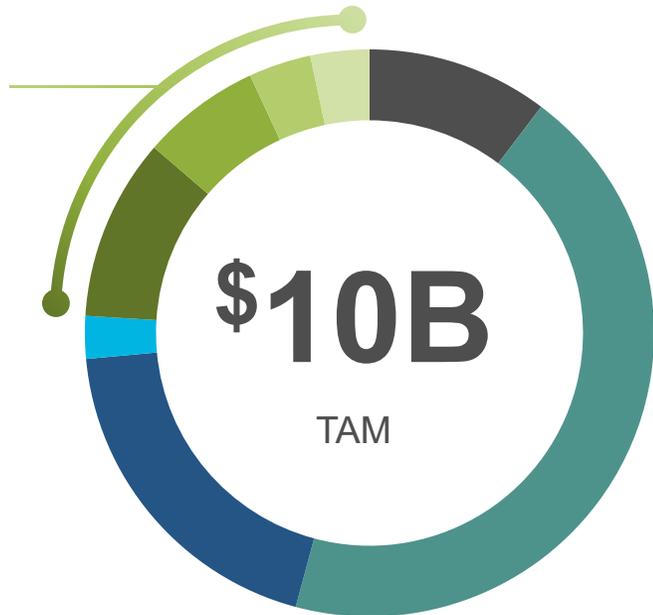
# Energy Transition Opportunities Are Rapidly Expanding

New Energy Market More Than Triples

2023

**\$2.4B**

New Energy

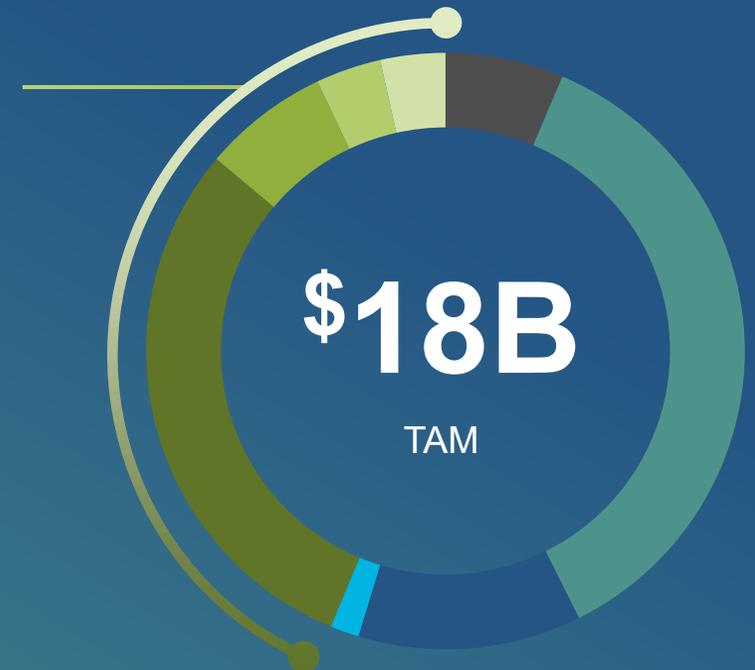


- Biofuels
- LNG
- Nuclear
- Renewable Power
- Hydrogen
- Energy Storage
- CCUS
- Sustainable Fuels

2028

**\$8.3B**

New Energy



- Biofuels
- LNG
- Nuclear
- Renewable Power
- Hydrogen
- Energy Storage
- CCUS
- Sustainable Fuels

# Our 3D Strategy is Designed to Capitalize on Attractive Markets

CAGR in Select Markets (2023-2028)\*

**40.3%**

Hydrogen

**13.5%**

CCUS

**8.7%**

Renewable Plastics

**7.6%**

Specialty Vacuum

**3.3%**

Nuclear

**9.3%**

LNG



# Driving Growth Through 3D Strategy



# 3D Strategy is Our Vision for the Future



## DIVERSIFY

Diversify end markets and create a more balanced portfolio



## DECARBONIZE

Support our customers today and through the energy transition



## DIGITIZE

Leverage technology and data to improve internal operations, customer experience and provide customer solutions

## CORE BUSINESS

Growth & Transformation



Core Market  
Target Growth



Aftermarket  
Growth



Operational  
Excellence



Customer  
Experience



Enterprise  
IT Enablers

# 3D Strategy Delivering Early Results



DIVERSIFY

**16%**

2022 Bookings Growth



DECARBONIZE

**75%**

2022 Bookings Growth



DIGITIZE

**39%**

2022 Installation Growth

3D bookings generated approximately 28% of 2022 bookings

# Our 3D Strategy in Action



## DIVERSIFY

### Markets

- Water
- Specialty Chemicals

### Products

- Vacuum Technology
- Seals



## DECARBONIZE

Energy Advantage Program



Liquefied Natural Gas

LNG

Nuclear



Carbon Capture & Sequestration



Sustainable Fuels



Blue / Green Hydrogen



Recyclable Plastics



### New Energy Transition Technology



## DIGITIZE

Red Raven



Customer Experience



Internal Operations





# Vacuum Technology is Critical in Multiple End Markets

Vacuum technology supports chemical processing and advanced industrial manufacturing

## Applications

- Flare gas recovery
- Chemical processing
- Solar panel manufacturing
- Semiconductor manufacturing
- Battery production
- Pharmaceuticals

## PRODUCTS

Liquid Ring Compressor



Dry Vacuum



12-month opportunity funnel

**+14%**  
YoY Growth

**\$10B**  
TAM\*

**↑ 7.6%**  
CAGR\*

# Our 3D Strategy in Action



**DIVERSIFY**

## Markets

- Water
- Specialty Chemicals

## Products

- Vacuum Technology
- Seals



**DECARBONIZE**

Energy Advantage Program



Liquefied Natural Gas

LNG

Nuclear



Carbon Capture & Sequestration



Sustainable Fuels



Blue / Green Hydrogen



Recyclable Plastics



**New Energy Transition Technology**



**DIGITIZE**

Red Raven



Customer Experience



Internal Operations





# Nuclear Provides Carbon-Free, Reliable Energy

Nuclear is the most dense and efficient form of energy

Flowserve provides pumps, valves and seals within the nuclear containment and power turbine islands

## PRODUCTS

Main Steam Isolation Valve



Nuclear Pump



12-month opportunity funnel

**+85%**  
YoY Growth

**\$1.9B**  
TAM\*

**↑ 3.3%**  
CAGR\*



# Hydrogen Projects Are Attracting Significant Investment

Hydrogen is a clean and efficient fuel source produced by **natural gas** or through **electrolysis**

Hydrogen requires significant flow control technology to produce, transport and distribute

## PRODUCTS

Hydrogen Pump



Cryogenic Valve



12-month opportunity funnel

**+22%**  
YoY Growth

**\$1.0B**

TAM\*

**↑ 40.3%**

CAGR\*

# Our 3D Strategy in Action



## DIVERSIFY

### Markets

- Water
- Specialty Chemicals

### Products

- Vacuum Technology
- Seals



## DECARBONIZE

Energy Advantage Program



Liquefied Natural Gas

LNG

Nuclear



Carbon Capture & Sequestration



Sustainable Fuels



Blue / Green Hydrogen



Recyclable Plastics



### New Energy Transition Technology



## DIGITIZE

Red Raven



Customer Experience



Internal Operations

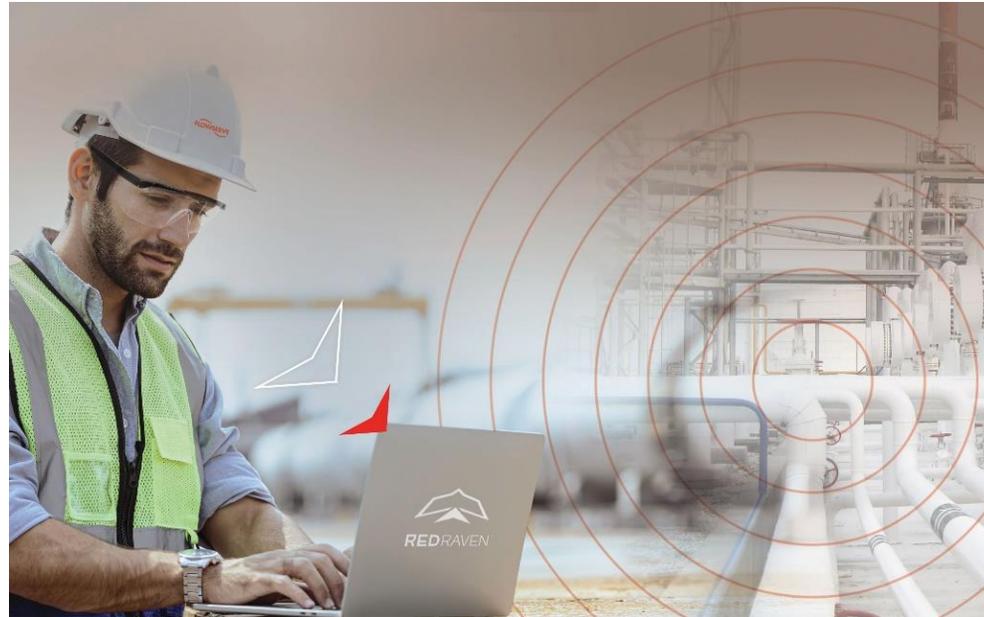


# Red Raven Drives Flow Loop Optimization

DIGITIZE



Red Raven provides enhanced condition monitoring and predictive analytics using extensive data analytics and AI to drive the optimal flow loop



Monitor existing assets

Predict unplanned downtime

Optimize flow loop operations

70+

Customer Sites

↑ 30%

CAGR\*

2000+

Assets Instrumented

# 3D Strategy Accelerates Revenue Growth

# 5%+

Multi-Year Revenue Growth\*

# 3.3%+

Core Market Growth

# 10%+

3D Growth



+



# Accelerating Innovation



# Connected Flow Control Positions Us for the Future

- Driving **enhanced flow loop optimization** with rich data and product expertise
- Delivering **recurring revenue streams** from service agreements
- Enabling parts and equipment pull-through at **enhanced margins**



## Installed Base

Hardware provides essential domain expertise and installed base to leverage



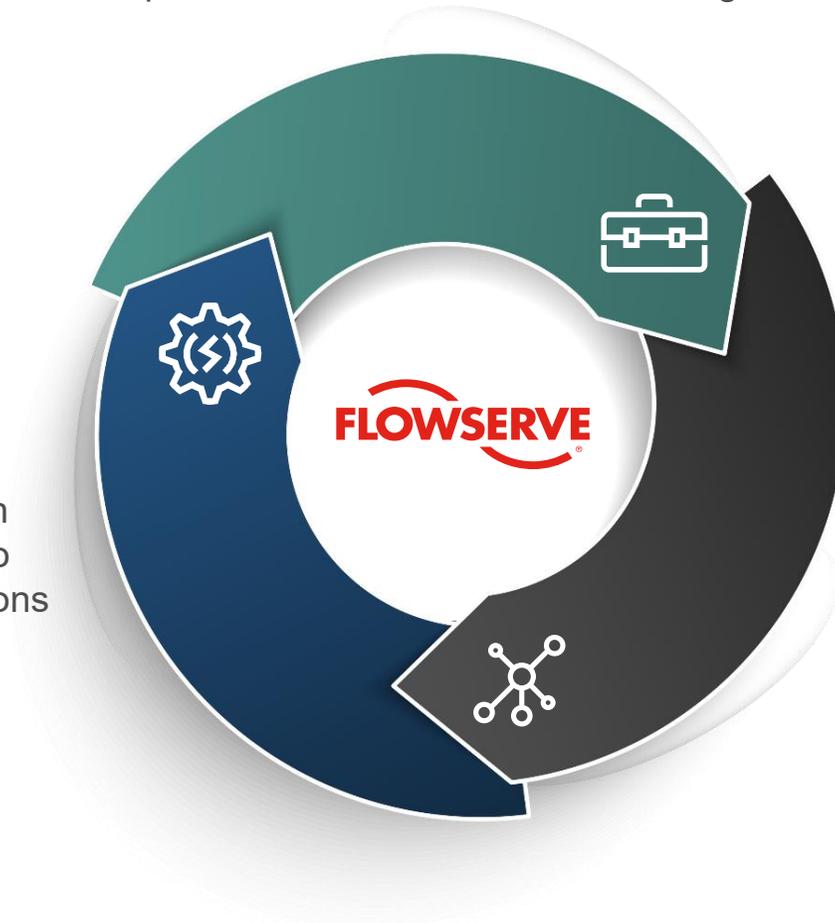
## Services & Solutions

Product and application data enhances ability to serve and drives solutions



## IoT

Instrumenting hardware enables “smart” applications



# Innovating Through Digital Solutions

Evolution from Products → Services → Solutions

## TRADITIONAL OFFERINGS

- Replacement Parts
- On-site Services
- Select Repairs and Upgrades



# Innovating Through Digital Solutions

Evolution from Products → Services → Solutions



## TRADITIONAL OFFERINGS

- Replacement Parts
- On-site Services
- Select Repairs and Upgrades



# Innovating Through Digital Solutions

Evolution from Products → Services → Solutions



## TRADITIONAL OFFERINGS

- Replacement Parts
- On-site Services
- Select Repairs and Upgrades

## ENHANCED CAPABILITIES

- Asset Monitoring
- Predictive Maintenance and Early Failure Notification
- Downtime Prevention
- Reduced Energy Consumption and CO<sub>2</sub> Emissions
- Flow Loop Optimization



# Positioned for Value Creation



# Flowserve's Execution Roadmap



# 2027 Financial Targets



**\$5B+**

Organic Revenue



**14 – 16%**

Adjusted Operating Margin\*



**>\$4.00**

Adjusted EPS\*

# 3

# Progressing in Pumps

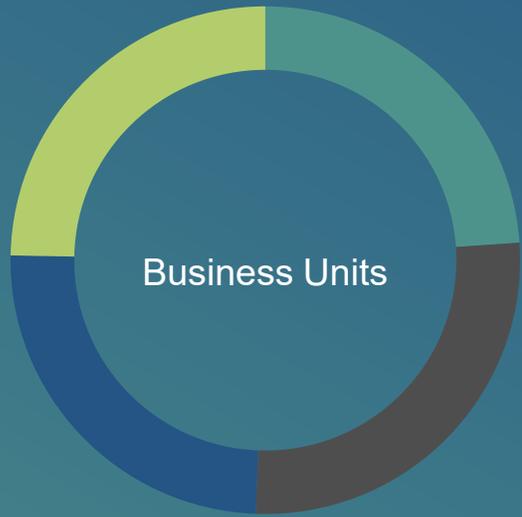
**Lamar Duhon**

*President, Flowserve Pumps Division (FPD)*

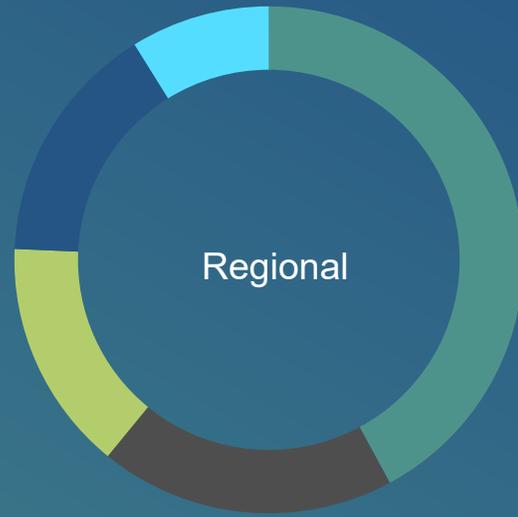


# FPD Snapshot

2022 Revenue



■ Engineered Pumps    ■ Industrial Pumps  
■ Seals    ■ Services & Solutions



■ N. Am.    ■ Europe    ■ ME/Africa  
■ AsiaPac    ■ L. Am.



