

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 30, 2019

FLOWERVE CORPORATION

(Exact Name of Registrant as Specified in its Charter)

New York

(State or Other Jurisdiction

of Incorporation)

001-13179

(Commission File Number)

31-0267900

(IRS Employer

Identification No.)

5215 N. O'Connor Blvd., Suite 2300, Irving, Texas

(Address of Principal Executive Offices)

75039

(Zip Code)

(972) 443-6500

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, \$1.25 Par Value | FLS | New York Stock Exchange LLC |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On October 30, 2019, Flowserve Corporation, a New York corporation (the “Company”), issued a press release announcing financial results for its quarter ended September 30, 2019. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference.

The information in this Item 2.02 of Form 8-K and in Exhibit 99.1 attached hereto is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 7.01 Regulation FD Disclosure.

On October 31, 2019, the Company will make a presentation about its financial and operating results for the third quarter of 2019, as noted in the press release described in Item 2.02 above. The Company has posted the presentation on its website at <http://www.flowserve.com> under the “Investor Relations” section.

The information in this Item 7.01 of Form 8-K is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|-----------------------------|---|
| <u>99.1</u> | <u>Press Release, dated October 30, 2019.</u> |

SIGNATURES

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

FLOWSERVE CORPORATION

Dated: October 30, 2019

By: /s/ LEE S. ECKERT

Lee S. Eckert

Senior Vice President, Chief Financial Officer

Flowserve Corporation Reports Third Quarter 2019 Results

- **Expanded margins through Flowserve 2.0 transformation program**
- **Completed the sixth consecutive quarter with bookings in excess of \$1 billion**
- **Delivered over \$120 million of free cash flow improvement year-to-date**
- **Revised 2019 Adjusted EPS target range to \$2.15 - \$2.20**

DALLAS--(BUSINESS WIRE)--October 30, 2019--Flowserve Corporation (NYSE: FLS), a leading provider of flow control products and services for the global infrastructure markets, today announced its financial results for the third quarter ended September 30, 2019.

Third Quarter 2019 Highlights (all comparisons to the 2018 third quarter, unless otherwise noted)

- Reported Earnings Per Share (EPS) were \$0.52, and Adjusted^[1] EPS of \$0.59
 - Pre-tax adjusted items included \$9.9 million of realignment and transformation activities and \$0.9 million of negative below-the-line FX impact
 - Adjusted EPS increased approximately 20% year-over-year
 - Total bookings were \$1.02 billion, up 1.3%, or 3.5% on a constant currency basis, and included approximately 0.6% negative impact related to divested businesses
 - Original equipment bookings were \$531.7 million, up 5.6%, or 7.7% on a constant currency basis
 - Aftermarket bookings were \$491.7 million, down 3.0%, or 0.7% on a constant currency basis
 - Backlog as of September 30, 2019 was \$2.1 billion, up 13.0% versus year-end 2018, on 1.11 book-to-bill year-to-date
 - Sales were \$996.5 million, up 4.6%, or 6.9% on a constant currency basis and included approximately 0.5% negative impact related to divested businesses
 - Aftermarket sales were \$487.6 million, up 6.7%, or 9.4% on a constant currency basis
 - Reported gross and operating margins were 33.5% and 11.0%, up 110 basis points and 450 basis points, respectively
 - Adjusted gross and operating margins^[2] were 33.8% and 12.0%, up 60 basis points and 100 basis points, respectively
-

“Flowserve delivered strong results for the 2019 third quarter, highlighted by top-line growth, margin expansion and a 20% improvement in our adjusted earnings,” said Scott Rowe, Flowserve’s president and chief executive officer. “We produced the sixth consecutive quarter of year-over-year bookings growth, as late-cycle project activity continued to advance. Despite the current geopolitical uncertainty and slow-down in North American oil and gas, we were able to deliver strong bookings in the quarter by leveraging our commercial intensity and strike zone initiatives within the Flowserve 2.0 transformation.”

Lee Eckert, Flowserve’s senior vice president and chief financial officer, added, “Based on our results through the first three quarters and our outlook, Flowserve today revised its full year EPS guidance ranges, including our Adjusted EPS^[3] target range to \$2.15 to \$2.20. Additionally, our Flowserve 2.0 transformation initiatives continued to drive improvement in our free cash flow metrics, including a year-over-year increase of over \$120 million through September 30.”

Rowe concluded, “As we look forward, we expect to build on the momentum of our Flowserve 2.0 transformation program and continue driving performance in any market environment. I am increasingly confident in Flowserve’s ability to deliver enhanced value for our customers, employees and shareholders.”

Full Year 2019 Guidance^[3]

Flowserve today updated its 2019 EPS guidance ranges. The revised Reported EPS target range is now \$1.85 to \$1.90, with an Adjusted EPS target range of \$2.15 to \$2.20. Both the Reported and the Adjusted EPS target ranges are based on an expected full year revenue increase of approximately 2.5% to 3.5% year-over-year, including FX and divestiture headwinds totaling approximately 3%. Please reference Flowserve’s 2019 third quarter earnings presentation, available on our website, for updates to other guidance metrics.

Third Quarter 2019 Results Conference Call

Flowserve will host its conference call with the financial community on Thursday, October 31st at 11:00 AM Eastern. Scott Rowe, president and chief executive officer, as well as other members of the management team will be presenting. The call can be accessed by shareholders and other interested parties at www.flowserve.com under the “Investor Relations” section.

[1] See Reconciliation of Non-GAAP Measures table for detailed reconciliation of reported results to adjusted measures.

[2] Adjusted gross and operating margins are calculated by dividing adjusted gross profit and operating income, respectively, by revenues. Adjusted gross profit and adjusted operating income are derived by excluding the adjusted items. See reconciliation of Non-GAAP Measures table for detailed reconciliation.

[3] Adjusted 2019 EPS will exclude the Company’s realignment expenses, the impact from other specific one-time events and below-the-line foreign currency effects and utilizes year-end 2018 FX rates and approximately 132 million fully diluted shares.

– FX headwind is calculated by comparing the difference between the actual average FX rates of 2018 and the year-end 2018 spot rates both as applied to our 2019 expectations, divided by the number of shares expected for 2019.

About Flowserve

Flowserve Corp. is one of the world's leading providers of fluid motion and control products and services. Operating in more than 50 countries, the company produces engineered and industrial pumps, seals and valves as well as a range of related flow management services. More information about Flowserve can be obtained by visiting the company's Web site at www.flowserve.com.

Safe Harbor Statement: This news release 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 news release 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: 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 our strategic transformation and realignment initiatives, our business could be adversely affected; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; 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 or changes to tariffs or trade agreements that could affect customer markets, particularly North African, Russian 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; our furnishing of products and services to nuclear power plant facilities and other critical processes; 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; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; 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 news release 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 non-recurring items present additional useful comparisons between current results and results in prior operating 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.

FLOWSERVE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended September 30, | |
|---|---|------------------|
| | 2019 | 2018 |
| (Amounts in thousands, except per share data) | | |
| Sales | \$ 996,544 | \$ 952,716 |
| Cost of sales | (662,855) | (644,215) |
| Gross profit | 333,689 | 308,501 |
| Selling, general and administrative expense | (226,216) | (241,878) |
| Loss on sale of businesses | - | (7,727) |
| Net earnings from affiliates | 2,087 | 3,295 |
| Operating income | 109,560 | 62,191 |
| Interest expense | (13,981) | (13,826) |
| Interest income | 2,253 | 1,269 |
| Other income (expense), net | (1,622) | (5,283) |
| Earnings before income taxes | 96,210 | 44,351 |
| Provision for income taxes | (25,647) | (14,912) |
| Net earnings, including noncontrolling interests | 70,563 | 29,439 |
| Less: Net earnings attributable to noncontrolling interests | (2,120) | (1,234) |
| Net earnings attributable to Flowserve Corporation | <u>\$ 68,443</u> | <u>\$ 28,205</u> |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | |
| Basic | \$ 0.52 | \$ 0.22 |
| Diluted | 0.52 | 0.21 |