■ OE    ■ AM

**\$94B**

TAM\*

**\$2.8B**

TTM Revenue

SIHI

INNOMAG

MARK III

FLOWSERVE

DURAMETALLIC III

BYRON JACKSON



\* TAM: Total Addressable Market (representing capital expenditures and operating expenses) is a company market estimate utilizing multiple industry sources, as of June 30, 2023

# Top Priorities to Drive Growth



## Growth through Advantaged Markets

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- **Dry Vacuum** for thin film & pharmaceuticals
- **LNG** cryogenic pumps & expanders
- **Nuclear** life extensions & new projects
- **Hydrogen** cryogenic submersible pumps



## Delivering Growth in Aftermarket

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- **Accelerate Pump Parts** capture
- **Grow recurring revenue** in Life Cycle Advantage program
- **Increase capture rate** with speed & local presence
- **Leverage application experts** to grow specialty revenue



## Organizational Design Driving Enhanced Operations

- **Portfolio** optimization & product management
- **Commercial** optimization
- **Order execution** discipline
- **Roofline** consolidation

# Diversifying Through Dry Vacuum Growth



## Growth through Advantaged Markets

Delivering Growth in Aftermarket

Organizational Design Driving Enhanced Operations

## Dry Vacuum

- Thin film and pharma are **high-growth market segments**
- **Increase manufacturing capacity** to align with market demand and share growth
- Strengthen **local aftermarket capabilities**
- Design for **performance** and **manufacturing speed & cost**
- Attractive application for **M&A growth**

# 2X Organic Revenue Growth

by 2027, with 200bps expansion of product margins

# Capturing Double-Digit Growth in Pump Parts



Growth through  
Advantaged Markets

Delivering Growth in  
Aftermarket

Organizational Design Driving  
Enhanced Operations

## Pump Parts Capture

- **Speed of quoting and delivery** differentiate us
- Increase bookings from **pricing agreements**
- Expand customer **inventory management programs**
- **Advance order routing coordination** from regional to global Parts Manufacturing Centers
- Align capacity with **strategic internal investments** and flex capacity through machining suppliers

12%  
**CAGR**  
at attractive  
margins

# Enhancing Margins in Industrial Pumps



Growth through  
Advantaged Markets

Delivering Growth in  
Aftermarket

Organizational Design Driving  
Enhanced Operations

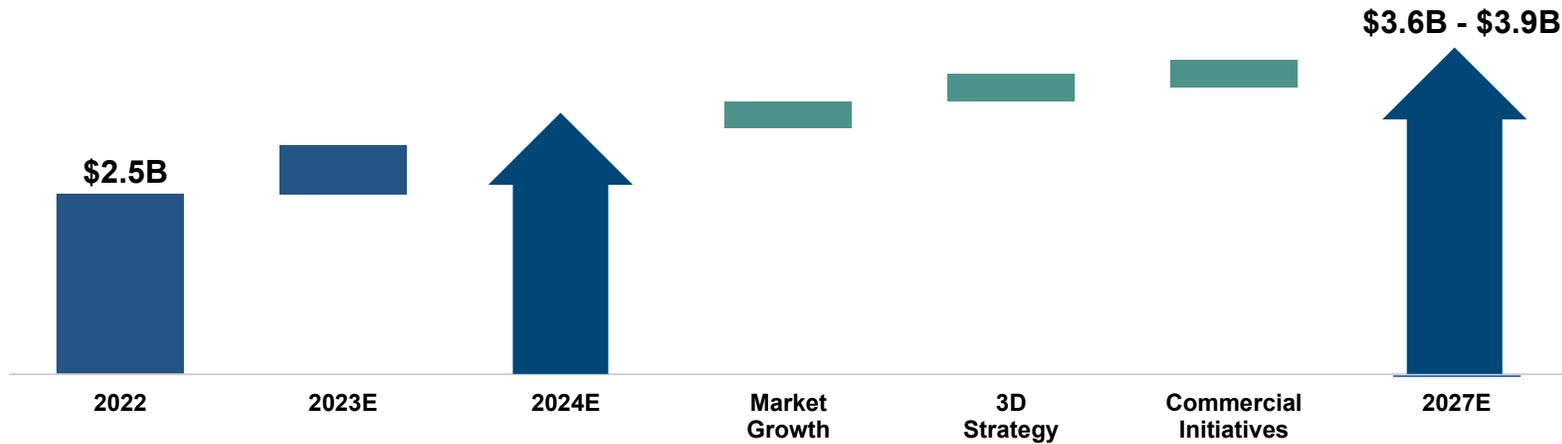
## Industrial Pumps Product Management

- **Rationalize** product portfolio
- Utilize existing Design to Value process to **reduce product costs**
- **Concentrate** product manufacturing
- Increase **speed of quoting**
- **Simplify supply chain** and regionalize suppliers

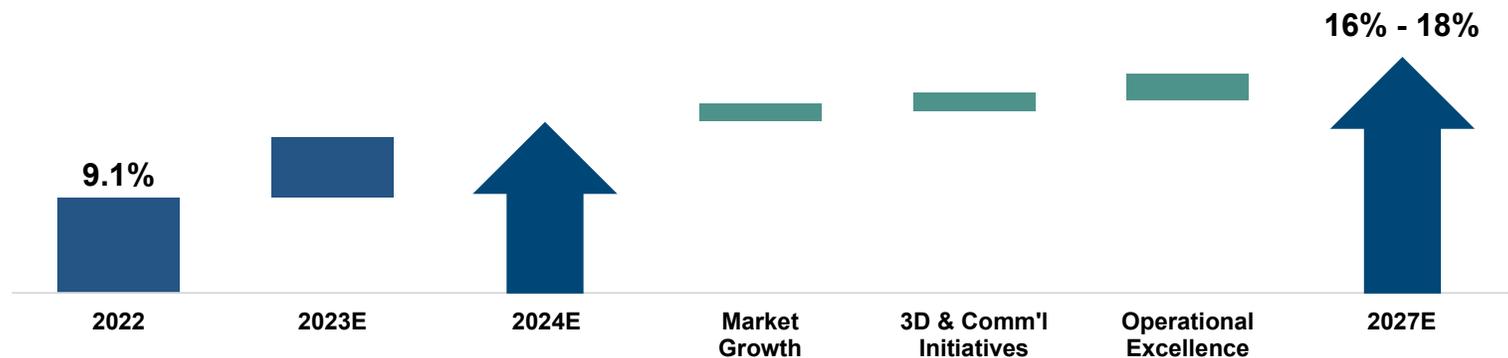
**Improve  
Product  
Operating  
Margins  
350 bps  
by 2027**

# Revenue Growth and Margin Expansion

## FPD Revenue



## FPD Adjusted Operating Margin\*



## Revenue Growth

- Increase aftermarket capture rate
- Differentiate with speed and delivery certainty
- Diversify into high-growth market segments
- Improve backlog conversion

## Margin Expansion

- Deliberate mix shift
- Full product lifecycle returns
- Deliver scale efficiencies
- Reduce fixed costs

# Keys to Success



Speed of **execution**



Focus on large scale, **high margin market segments**



**Energy Transition** technology commercialization



Cycle-resilient **cost structure**

**2027 Financial Targets**  
(Revenue and Adjusted Operating Margin\*)

**\$3.6B+**  
7.6% CAGR\*

**>16%**  
690+ bps increase\*

# 4

# Advancing in Flow Control

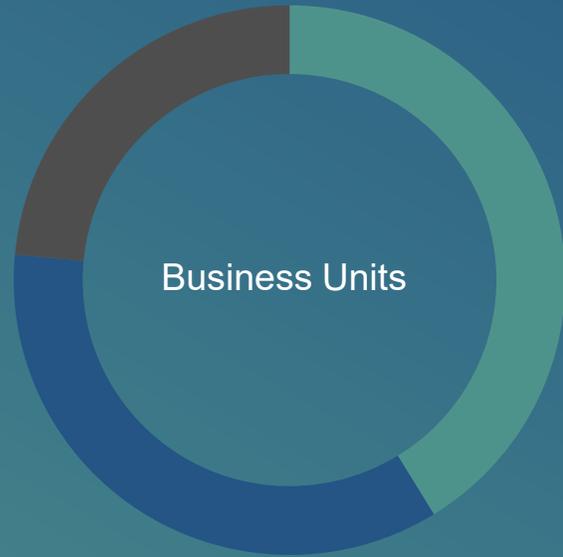
**Kirk Wilson**

*President, Flow Control Division (FCD)*

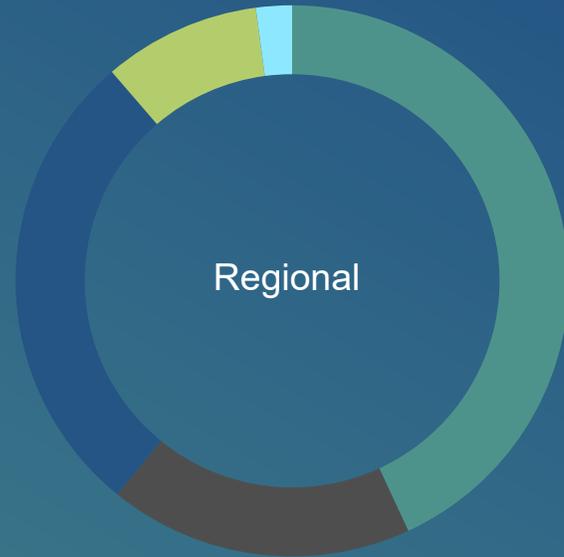


# FCD Snapshot

2022 Revenue



Isolation Automation Services & Solutions



N. Am ME/Africa Europe L. Am Asia Pac



OE - MRO Aftermarket OE - Projects

**\$78B**

TAM\*

**\$1.2B**

TTM Revenue

ARGUS

DURCO

LIMITORQUE

WORCESTER

VALTEK

EDWARD



\* TAM: Total Addressable Market (representing capital expenditures and operating expenses) is a company market estimate utilizing multiple industry sources, as of June 30, 2023

# Top Priorities to Drive Growth



## End User Customer Growth

---

- **End User** Focus
  - Commercial **Intensity**
  - **MRO** Growth
  - **Service** Program Expansion
- 



## Applications for Energy Transition

---

- Complete **Velan** Transaction
  - Invest in **Nuclear** Offering
  - Expand **Cryogenic** Applications
  - Deliver **Low Emission** Valve Technologies
- 



## Organizational Design Driving Enhanced Operations

- **Portfolio** Optimization and Product Management
- **Commercial** Optimization
- **Order Execution** Discipline
- **Fixed Cost** Reduction

# Supporting Existing Customers with Services & Solutions



## End User Customer Growth

Applications for Energy Transition

Organizational Design Driving Enhanced Operations

## MRO Growth

- Increase share of our customers' **maintenance, repair and operations spend**
- **Invest in local service capabilities and programs** to address customer-specific needs
- **Retain and grow trusted partner status** through speed and dependability
- **Leverage our global QRC network and operating model** to accelerate growth

# \$100M+

MRO Revenue growth by 2027

# 50+ bps

Incremental FCD margin from mix

# Severe Service Growth Through Energy Transition



End User Customer Growth

Applications for Energy Transition

Organizational Design Driving Enhanced Operations

## Cryogenic Applications

- **Expand product portfolio** to meet the unique demands of cryogenic applications
- **Leverage our strengths from LNG and industrial gases** for emerging hydrogen applications
- Continued product and technology investments in **severe service features, flash protection and hydrogen sealing**

**\$60M+**  
Revenue growth  
by 2027

# Velan Acquisition Accelerates 3D Strategy



End User Customer Growth

Applications for  
Energy Transition

Organizational Design Driving  
Enhanced Operations

## Velan Transaction Benefits

- Flowserve to acquire Velan for ~\$215M
- Highly complementary product portfolio for nuclear, cryogenic and severe service applications
- Provides **significant aftermarket opportunities** based on **combined global installed base**
- Expect **\$20 million of run-rate cost synergies** within 2 years of close

**\$363M**

TTM Revenue\*

**\$20M+**

in cost synergies

**7x**

est. post-synergy  
EBITDA multiple

# Revenue Growth Through Geographic Expansion



End User Customer Growth

Applications for  
Energy Transition

Organizational Design Driving  
Enhanced Operations

## Product Globalization

- Significant room to **position leading brands for growth** beyond current geographies
  - Isolation Valves
  - Actuators
- **Expand our engineering, supply chain and manufacturing capabilities** to support local market requirements