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

| (Amounts in thousands, except per share data) | Three Months Ended September 30, 2019 | | | |
|---|---------------------------------------|-------------------|-------------------|------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 996,544 | \$ - | \$ - | \$ 996,544 |
| Gross profit | 333,689 | (3,420) | - | 337,109 |
| <i>Gross margin</i> | 33.5% | - | - | 33.8% |
| Selling, general and administrative expense | (226,216) | (1,374) | (5,058) | (3) (219,784) |
| Operating income | 109,560 | (4,794) | (5,058) | 119,412 |
| <i>Operating income as a percentage of sales</i> | 11.0% | - | - | 12.0% |
| Interest and other expense, net | (13,350) | - | (948) | (4) (12,402) |
| Earnings before income taxes | 96,210 | (4,794) | (6,006) | 107,010 |
| Provision for income taxes | (25,647) | 978 | (2) 1,078 | (5) (27,703) |
| <i>Tax Rate</i> | 26.7% | 20.4% | 17.9% | 25.9% |
| Net earnings attributable to Flowserve Corporation | \$ 68,443 | \$ (3,816) | \$ (4,928) | \$ 77,187 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.52 | \$ (0.03) | \$ (0.04) | \$ 0.59 |
| Diluted | 0.52 | (0.03) | (0.04) | 0.59 |
| Basic number of shares used for calculation | 131,145 | 131,145 | 131,145 | 131,145 |
| Diluted number of shares used for calculation | 131,846 | 131,846 | 131,846 | 131,846 |

(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above
- (3) Represents Flowserve 2.0 transformation efforts
- (4) Represents below-the-line foreign exchange impacts
- (5) Includes tax impact of items above

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

| (Amounts in thousands, except per share data) | Three Months Ended September 30, 2018 | | | |
|---|---------------------------------------|-------------------|--------------------|------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 952,716 | \$ - | \$ - | \$ 952,716 |
| Gross profit | 308,501 | (8,208) | - | 316,709 |
| <i>Gross margin</i> | 32.4% | - | - | 33.2% |
| Selling, general and administrative expense | (241,878) | (2,919) | (23,986) | (3) (214,973) |
| Loss on sale of business | (7,727) | - | (7,727) | (4) - |
| Operating income | 62,191 | (11,127) | (31,713) | 105,031 |
| <i>Operating income as a percentage of sales</i> | 6.5% | - | - | 11.0% |
| Interest and other expense, net | (17,840) | - | (4,335) | (5) (13,505) |
| Earnings before income taxes | 44,351 | (11,127) | (36,048) | 91,526 |
| Provision for income taxes | (14,912) | 2,636 | (2) 8,857 | (6) (26,405) |
| <i>Tax Rate</i> | 33.6% | 23.7% | 24.6% | 28.8% |
| Net earnings attributable to Flowserve Corporation | \$ 28,205 | \$ (8,491) | \$ (27,191) | \$ 63,887 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.22 | \$ (0.06) | \$ (0.21) | \$ 0.49 |
| Diluted | \$ 0.21 | \$ (0.06) | \$ (0.21) | \$ 0.49 |
| Basic number of shares used for calculation | 130,843 | 130,843 | 130,843 | 130,843 |
| Diluted number of shares used for calculation | 131,350 | 131,350 | 131,350 | 131,350 |

(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above
- (3) Represents Flowserve 2.0 transformation efforts
- (4) Represents FPD loss on sale of businesses
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above

FLOWSERVE CORPORATION
SEGMENT INFORMATION
(Unaudited)

| FLOWSERVE PUMP DIVISION (Amounts in millions, except percentages) | Three Months Ended September 30, | |
|--|---|-------------|
| | 2019 | 2018 |
| Bookings | \$ 742.1 | \$ 698.4 |
| Sales | 682.7 | 648.0 |
| Gross profit | 230.4 | 199.9 |
| Gross profit margin | 33.7% | 30.8% |
| SG&A | 147.1 | 139.0 |
| Loss on sale of businesses | - | (7.7) |
| Segment operating income | 85.5 | 56.5 |
| Segment operating income as a percentage of sales | 12.5% | 8.7% |

| FLOW CONTROL DIVISION (Amounts in millions, except percentages) | Three Months Ended September 30, | |
|--|---|-------------|
| | 2019 | 2018 |
| Bookings | \$ 282.7 | \$ 314.2 |
| Sales | 314.8 | 306.2 |
| Gross profit | 102.6 | 109.4 |
| Gross profit margin | 32.6% | 35.7% |
| SG&A | 52.6 | 52.9 |
| Segment operating income | 50.0 | 56.4 |
| Segment operating income as a percentage of sales | 15.9% | 18.4% |

FLOWSERVE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts in thousands, except per share data)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2019 | 2018 |
| Sales | \$ 2,876,679 | \$ 2,845,798 |
| Cost of sales | (1,930,881) | (1,979,807) |
| Gross profit | 945,798 | 865,991 |
| Selling, general and administrative expense | (655,046) | (711,845) |
| Loss on sale of businesses | - | (7,727) |
| Net earnings from affiliates | 8,057 | 7,908 |
| Operating income | 298,809 | 154,327 |
| Interest expense | (42,025) | (43,645) |
| Interest income | 6,494 | 4,237 |
| Other income (expense), net | (8,098) | (17,206) |
| Earnings before income taxes | 255,180 | 97,713 |
| Provision for income taxes | (64,646) | (37,028) |
| Net earnings, including noncontrolling interests | 190,534 | 60,685 |
| Less: Net earnings attributable to noncontrolling interests | (6,659) | (4,117) |
| Net earnings attributable to Flowserve Corporation | <u>\$ 183,875</u> | <u>\$ 56,568</u> |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | |
| Basic | \$ 1.40 | \$ 0.43 |
| Diluted | 1.40 | 0.43 |

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

| (Amounts in thousands, except per share data) | Nine Months Ended September 30, 2019 | | | |
|---|--------------------------------------|-----------------|--------------------|-------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 2,876,679 | \$ - | \$ - | \$2,876,679 |
| Gross profit | 945,798 | (12,783) | - | 958,581 |
| <i>Gross margin</i> | 32.9% | - | - | 33.3% |
| Selling, general and administrative expense | (655,046) | 13,619 | (21,044) (3) | (647,621) |
| Operating income | 298,809 | 836 | (21,044) | 319,017 |
| <i>Operating income as a percentage of sales</i> | 10.4% | - | - | 11.1% |
| Interest and other expense, net | (43,629) | - | (6,734) (4) | (36,895) |
| Earnings before income taxes | 255,180 | 836 | (27,778) | 282,122 |
| Provision for income taxes | (64,646) | 1,939 (2) | 6,341 (5) | (72,926) |
| <i>Tax Rate</i> | 25.3% | -231.9% | 22.8% | 25.8% |
| Net earnings attributable to Flowserve Corporation | \$ 183,875 | \$ 2,775 | \$ (21,437) | \$ 202,537 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 1.40 | \$ 0.02 | \$ (0.16) | \$ 1.54 |
| Diluted | 1.40 | 0.02 | (0.16) | 1.54 |
| Basic number of shares used for calculation | 131,092 | 131,092 | 131,092 | 131,092 |
| Diluted number of shares used for calculation | 131,697 | 131,697 | 131,697 | 131,697 |

(a) Reported in conformity with U.S. GAAP

Notes:

(1) Represents realignment (expense) income incurred as a result of realignment programs. Income in selling, general and administrative due to gains from the sales of non-strategic manufacturing facilities that are included in our Realignment Programs.