# \$100M+

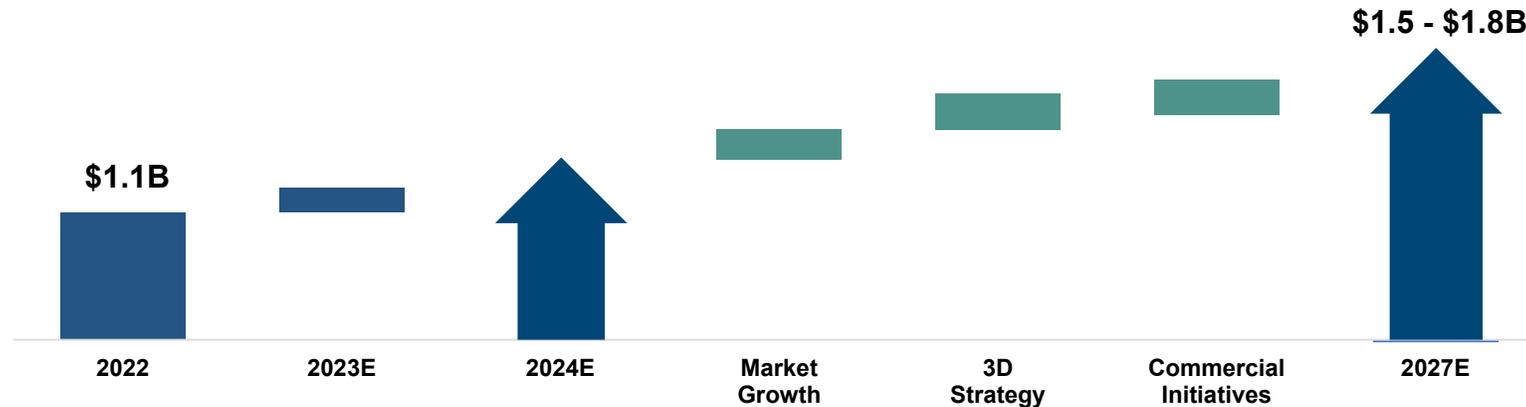
Revenue growth  
by 2027

# 50+ bps

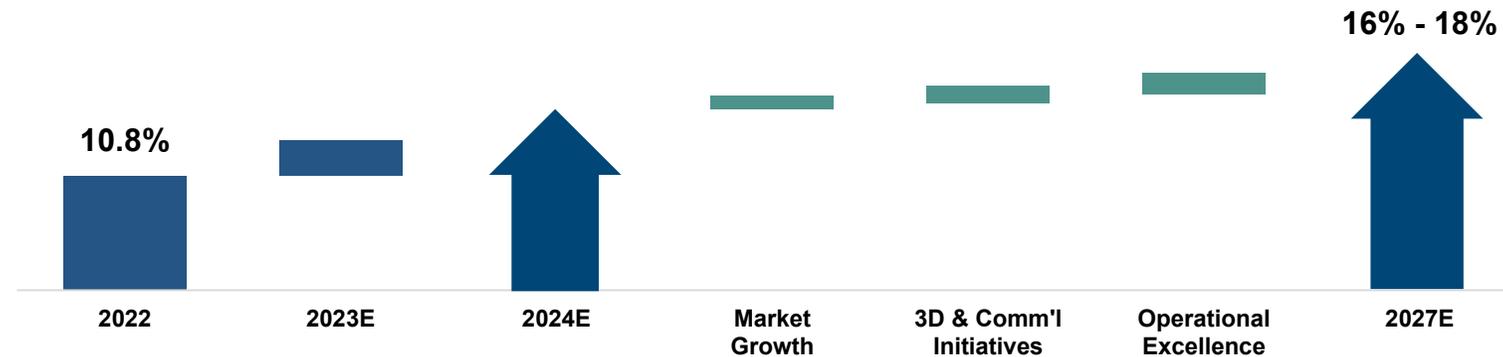
Incremental product  
operating margin  
improvement

# Revenue Growth and Margin Expansion

## FCD Revenue



## FCD Adjusted Operating Margin\*



## Organic Revenue Growth

- Deliberate growth in share of customer's MRO spend
- Differentiate with speed and customer service
- Expand into underserved geographies and attractive market segments

## Margin Expansion

- Effective portfolio management
- Drive operational and commercial excellence
- Fixed cost leverage



All figures exclude any impact from potential acquisitions. Adjusted Operating Margin is a Non-GAAP figure. Please refer to Appendix for reconciliation of 2022 GAAP to Adjusted figures and for key target assumptions

# Keys to Success



Accelerate MRO growth



Position product portfolio to capture 3D opportunities



Expand margins through operational excellence and product management



Optimize our global operating platform

**2027 Financial Targets**  
(Revenue and Adjusted Operating Margin\*)

**\$1.5B+**

**8.0% CAGR\***

**>16%**

**520+ bps increase\***

# 5 Innovating for the Future

**Karthik Sivaraman**

*Vice President, Innovation and Technology*



# Differentiation Through Innovation

**Focusing on  
Customer-Centric Innovation**



**Increasing  
Speed to Market**



**Offering Smarter and  
Connected Solutions**



# We Have A Strong Foundation To Drive Future Innovation



**Customer-Centric Innovation**

**45% of 2022 R&D spend dedicated to 3D innovation**

**2,000+**

Engineers and Scientists



**Speed to Market**

**Doubled new product revenue over past 5 years**

**12**

Technology Hubs



**Smarter and Connected Solutions**

**>450K smart assets currently deployed**

**1,100**

Active Patents

**15**

Global Testing Facilities

# Meeting Customers Where They Are

## Customer-Centric Innovation

Speed to Market

Smarter and Connected Solutions

Drive Core Market Cost Competitiveness Through Design to Value

3D Strategy: March Towards Solutions



# Focusing On Large Cost Levers

Customer-Centric Innovation

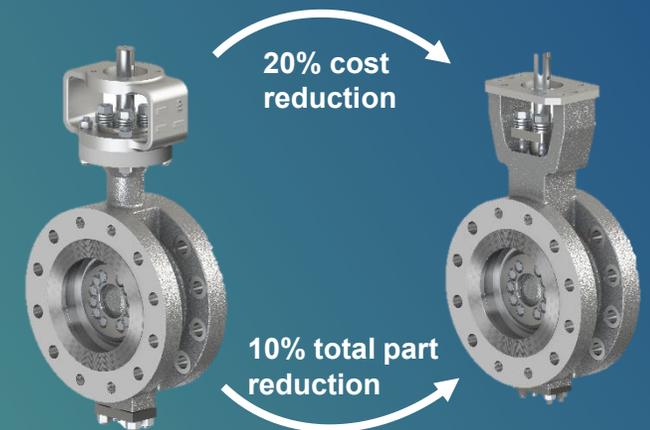
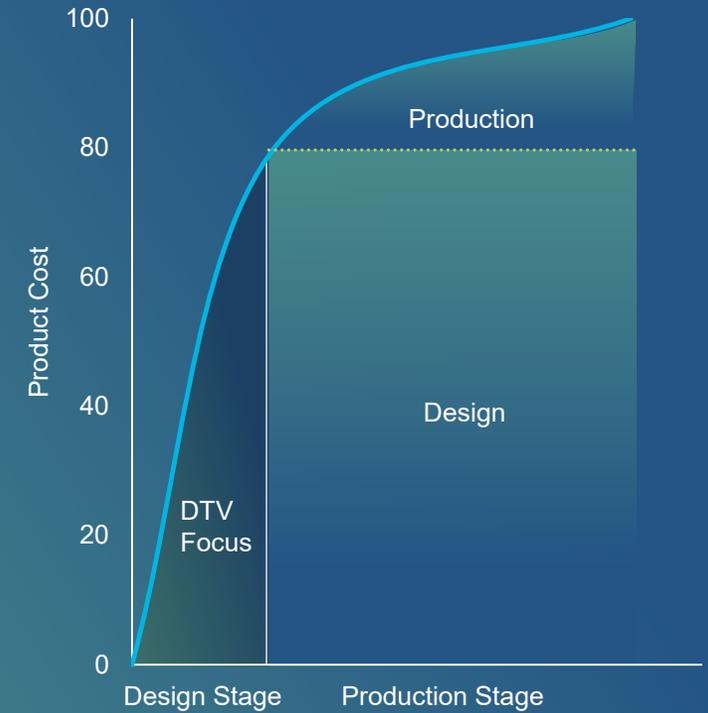
Speed to Market

Smarter and Connected Solutions

## Drive Core Market Cost Competitiveness Through Design to Value

20% average product cost reduction  
15% average part count reduction

3D Strategy:  
March Towards Solutions



Triple Offset Butterfly Valve

# Supporting the 3D Strategy Through Innovative Technology

Customer-Centric Innovation

Speed to Market

Smarter and Connected Solutions

Core Market Cost Competitiveness thru Design to Value

20% average product cost reduction  
15% average part count reduction

**3D Strategy: March Towards Solutions**

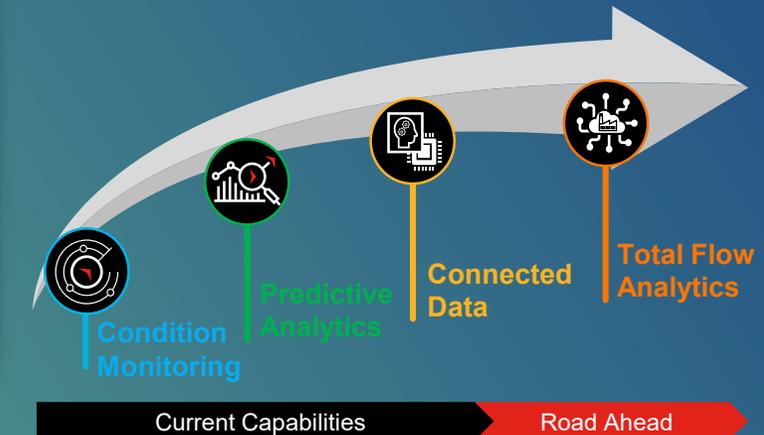
Differentiated, fit-for-purpose products

Diversify & Decarbonize  
Differentiated Products



**Digitize**

Path to Increase Recurring Revenue



# Ready When Customers Need Us

Customer-Centric  
Innovation

**Speed to Market**

Smarter and Connected  
Solutions

**Product Management  
Excellence**

**Accelerate Product  
Development**



# Driving Margins With Focused Portfolio Management

Customer-Centric Innovation

Speed to Market

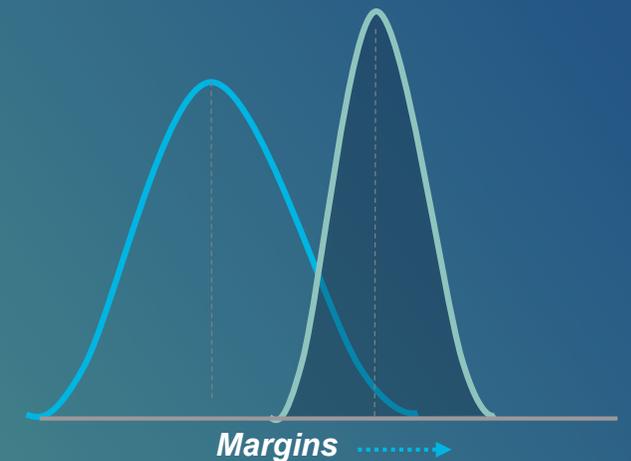
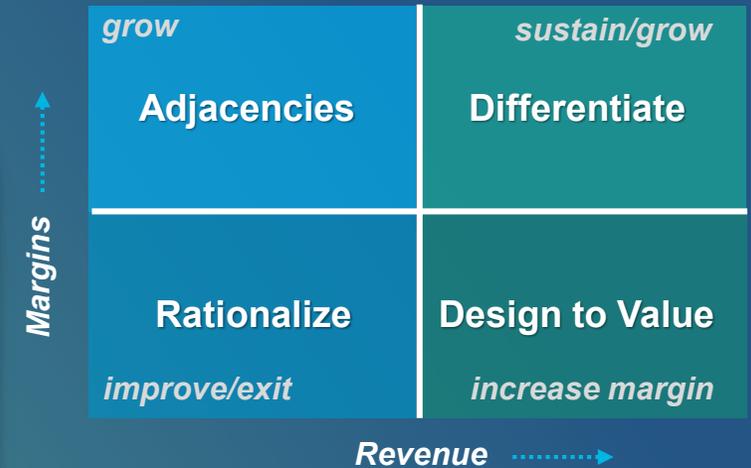
Smarter and Connected Solutions

## Product Management Excellence

Market-centric strategy

100-200 bps margin improvement

Accelerate Product Development



Growing Margins while Reducing Variance

# Ready When Customers Need Us

Customer-Centric Innovation

Speed to Market

Smarter and Connected Solutions

Product Management Excellence

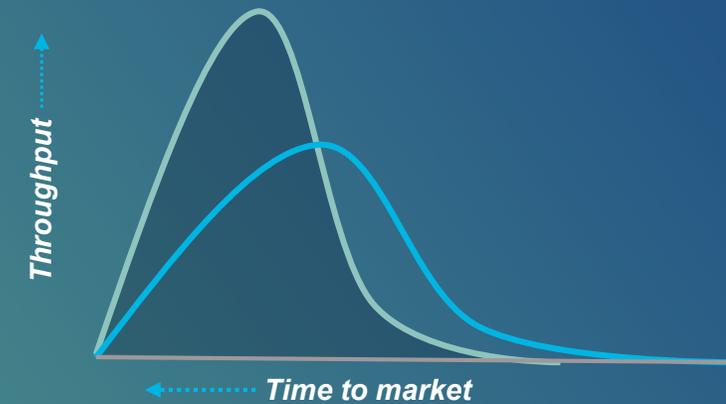
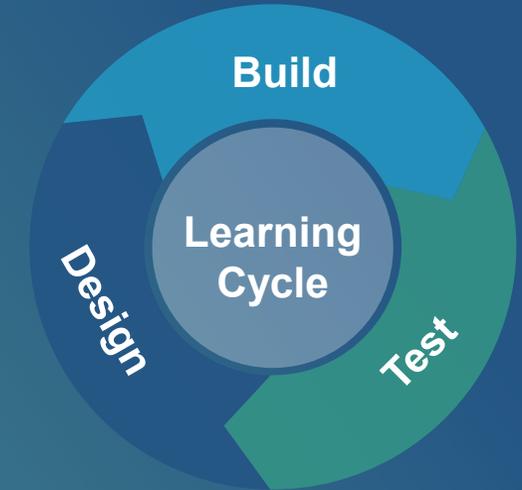
Market centric strategy