(2) Includes tax impact of items above

(3) Represents Flowserve 2.0 transformation efforts

(4) Represents below-the-line foreign exchange impacts

(5) Includes tax impact of items above

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

| | Nine Months Ended September 30, 2018 | | | |
|---|--------------------------------------|--------------------|--------------------|-------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| (Amounts in thousands, except per share data) | | | | |
| Sales | \$ 2,845,798 | \$ - | \$ - | \$2,845,798 |
| Gross profit | 865,991 | (31,593) | (7,713) (3) | 905,297 |
| <i>Gross margin</i> | <i>30.4%</i> | <i>-</i> | <i>-</i> | <i>31.8%</i> |
| Selling, general and administrative expense | (711,845) | (11,747) | (44,365) (4) | (655,733) |
| Gain on sale of business | (7,727) | - | (7,727) (5) | - |
| Operating income | 154,327 | (43,340) | (59,805) | 257,472 |
| <i>Operating income as a percentage of sales</i> | <i>5.4%</i> | <i>-</i> | <i>-</i> | <i>9.0%</i> |
| Interest and other expense, net | (56,614) | - | (16,349) (6) | (40,265) |
| Earnings before income taxes | 97,713 | (43,340) | (76,154) | 217,207 |
| Provision for income taxes | (37,028) | 9,652 (2) | 13,211 (7) | (59,891) |
| <i>Tax Rate</i> | <i>37.9%</i> | <i>22.3%</i> | <i>17.3%</i> | <i>27.6%</i> |
| Net earnings attributable to Flowserve Corporation | \$ 56,568 | \$ (33,688) | \$ (62,943) | \$ 153,199 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.43 | \$ (0.26) | \$ (0.48) | \$ 1.17 |
| Diluted | \$ 0.43 | \$ (0.26) | \$ (0.48) | \$ 1.17 |
| Basic number of shares used for calculation | 130,816 | 130,816 | 130,816 | 130,816 |
| Diluted number of shares used for calculation | 131,224 | 131,224 | 131,224 | 131,224 |

(a) Reported in conformity with U.S. GAAP

Notes:

(1) Represents realignment expense incurred as a result of realignment programs

(2) Includes tax impact of items above

(3) Represents \$7.7 million related to FPD divestiture write-down of assets

(4) Represents \$9.7 million related to FPD divestiture write-down of assets, \$7.3 million related to implementation costs for the adoption of ASC 606 and \$27.4 million related to Flowserve 2.0 transformation efforts

(5) Represents IPD loss on sale of businesses

(6) Represents below-the-line foreign exchange impacts

(7) Includes tax impact of items above

FLOWSERVE CORPORATION
SEGMENT INFORMATION
(Unaudited)

| FLOWSERVE PUMP DIVISION (Amounts in millions, except percentages) | Nine Months Ended September 30, | | | |
|--|--|---------|-------------|---------|
| | 2019 | | 2018 | |
| Bookings | \$ | 2,253.5 | \$ | 2,023.2 |
| Sales | | 1,966.8 | | 1,960.8 |
| Gross profit | | 653.8 | | 569.6 |
| Gross profit margin | | 33.2% | | 29.0% |
| SG&A | | 419.7 | | 447.8 |
| Loss on sale of businesses | | - | | (7.7) |
| Segment operating income | | 242.1 | | 122.8 |
| Segment operating income as a percentage of sales | | 12.3% | | 6.3% |

| FLOW CONTROL DIVISION (Amounts in millions, except percentages) | Nine Months Ended September 30, | | | |
|--|--|-------|-------------|-------|
| | 2019 | | 2018 | |
| Bookings | \$ | 942.8 | \$ | 957.9 |
| Sales | | 913.9 | | 889.9 |
| Gross profit | | 299.8 | | 298.6 |
| Gross profit margin | | 32.8% | | 33.6% |
| SG&A | | 159.2 | | 161.1 |
| Segment operating income | | 140.6 | | 136.7 |
| Segment operating income as a percentage of sales | | 15.4% | | 15.4% |