100-200 bps margin improvement

Accelerate Product Development

Value creation from the onset

## Lean Product Development



Target 40% reduction in cycle time

# Meeting Customers' Needs Through Tailored Solutions

Customer-Centric Innovation

Speed to Market

Smarter and Connected Solutions

## Total Flow Management

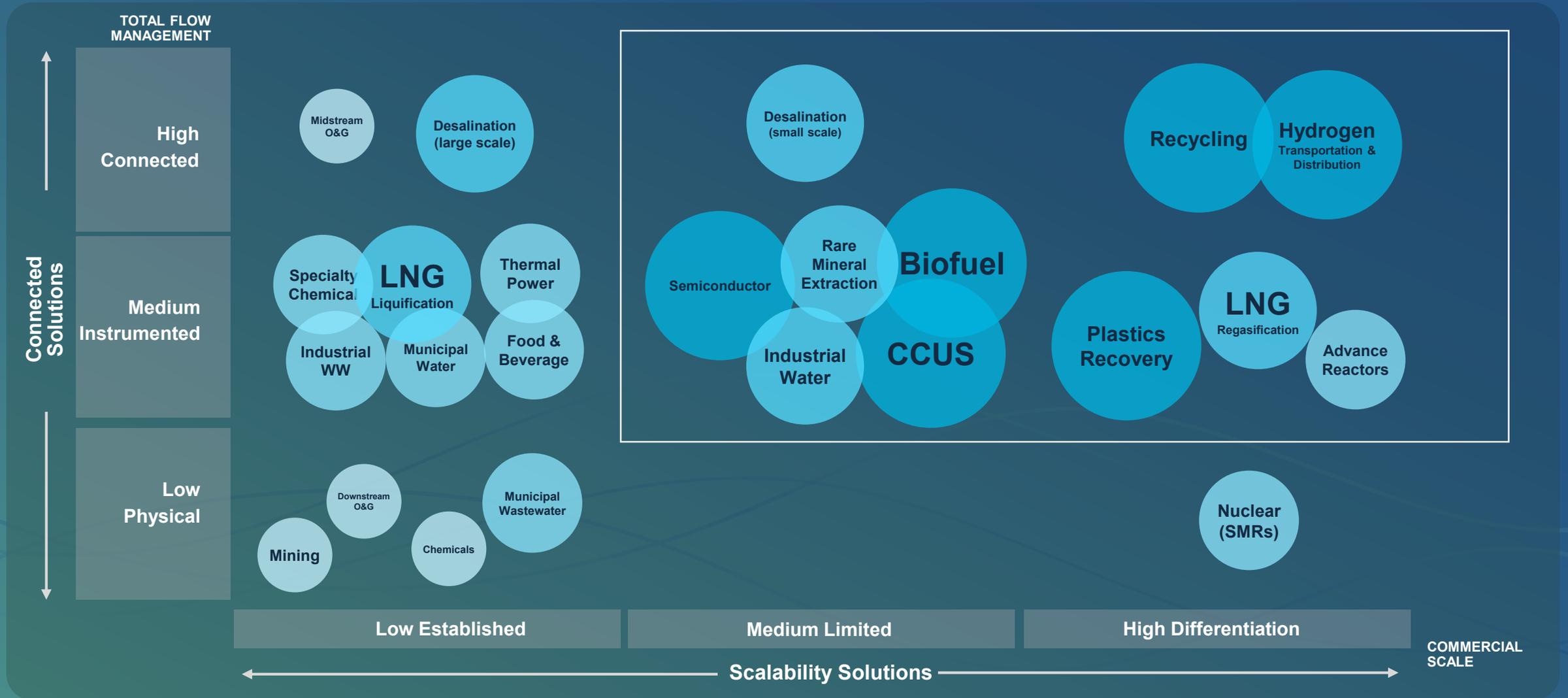
Making our foundation smart

## Scalable Solutions

Leverage global experience



# Flowserve is Well Positioned to Serve Emerging Industries



# Solving Our Customers' Scalability Challenges

## ENGINEERING



Full scale flow control architecture through engineering and technology know-how

**World class engineering expertise in flow control and testing capabilities**

## MANUFACTURING



Prototype to full scale production leveraging extensive manufacturing capabilities

**Broad global footprint supports all major regions and industries**

## COMMERCIALIZATION



Commercialization and operational support through extensive global network and expertise

**50+ countries with experience meeting local requirements and positioning for success**

# Building on Core Foundation to Drive Stronger Customer Alignment

## Installed Base



Pumps, valves, seals, actuators and positioners

OWN



## Technology Enablers



Instrumentation, data management, network connectivity

System architecture and monitoring tools

PARTNER



## Value Enablers



System and process engineering

Enterprise level-operation, condition-based monitoring

Predictive analytics and AI

OWN

# Building on Core Foundation to Drive Stronger Customer Alignment

Unparalleled 230-years of domain expertise

## Installed Base



Pumps, valves, seals, actuators and positioners

OWN



## Technology Enablers



Instrumentation, data management, network connectivity

System architecture and monitoring tools

PARTNER



## Value Enablers



System and process engineering

Enterprise level-operation, condition-based monitoring

Predictive analytics and AI

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# Building on Core Foundation to Drive Stronger Customer Alignment

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Pumps, valves, seals, actuators and positioners

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## Technology Enablers



Instrumentation, data management, network connectivity

System architecture and monitoring tools

PARTNER



## Value Enablers



System and process engineering

Enterprise level-operation, condition-based monitoring

Predictive analytics and AI

OWN

## Total Flow Management

PRODUCTS + SERVICES

SOLUTIONS

# Stacking on Red Raven and Energy Advantage

## RED RAVEN



## ENERGY ADVANTAGE



## TOTAL FLOW MANAGEMENT

Conditional monitoring to predictive analytics with focus on uptime

Flow loop optimization through system analysis and hardware modifications

Connected solutions driving OPEX and CAPEX reductions for our customers

**>2000**

Assets monitored with doubling YoY revenue

**31**

Site assessments complete with 15% average energy savings

## Monetizing Value

Through recurring revenue

**We are at the tipping point of adoption**



# Investing in Our Future

By 2027, we will deliver...

**+100-200**

bps in margin  
through product  
management

**3X**

new product vitality

**70%**

of our R&D  
spend towards  
3D innovation



# 6

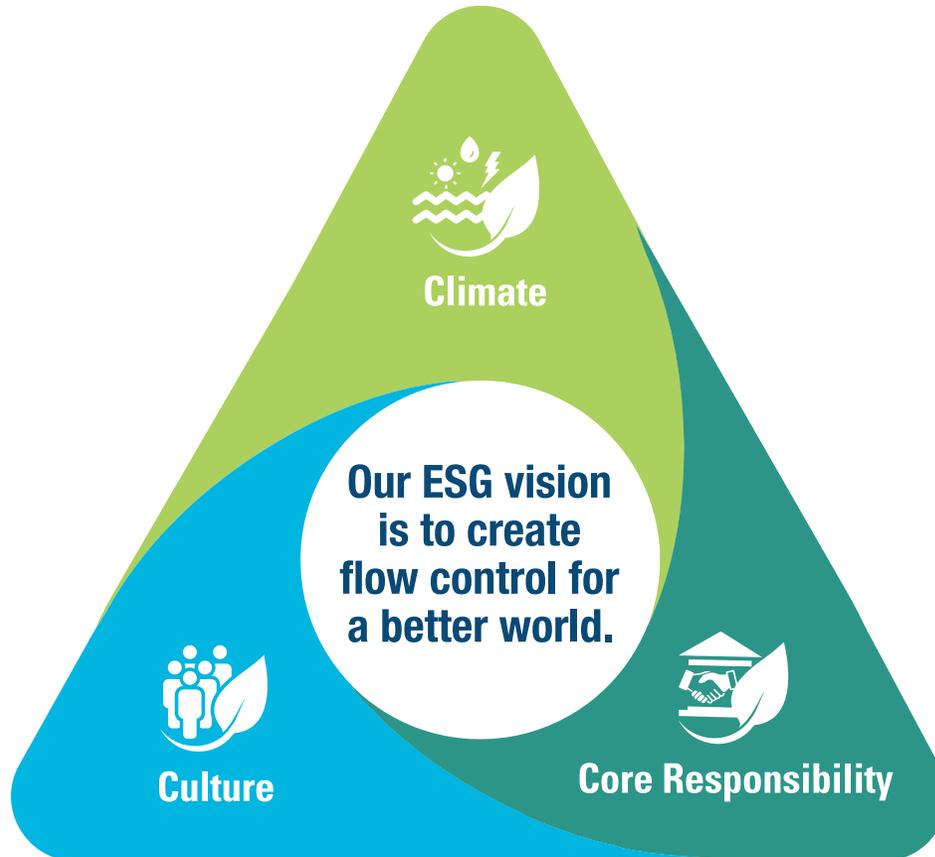
# Advancing Climate, Culture, and Core Responsibility

**Susan Hudson**

*SVP, Chief Legal Officer & Corporate Secretary*



# ESG is core to us...



Our approach is fully aligned with our 3D growth strategy

Committed to building a more sustainable future to make the world better for everyone

Guided by our Purpose, our Values, and our Vision

# ...and to our customers

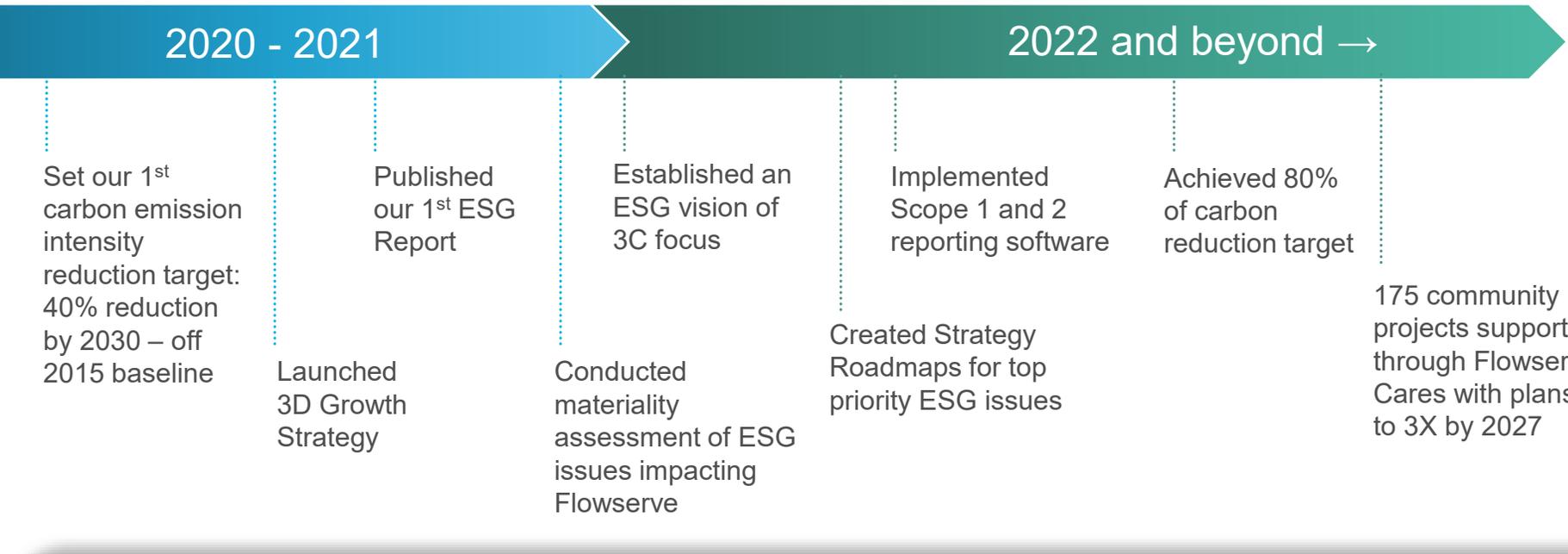


Our approach is fully aligned with our 3D growth strategy

Committed to building a more sustainable future to make the world better for everyone

Guided by our Purpose, our Values, and our Vision

# Our Journey



**1<sup>st</sup> Quartile**  
in Industrial Manufacturing



**2<sup>nd</sup> Quartile**  
in Industrial Manufacturing





# Climate: Enabling a Clean Energy Future

Progress through 2022 on 2030 goals

**80%**  
achievement

2030 carbon emissions  
reduction goal\*

**~6%**  
reduction

Indirect energy  
consumption YoY

**~15%**  
reduction

Indirect GHG  
emissions YoY

**>80%**  
sites

LED installations



Closed loop testing in  
Chesapeake, Virginia



Solar installation in Marcianise,  
Italy



LED lighting at Suzhou,  
China

\* Target is a 40% reduction of Scope 1 and Scope 2 carbon intensity by 2030, using 2015 as the baseline year.



# Culture: The Collective Energy of Our People Sets Us Apart



## People

Employee engagement levels in the **top quartile across all industries**

**80%** of associates participating

Manager effectiveness increased **11%** YoY

---

**Our people set us apart**



## Safety

Delivering **world class safety performance**

**Total Recordable Rate at 0.26**  
18% improvement YoY

**Lost Time Rate at 0.07**  
22% improvement YoY

---

**#1 engagement score:**  
**Safety is a top priority**



## Flowserve Cares

**Serving the communities** where we live and work

**500+** organizations

**175+** community projects

Plans to **3X projects by 2027**

---

**We can make the world better for everyone**



# Core Responsibility: Diverse Perspectives and Deep Experience



R. Scott Rowe  
President & CEO  
of Flowserve



David Roberts,  
Chairman  
Former CEO of  
Gavilan Resources



Gayla Delly  
Former CEO  
of Benchmark  
Electronics



John Garrison  
CEO of Terex  
Corporation



Michael McMurray  
CFO of  
LyondellBasell



Ruby Chandy  
Former President  
of Industrial Division  
of Pall Corporation



Sujeet Chand  
Former Chief  
Technology Officer of  
Rockwell Automation



Carlyn Taylor  
Corporate Finance  
Global Co Leader  
of FTI Consulting



Tom Okray  
CFO of Eaton  
Corporation



Ken Seigel  
Sr. Vice President of  
Loews Corporation



Cheryl Johnson\*  
CHRO of Caterpillar

## Robust Board Governance

- 65% Board refreshment in 5 years
- Technology expertise and cybersecurity oversight certified
- Over 80% of members experienced in energy/alternative energy markets

## Other Governance Areas

- Strong Integrity & Compliance Culture
- Comprehensive Enterprise Risk Management Program

# Supporting Our Customers' Sustainability Journey: Energy Advantage

## Opportunity

- German government is providing funding to support energy efficiency projects
- Customer wanted to achieve 2,213 megawatt hours in energy savings and carbon emissions reduction

## Our Solution

- Reducing customer carbon emissions by optimizing flow loops and reducing energy consumption
- Efficiency improvements deliver on customer sustainability goals
- Flow loop analysis revealed efficiency improvements in multiple areas, including automated valve installations and backup seals



## Outcome

**15% avg  
savings**

Over current energy consumption

**1328 MTon CO2**

Expected annual reduction

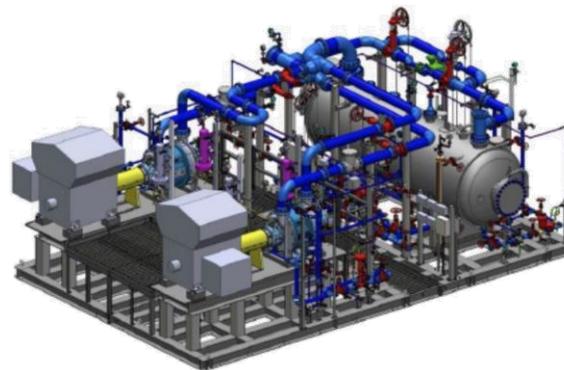
# Supporting Our Customers' Sustainability Journey: Flare Gas Recovery

## Opportunity

- Refinery and chemical plant customers have historically flared unwanted gases created during their industrial processes
- To meet their own ESG goals and more stringent regulations, customers need to reduce or eliminate their flaring practices

## Our Solution

- The Flowserve flare gas recovery system provides the ability to recover waste gas and reuse it in other plant processes as fuel or feedstock
- The full flare gas recovery system can eliminate the need for a flaring process and reduce 98% of emissions



## Outcome

Flowserve is the sole supplier of FGR systems for five Gulf Coast petrochemical facilities

**500k Mton CO2  
reduction**

potential at maximum capacity

# Supporting Our Customers' Sustainability Journey: Seals Spotlight

## Opportunity

Our customers need to maximize their **MTBR: Mean Time Between Repairs**

- Reduces leakage of harmful waste into the environment
- Allows customer facilities to run more efficiently and optimally

## Our Solution

### Life Cycle Advantage Program

- Long-term dedicated partnership
- MTBR focused collaboration
- Prioritizing problem equipment
- Inventory management

**375**

**Life Cycle Agreements**

in place worldwide

## Outcome

**Up to 50%  
improvement**

MTBR in the 1<sup>st</sup> generation of an LCA

Marathon is achieving 100 months MTBR for avg equipment reliability across their fleet of refineries on ~10,500 pieces of equipment



# Creating Flow Control For a Better World



**Our ability to help our customers** has significant ESG impact

---



**ESG program aligned with 3D strategy**

---



**Our products and solutions are designed to deliver ESG results and grow profitably**

---



**Our strong purpose and values** will continue to drive our progress in Climate, Culture and Core Responsibility



# 7 Creating Value Through Profitable Growth

**Amy Schwetz**

*Senior Vice President & Chief Financial Officer*



# We Are Building Momentum

- ✓ Improved revenue conversion and strong backlog are driving top-line growth
- ✓ Margin expansion through growth strategy execution and effective cost control is taking hold
- ✓ Disciplined capital allocation approach designed to deliver superior returns
- ✓ Ambitious and achievable long-term targets grounded in improved operations and 3D strategic growth

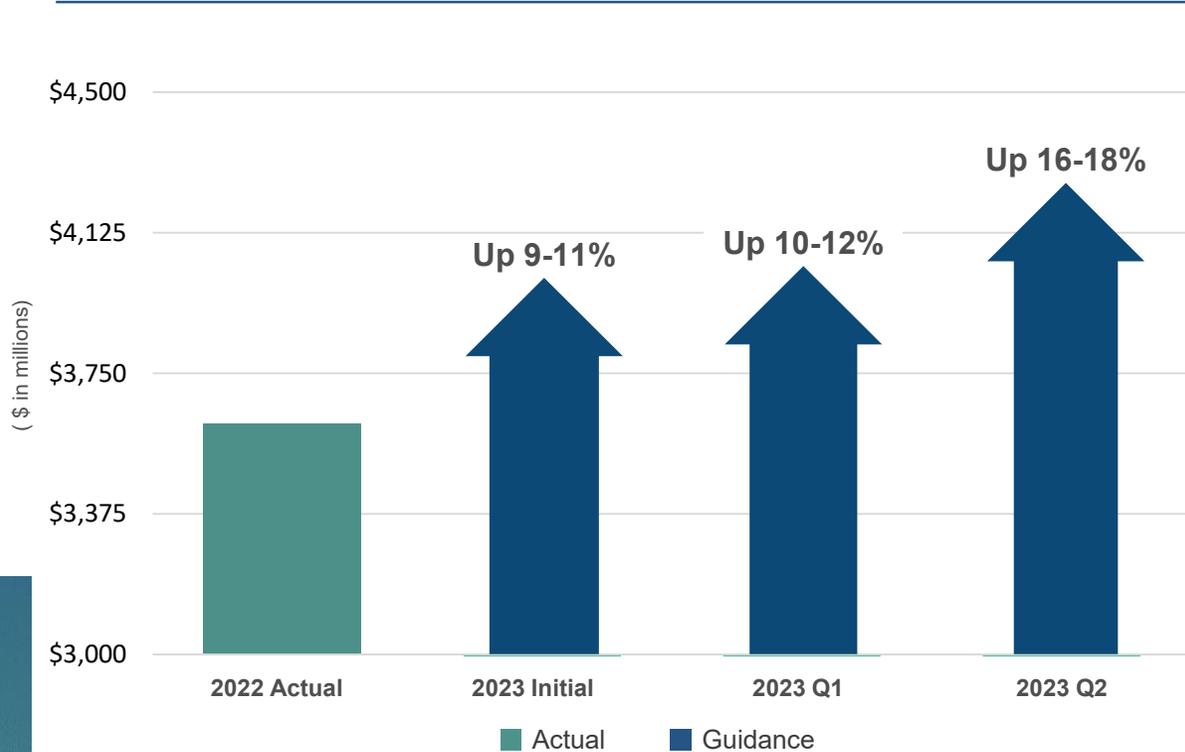
**Confident that Flowserve can capitalize on the momentum created in 2023 to deliver longer-term value**



# Solid Execution in 2023 Driving Higher Expectations

Guidance raised twice YTD and we reaffirm today

## 2023 Revenue Guidance Progress



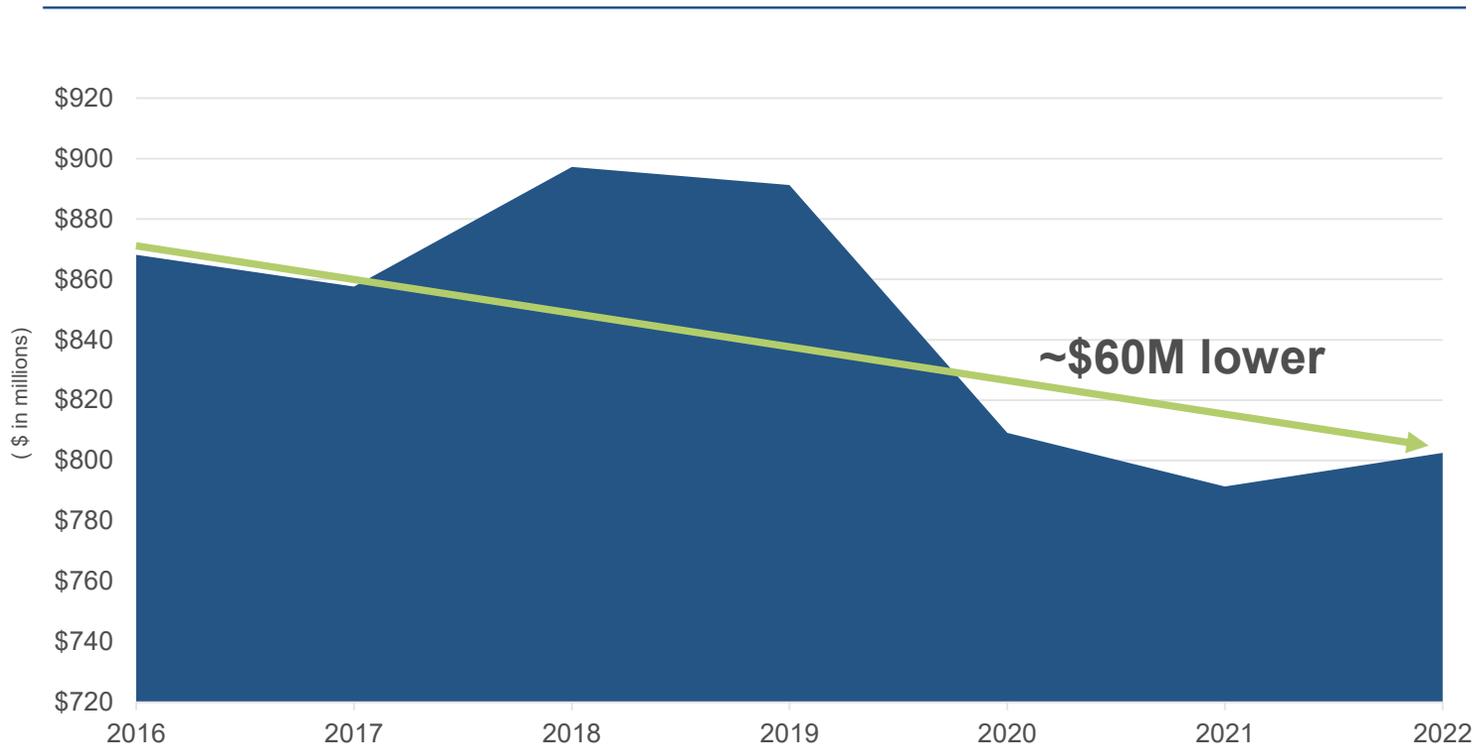
## 2023 Adjusted EPS Guidance Progress



Nearly 50% of expected FY Revenue and Adjusted EPS delivered in first half of 2023

# We Have Delivered Cost Containment...

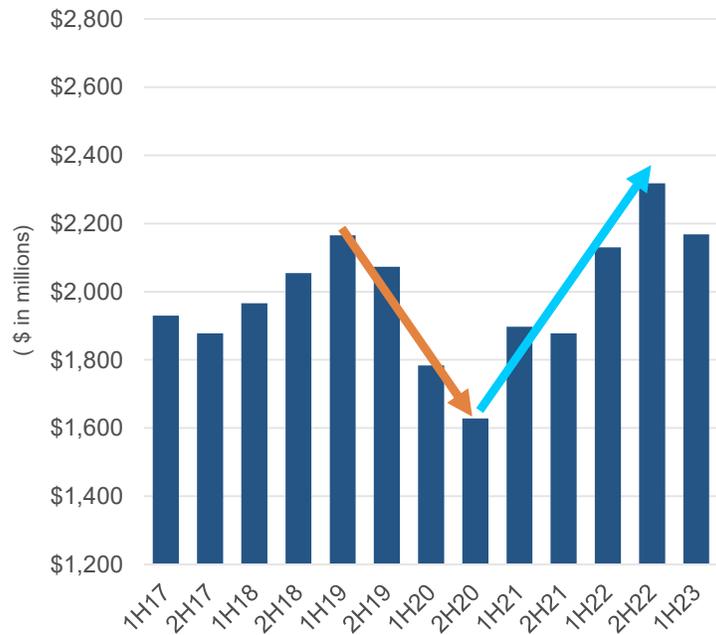
## Adjusted SG&A\* Expense



- Implemented FLS 2.0 “downturn playbook” quickly in 2020
- Maintained structural cost savings as bookings and backlog grew
- Plan to exit 2023 with SG&A / sales at ~20%, lowest level since 2015
- Significant earnings leverage on SG&A as revenues grow

# ...and We Are Now at an Inflection Point to Drive Growth

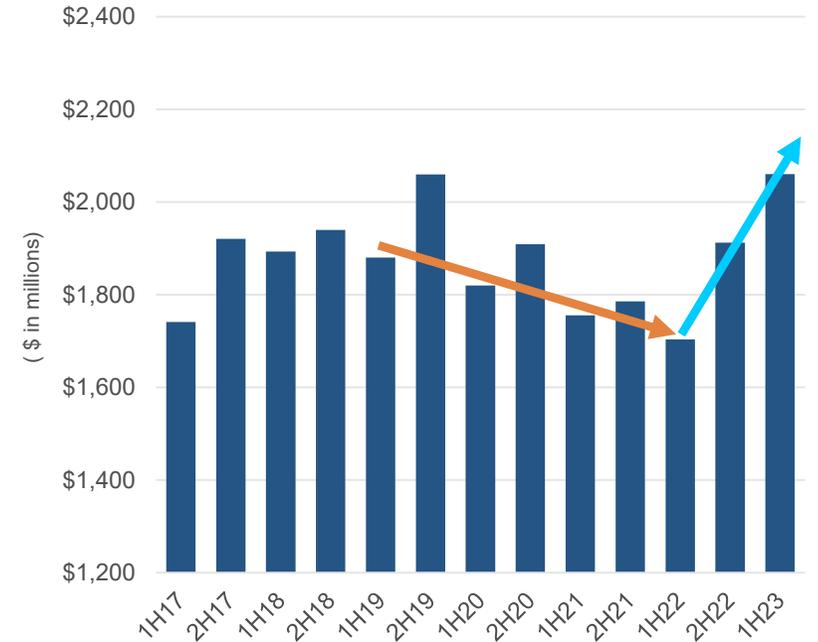
## Leading Indicators — Bookings



## Leading Indicators — Backlog

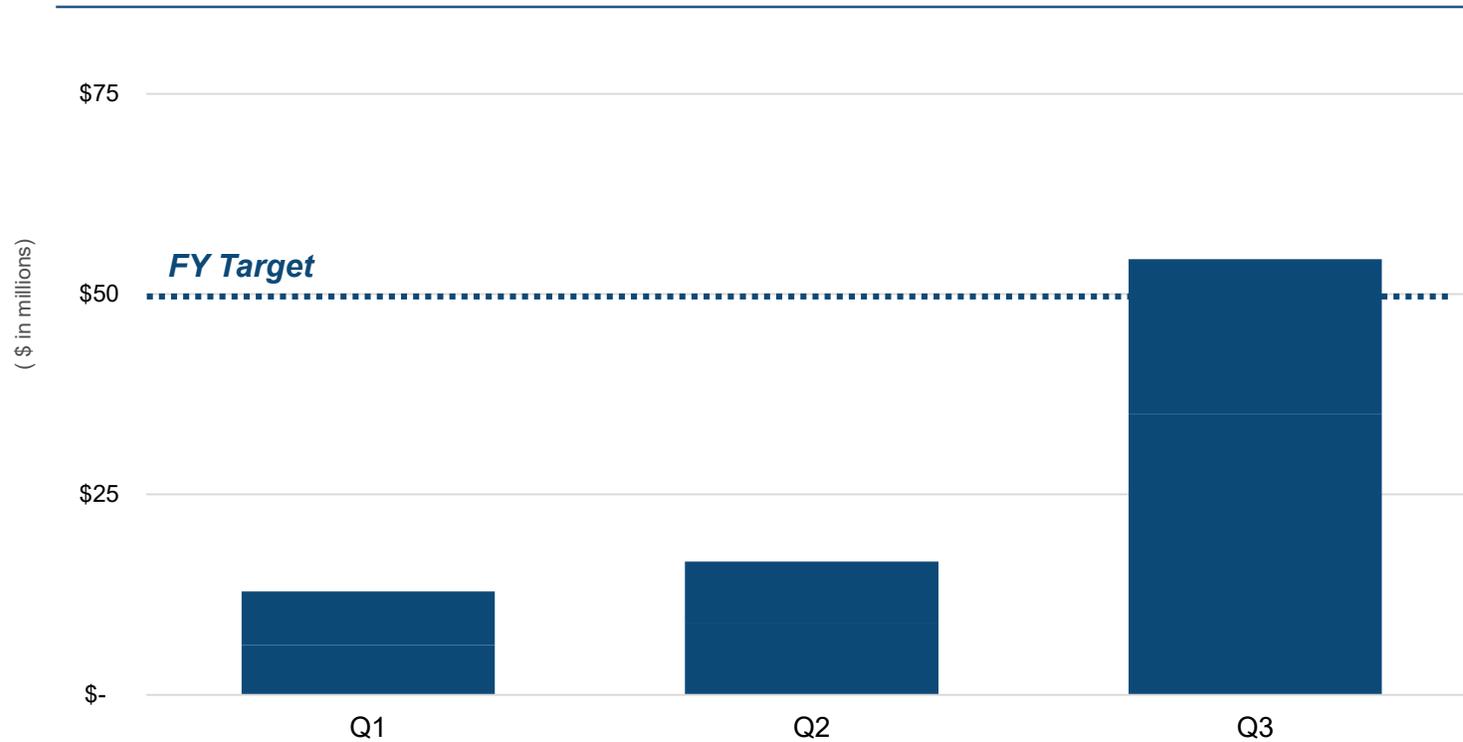


## Lagging Indicator — Revenues



# Delivering On Our 2023 Cost Reduction Plan

Progression of Cost Reduction Plan (Annualized)

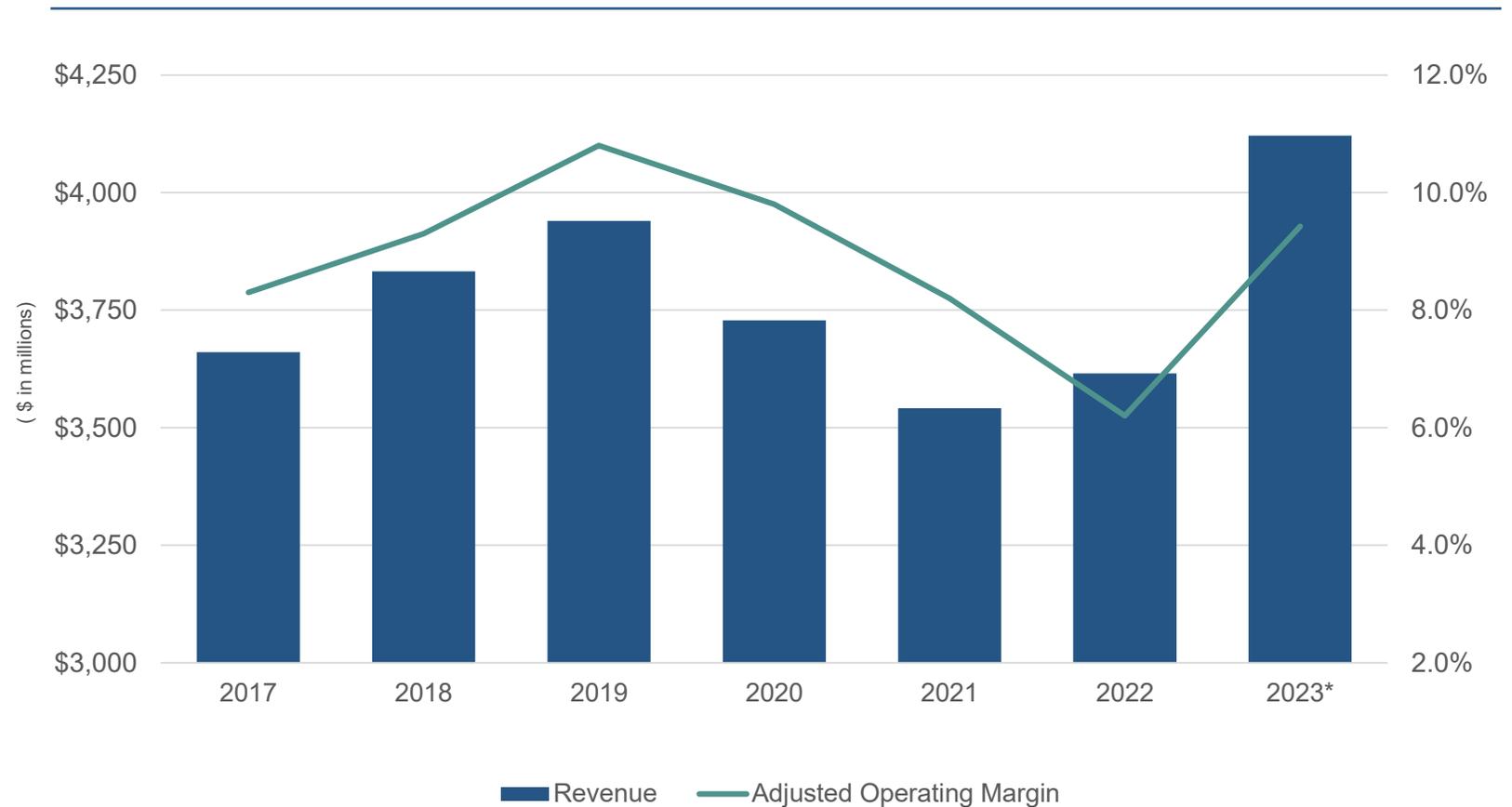


- The new operating model drives **speed and accountability**, while reducing our cost structure
- Actions through Q3 2023 secure **~\$50M of annualized cost savings**
- Approximately **60% and 40%** of cost reductions in **COGS** and **SG&A**, respectively
- Cost reduction program expected to contribute **strong incremental operating income** as revenue increases

# Top-Line Growth to Support Further Margin Expansion

- Revenue and margins are directionally correlated, historically
- 2020 through 2022 was challenged by a number of issues
- Margins in backlog have grown consistently throughout 2023
- Flowserve positioned to deliver strong incremental margins

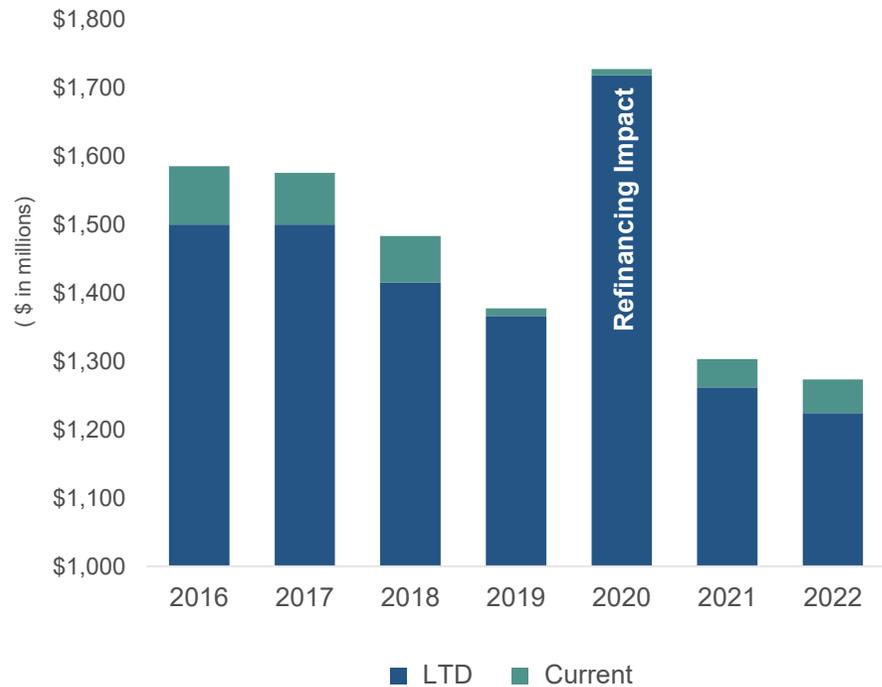
## Operating Leverage Supports Adjusted Operating Margin\* Growth



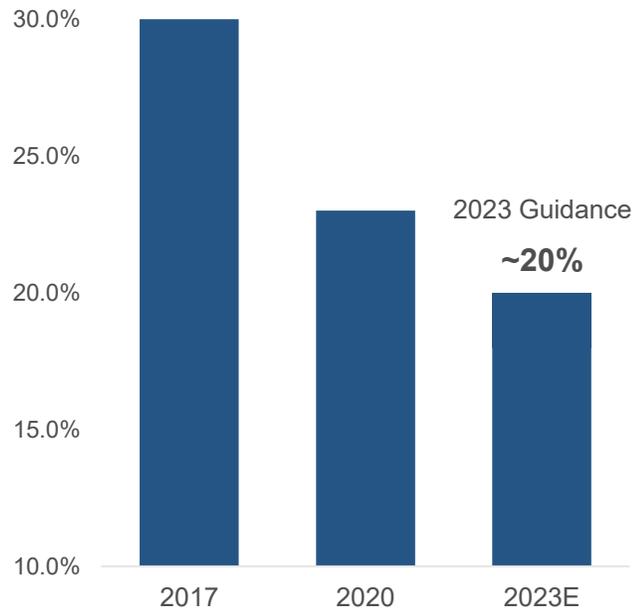
\* Adjusted Operating Margin is a Non-GAAP measure. 2023 projection generated by doubling 1H23 performance. Please refer to Appendix for reconciliation of GAAP to Adjusted figures

# Controlling Below-the-Line Items

Debt Outstanding



Adjusted Effective Tax Rate\*

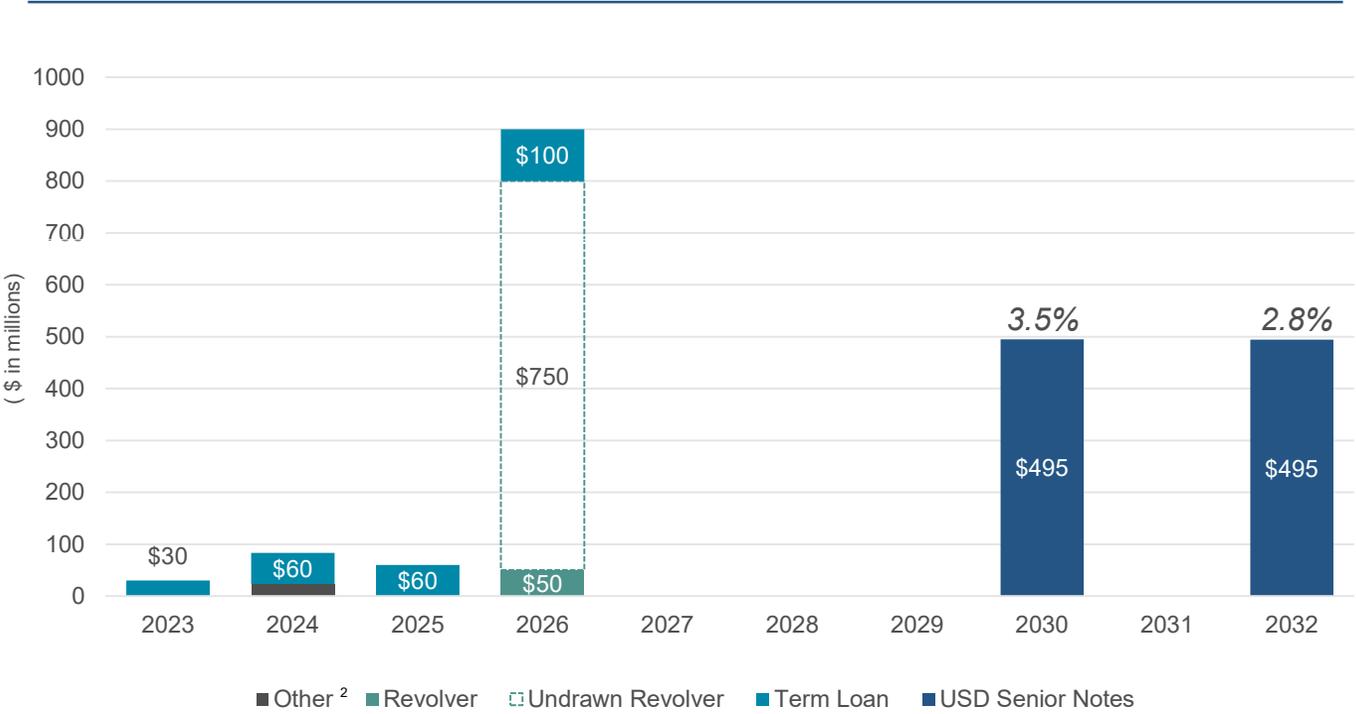


Debt reduced by  
~\$300 million  
since 2016

Adjusted ETR  
guidance ~1000 bps  
lower than 2017

# Ample Capital and No Near-Term Debt Maturities

Debt Maturity Schedule<sup>1</sup>



**\$420M+**

Cash\*

**\$1.3B**

Total Debt\*

FitchRatings

**BBB-**

(Stable Outlook) – October 2022

MOODY'S

**Baa3**

(Stable Outlook) – April 2023

S&P Global

**BBB-**

(Stable Outlook) – August 2022

\* As of June 30, 2023

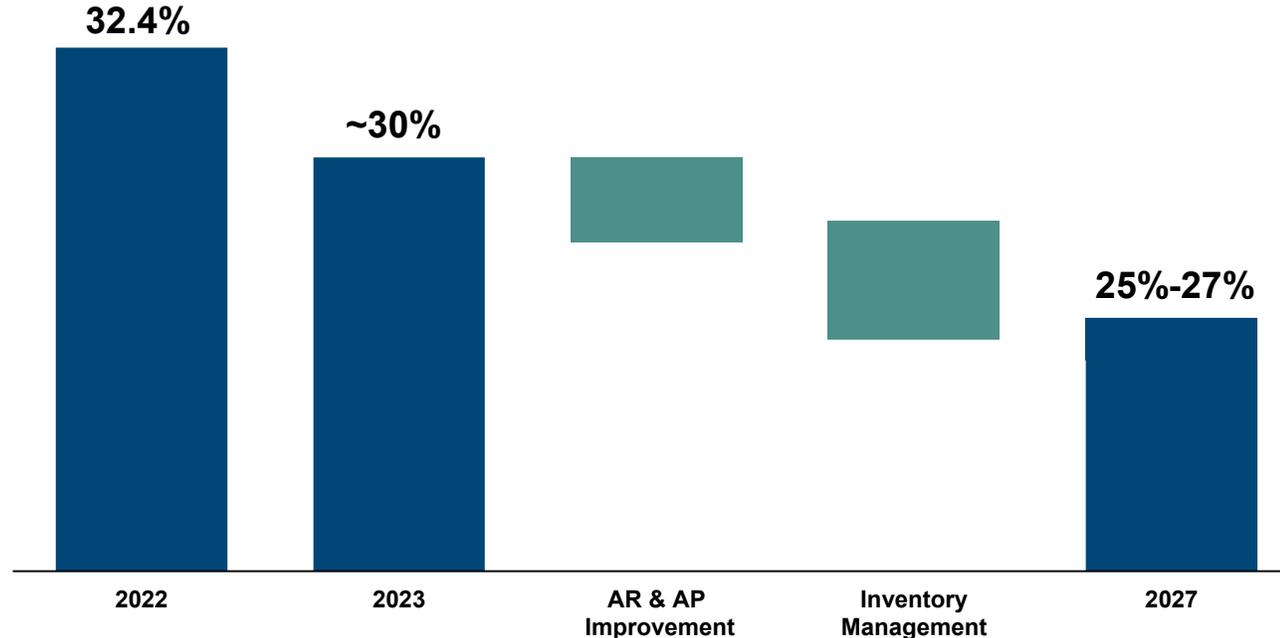
**Significant improvement in credit metrics expected as earnings and cash flow improve**



1. As of June 30, 2023, net of unamortized discount and debt issuance costs  
 2. Includes subsidiary debt and finance lease obligations

# Meaningful Cash Flow Generation Expected

Substantial Opportunities to Improve Working Capital as a Percentage of Revenue



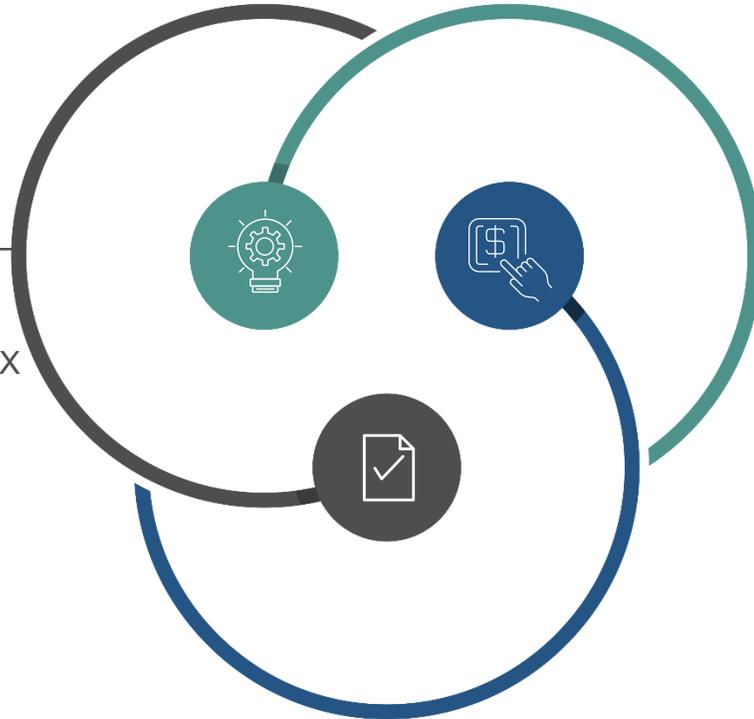
- Operational excellence expected to generate substantial **working capital savings** in addition to **margin improvement** through focus on planning and supply chain strategy
- **Enhanced product management, portfolio optimization and roofline consolidation** to further enable progress
- Anticipate **generating well in excess of \$1 billion of total available cash through 2027** through expanded earnings and working capital efficiency

# Purposeful Allocation of Capital

## COMMITMENTS



Quarterly dividends  
Safety and maintenance CAPEX  
Share repurchases to offset dilution  
Term loan amortization



## STRATEGIC



Growth / margin expansion  
CAPEX  
New product development  
Bolt-on acquisitions



## SHAREHOLDER RETURNS

Dividend increase  
Enhanced share repurchases

## Guiding Principles

- Capital allocation based on **highest long-term return**
- Free cash flow conversion between **80% – 100%**
- Approach designed to **support investment grade rating**
- **Deliberate deployment** of excess cash

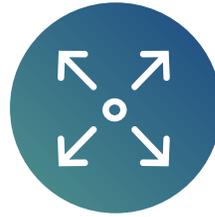
# Disciplined M&A Criteria

Strategic Filters Focused on Delivering Value

Enhance 3D  
Strategy



Leverage  
Scale



Confidence  
in Integration



**IRR > Cost of Capital | Margin Accretive | Cash EPS Accretive**

# Preliminary 2024 Outlook\*

Official guidance expected to be initiated in February 2024

Revenues



**MSD%**  
**(YoY)**

Adj. Operating Margin\*



**LDD%**  
**up ~100 bps**  
**(YoY)**

Adjusted EPS\*



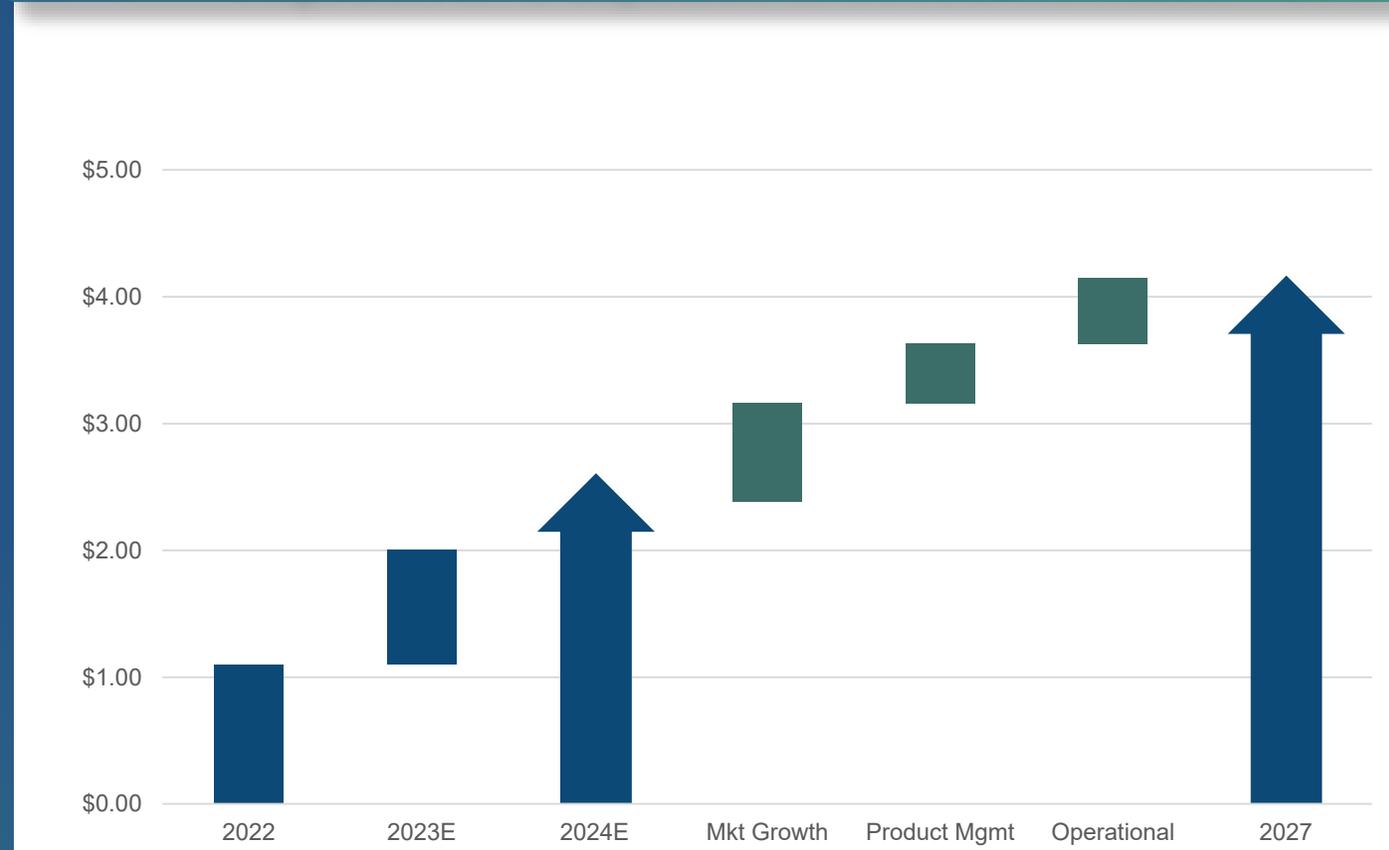
**20-25% +**  
**Growth**



# Long-Term Guidance Drivers



## Adjusted EPS expected to double from 2023 - 2027



\* All figures exclude any impact from potential acquisitions. Adjusted EPS is a Non-GAAP figure. Please refer to Appendix for historical reconciliation of GAAP to Adjusted figures and key target assumptions

# 2027 Financial Targets



**\$5B+**

Organic Revenue

5% CAGR (2023-2027)

3D strategy, aftermarket growth,  
and new product development



**14 – 16%**

Adjusted Operating Margin\*

Operational excellence, portfolio  
optimization & product management  
and operating leverage

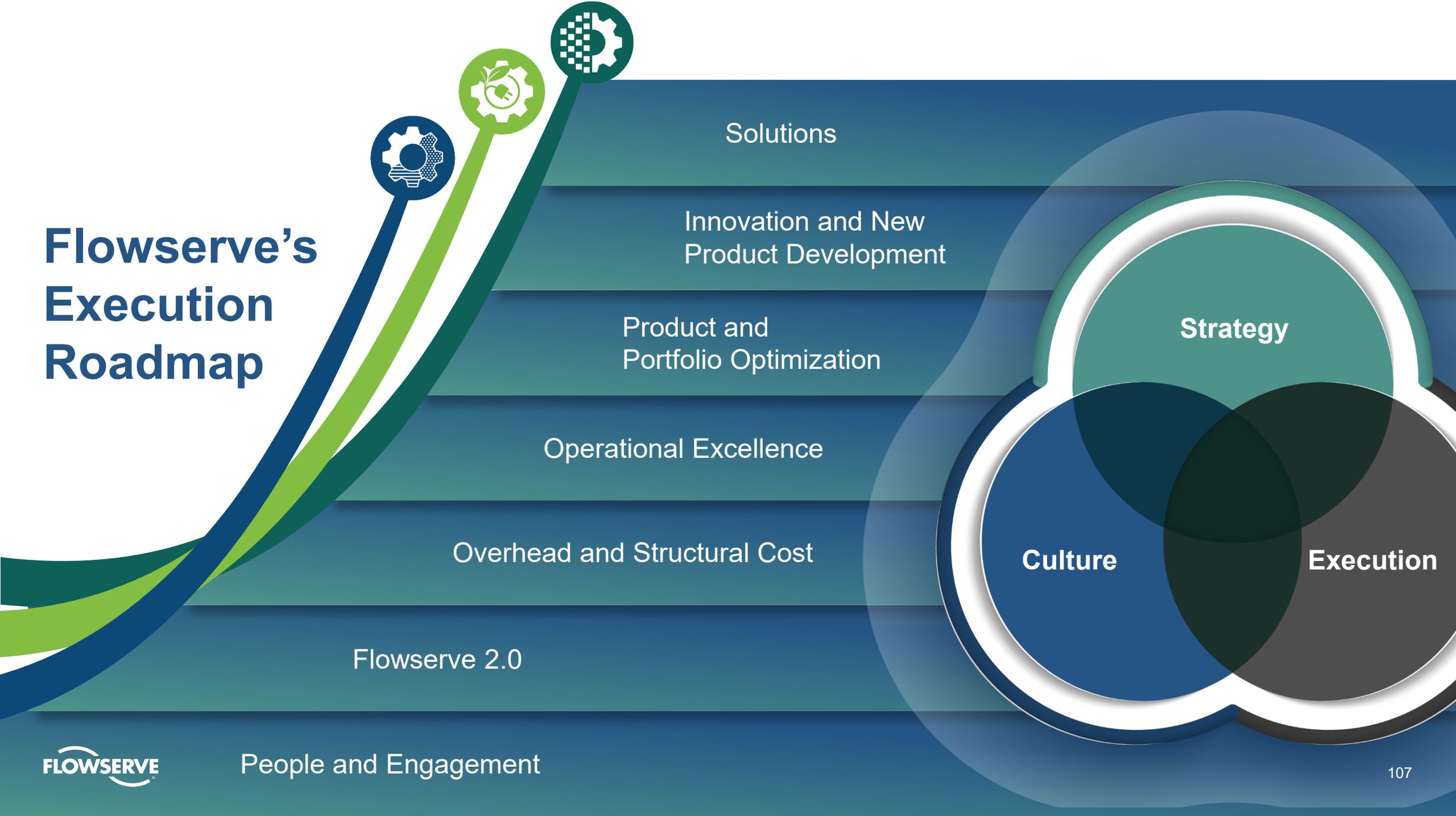


**>\$4.00**

Adjusted EPS\*

Significant growth expected in 2024  
Multiple levers to enable success  
going forward

# Flowserve's Execution Roadmap





# The Future of Flowserve

- Strong end markets enhanced by 3D growth strategy provides visibility to **5%+ revenue CAGR**
- Improved FLS 2.0 fundamentals + new operating model delivers **consistency and resiliency**
- Operational excellence, product & portfolio management, and operating leverage drive adjusted operating **margin improvement to 14%-16%**
- Grounded in **Climate, Culture, and Core Responsibility**
- Investments in innovation and technology position Flowserve as a full-scale **solutions provider**

\* Revenue growth target excludes any impact from potential acquisitions.  
Please see Appendix for key assumptions on revenue growth and adjusted operating margin targets

# Appendix



# Reconciliation of Non-GAAP Measures (Unaudited)

## Consolidated Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure (Unaudited)

(Amounts in millions)

Operating Income	YTD Q2 2023	Full Year 2022	Full Year 2021	Full Year 2020	Full Year 2019	Full Year 2018	Full Year 2017
<b>Reported</b>	<b>\$ 153.8</b>	<b>\$ 197.2</b>	<b>\$ 270.8</b>	<b>\$ 250.3</b>	<b>\$ 386.6</b>	<b>\$ 227.7</b>	<b>\$ 324.1</b>
<i>Reported as a percent of sales (1)</i>	<i>7.5%</i>	<i>5.5%</i>	<i>7.6%</i>	<i>6.7%</i>	<i>9.8%</i>	<i>5.9%</i>	<i>8.9%</i>
Realignment & transformation charges	28.4	(0.2)	22.5	104.8	36.0	95.1	71.3
Discrete asset write-downs	5.9	27.1	-	11.5	-	17.5	29.0
Acquisition and integration-related	6.0	-	-	-	-	-	4.4
Other	-	-	(1.9)	-	3.5	15.0	(124.0)
<b>Adjusted</b>	<b>\$ 194.1</b>	<b>\$ 224.1</b>	<b>\$ 291.4</b>	<b>\$ 366.6</b>	<b>\$ 426.1</b>	<b>\$ 355.3</b>	<b>\$ 304.8</b>
<i>Adjusted as a percent of sales (1)</i>	<i>9.4%</i>	<i>6.2%</i>	<i>8.2%</i>	<i>9.8%</i>	<i>10.8%</i>	<i>9.3%</i>	<i>8.3%</i>

(1) As a percent of sales: \$ 2,060.7 \$ 3,615.1 \$ 3,541.1 \$ 3,728.1 \$ 3,939.7 \$ 3,835.7 \$ 3,660.8

Note: See corresponding fourth quarter earnings release materials for further detail of adjusted items.

# Reconciliation of Non-GAAP Measures (Unaudited)

## Consolidated Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure (Unaudited)

(Amounts in millions)

Selling, General & Administrative Expense	Full Year 2022	Full Year 2021	Full Year 2020	Full Year 2019	Full Year 2018	Full Year 2017	Full Year 2016
<b>Reported</b>	<b>\$ 815.5</b>	<b>\$ 797.1</b>	<b>\$ 878.2</b>	<b>\$ 913.2</b>	<b>\$ 966.6</b>	<b>\$ 918.7</b>	<b>\$ 973.3</b>
<i>Reported as a percent of sales (1)</i>	<i>22.6%</i>	<i>22.5%</i>	<i>23.6%</i>	<i>23.2%</i>	<i>25.2%</i>	<i>25.1%</i>	<i>24.4%</i>
Realignment & transformation charges	0.5	(5.7)	(57.5)	(18.7)	(52.4)	(27.3)	(22.4)
Discrete asset write-downs	(13.5)	-	(11.5)	-	(9.7)	(29.4)	(73.5)
Acquisition and integration-related	-	-	-	-	-	(4.4)	(9.3)
Other	-	-	-	(3.3)	(7.3)	-	-
<b>Adjusted</b>	<b>\$ 802.5</b>	<b>\$ 791.4</b>	<b>\$ 809.2</b>	<b>\$ 891.2</b>	<b>\$ 897.2</b>	<b>\$ 857.6</b>	<b>\$ 868.1</b>
<i>Adjusted as a percent of sales (1)</i>	<i>22.2%</i>	<i>22.3%</i>	<i>21.7%</i>	<i>22.6%</i>	<i>23.4%</i>	<i>23.4%</i>	<i>21.8%</i>

(1) As a percent of sales: \$ 3,615.1 \$ 3,541.1 \$ 3,728.1 \$ 3,939.7 \$ 3,835.7 \$ 3,660.8 \$ 3,990.5

Note: See corresponding fourth quarter earnings release materials for further detail of adjusted items.

# Reconciliation of Non-GAAP Measures (Unaudited)

## Consolidated Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure (Unaudited)

(Amounts in millions, except per share data)

Twelve Months Ended December 31, 2022	Gross Profit	Selling, General & Administrative Expense	Operating Income	Other Income (Expense), Net	Income Taxes	Net Earnings (Loss)	Effective Tax Rate	Diluted EPS
<b>Reported</b>	\$ 994.3	\$ 815.5	\$ 197.2	\$ (42.8)	\$ 43.6	\$ 188.7	28.3%	\$ 1.44
Realignment & transformation charges	0.4	0.5	(0.1)	-	(1.8)	(2.0)	1090.3%	-0.02
Discrete asset write-downs	13.4	(13.6)	27.0	-	(1.9)	25.1	7.0%	0.19
Below-the-line FX	-	-	-	(9.7)	1.6	(8.1)	16.4%	-0.06
Tax valuation allowance	-	-	-	-	(59.3)	(59.3)		-0.45
<b>Adjusted</b>	<b>\$ 1,008.1</b>	<b>\$ 802.5</b>	<b>\$ 224.1</b>	<b>\$ (52.5)</b>	<b>\$ (17.8)</b>	<b>\$ 144.4</b>	<b>10.4%</b>	<b>\$ 1.10</b>

Note: See 2022 fourth quarter earnings release materials for further detail of adjusted items.

# Reconciliation of Non-GAAP Measures (Unaudited)

## Division Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure (Unaudited) (Amounts in millions)

### Flowserve Pumps Division

	Full Year 2022
<b>Operating Income</b>	
<b>Reported</b>	<b>\$ 208.0</b>
<i>Reported as a percent of sales (1)</i>	<i>8.2%</i>
Realignment & transformation charges	0.4
Discrete asset write-downs	20.9
<b>Adjusted</b>	<b>\$ 229.3</b>
<i>Adjusted as a percent of sales (1)</i>	<i>9.1%</i>

(1) As a percent of sales: \$ 2,522.5

### Flow Control Division

	Full Year 2022
<b>Operating Income</b>	
<b>Reported</b>	<b>\$ 113.4</b>
<i>Reported as a percent of sales (2)</i>	<i>10.3%</i>
Realignment & transformation charges	(0.2)
Discrete asset write-downs	6.2
<b>Adjusted</b>	<b>\$ 119.4</b>
<i>Adjusted as a percent of sales (2)</i>	<i>10.8%</i>

(2) As a percent of sales: \$ 1,100.6

Note: See corresponding fourth quarter earnings release materials for further detail of adjusted items.

# Reconciliation of Non-GAAP Measures (Unaudited)

## Consolidated Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure (Unaudited)

(Amounts in millions)

Twelve Months Ended December 31, 2020	Earnings Before Tax	Income Taxes	Effective Tax Rate
<b>Reported</b>	<b>\$ 186.8</b>	<b>\$ 60.0</b>	<b>32.1%</b>
Realignment & transformation charges	104.8	17.9	17.1%
Discrete asset write-downs	11.5	2.0	17.4%
Below-the-line FX	5.9	1.3	22.0%
Tax valuation allowance & reform	-	(10.0)	
<b>Adjusted</b>	<b>\$ 309.0</b>	<b>\$ 71.2</b>	<b>23.0%</b>

Note: See 2020 fourth quarter earnings release materials for further detail of adjusted items.

Twelve Months Ended December 31, 2017	Earnings Before Tax	Income Taxes	Effective Tax Rate
<b>Reported</b>	<b>\$ 263.0</b>	<b>\$ 258.7</b>	<b>98.4%</b>
Realignment & transformation charges	71.3	17.0	23.8%
Discrete asset write-downs	46.2	4.9	10.6%
Acquisition and integration-related	4.4	1.3	29.5%
Gain on sale of assets	(141.3)	(50.0)	35.4%
Below-the-line FX	14.0	4.0	28.6%
Tax valuation allowance & reform	-	(158.5)	
<b>Adjusted</b>	<b>\$ 257.6</b>	<b>\$ 77.4</b>	<b>30.0%</b>

Note: See 2017 fourth quarter earnings release materials for further detail of adjusted items.

# 2027 Financial Target Assumptions



*Key assumptions include: no significant macroeconomic, pandemic, geopolitical or terrorist-related disruptions that could have a material impact on our business and industry; ongoing modestly positive global GDP growth; inflation and interest rates at current levels or below; commodity prices, including crude oil, around current levels or above; foreign exchange rates at approximate current levels; organic performance (i.e. excludes impact of potential acquisitions or divestures); customers' capital and maintenance spending generally at current levels or above; and, limited impact from trade agreements and associated tariffs. Flowserve also encourages the reading of its "Risk Factors" as disclosed in our filings with the U.S. Securities and Exchange Commission for other factors that could impact our forward-looking targets.*

# Analyst Day Presenters



## **SCOTT ROWE**

President and Chief Executive Officer

*R. Scott Rowe, has served as President and Chief Executive Officer since April 2017. Prior to joining Flowserve, Mr. Rowe served as President of the Cameron Group, a position he assumed in April 2016 following the merger between Schlumberger and Cameron International Corporation, formerly a NYSE-listed leading provider of flow management equipment, systems and services to the worldwide oil and gas industry. At Cameron, Mr. Rowe served in a variety of progressive roles during his 14-year career, culminating as its President and CEO. Before joining Cameron in 2002, Mr. Rowe was with Varco International and previously served in the U.S. Army. Mr. Rowe also currently serves as a member of the board of directors of Quanta Services, Inc.*



## **AMY SCHWETZ**

Senior Vice President, Chief Executive Officer

*Amy B. Schwetz, has served as Senior Vice President and Chief Financial Officer since joining Flowserve in February 2020. Prior to joining the Company, Ms. Schwetz was Executive Vice President and Chief Financial Officer at Peabody Energy Corporation, a coal company with mining operations in the United States and Australia. Prior to becoming CFO of Peabody Energy in July 2015, she held various roles of increasing responsibility at Peabody Energy since August 2005. Prior to joining Peabody Energy, Ms. Schwetz was employed by Ernst & Young LLP, an international accounting firm, where she held multiple audit roles over eight years.*



## **LAMAR DUHON**

President, Flowserve Pumps Division

*Lamar L. Duhon has served as President of the Flowserve Pumps Division since February 2023. He previously served as President of Aftermarket Services & Solutions from January 2022 to February 2023. Prior to joining the Company, Mr. Duhon held increasing positions of responsibility at Halliburton from 2010 to 2021, including Vice President, Sperry Drilling from 2016 to 2021, Vice President, Cementing from 2015 to 2016, Vice President, Shell Global Account from 2013 to 2015, Vice President, Business Development – Asia Pacific from 2012 to 2013, and Region Sales Manager, Gulf of Mexico from 2010 to 2012. Prior to joining Halliburton, Mr. Duhon spent 15 years at Baker Hughes in increasing positions of responsibility. Prior to his corporate career, Mr. Duhon spent six years in the United States Marine Corps, leaving the service in 1994 with the rank of Sergeant.*



## **KIRK WILSON**

President, Flow Control Division

*Kirk R. Wilson has served as President of the Flow Control Division since July 2019. He has served in various roles since joining the Company in 1987, most recently as President of Aftermarket Services & Solutions from September 2015 to July 2019, as President, Services and Solutions Operations from January 2012 to September 2015, as Vice President and General Manager, Integrated Solutions Group from 2008 to 2011 and Vice President, Marketing for the Pump Division from 2004 to 2008.*

# Analyst Day Presenters



## **SUSAN C. HUDSON**

Senior Vice President, Chief Legal Officer & Corporate Secretary

*Susan C. Hudson has served as SVP, Chief Legal Officer since May 2022. She has served in various role of increasing responsibility since joining the Company in 2016, including most recently as Vice President, Chief Compliance Officer, from May 2020 to May 2022. Prior to joining Flowserve, Ms. Hudson served in various roles of increasing responsibility at Pier 1 Imports, including as senior corporate counsel over litigation and employment law.*



## **KARTHIK SIVARAMAN**

Vice President, Technology & Innovation

*Karthik Sivaraman has served as Vice President, Technology and Innovation since October 2022. In this role, Karthik is advancing our 3D strategy by directing new technology development and technology partnerships to drive growth and profitability for Flowserve. Karthik most recently led the strategy and vision for Halliburton's focus on alternate energies as the Executive Director, Technology for Halliburton Labs. Prior to Halliburton, he led product strategy as the R&D leader for global energy storage initiatives with GE Energy Storage. Karthik holds a Master of Science and a Ph.D. in Powder Materials, Engineering Science and Mechanics from Pennsylvania State University.*



## **JOHN (JAY) E. ROUECHE, III**

Vice President, Investor Relations & Treasurer

*John E. (Jay) Roueche, III has served as Vice President, Investor Relations and Treasurer, for Flowserve since October 2012. In addition, he twice served as Interim Chief Financial Officer for Flowserve from December 2019 to February 2020 and February 2017 to October 2017. Prior to joining the company, he was the Vice President, Investor Relations and Treasurer, of McDermott International, Inc., a leading engineering, procurement, construction, and installation company, from August 2010 until October 2012. From April 2006 to August 2010, he served as Vice President, Investor Relations and Corporate Communications of McDermott International, Inc. In the preceding years, he served in progressive accounting and finance roles with Pennzoil-Quaker State Company, Pennzoil Company and Shell Oil Company.*