Third Quarter and Year-to-Date 2019 - Segment Results

(dollars in millions, comparison vs. 2018 third quarter and year-to-date, unaudited)

| | FPD | | FCD | |
|------------------------------------|------------|------------|-----------|----------|
| | 3rd Qtr | YTD | 3rd Qtr | YTD |
| Bookings | \$ 742.1 | \$ 2,253.5 | \$ 282.7 | \$ 942.8 |
| - vs. prior year | 6.3% | 11.4% | -10.0% | -1.6% |
| - on constant currency | 8.7% | 14.9% | -8.3% | 1.2% |
| Sales | \$ 682.7 | \$ 1,966.8 | \$ 314.8 | \$ 913.9 |
| - vs. prior year | 5.4% | 0.3% | 2.8% | 2.7% |
| - on constant currency | 7.7% | 3.3% | 4.9% | 5.5% |
| Gross Profit | \$ 230.4 | \$ 653.8 | \$ 102.6 | \$ 299.8 |
| - vs. prior year | 15.3% | 14.8% | -6.2% | 0.4% |
| Gross Margin (% of sales) | 33.7% | 33.2% | 32.6% | 32.8% |
| - vs. prior year (in basis points) | 290 bps | 420 bps | (310) bps | (80) bps |
| Operating Income | \$ 85.5 | \$ 242.1 | \$ 50.0 | \$ 140.6 |
| - vs. prior year | 51.3% | 97.1% | -11.3% | 2.9% |
| - on constant currency | 55.0% | 104.7% | -10.6% | 4.8% |
| Operating Margin (% of sales) | 12.5% | 12.3% | 15.9% | 15.4% |
| - vs. prior year (in basis points) | 380 bps | 600 bps | (250) bps | - bps |
| Adjusted Operating Income * | \$ 88.5 | \$ 237.2 | \$ 50.8 | \$ 142.4 |
| - vs. prior year | 24.5% | 31.1% | -10.7% | 0.8% |
| - on constant currency | 27.4% | 36.2% | -10.0% | 2.7% |
| Adj. Oper. Margin (% of sales)* | 13.0% | 12.1% | 16.1% | 15.6% |
| - vs. prior year (in basis points) | 200 bps | 290 bps | (250) bps | (30) bps |
| Backlog | \$ 1,514.6 | | \$ 627.0 | |

* Adjusted Operating Income and Adjusted Operating Margin exclude realignment charges and other specific discrete items

FLOWSERVE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | September 30, 2019 | | December 31, 2018 | |
|---|---------------------------|-------------|--------------------------|-------------|
| (Amounts in thousands, except par value) | | | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ | 547,270 | \$ | 619,683 |
| Accounts receivable, net of allowance for doubtful accounts of \$52,013 and \$51,501, respectively | | 789,448 | | 792,434 |
| Contract assets, net | | 258,299 | | 228,579 |
| Inventories, net | | 687,239 | | 633,871 |
| Prepaid expenses and other | | 113,404 | | 108,578 |
| Total current assets | | 2,395,660 | | 2,383,145 |
| Property, plant and equipment, net of accumulated depreciation of \$989,117 and \$956,634, respectively | | 575,845 | | 610,096 |
| Operating lease right-of-use assets, net | | 182,273 | | - |
| Goodwill | | 1,178,248 | | 1,197,640 |
| Deferred taxes | | 44,113 | | 44,682 |
| Other intangible assets, net | | 182,162 | | 190,550 |
| Other assets, net | | 206,191 | | 190,164 |
| Total assets | \$ | 4,764,492 | \$ | 4,616,277 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ | 398,215 | \$ | 418,893 |
| Accrued liabilities | | 385,520 | | 391,406 |
| Contract liabilities | | 219,680 | | 202,458 |
| Debt due within one year | | 9,739 | | 68,218 |
| Operating lease liabilities | | 35,042 | | - |
| Total current liabilities | | 1,048,196 | | 1,080,975 |
| Long-term debt due after one year | | 1,350,265 | | 1,414,829 |
| Operating lease liabilities | | 146,839 | | - |
| Retirement obligations and other liabilities | | 449,388 | | 459,693 |
| Shareholders' equity: | | | | |
| Common shares, \$1.25 par value | | 220,991 | | 220,991 |
| Shares authorized – 305,000 | | | | |
| Shares issued – 176,793 | | | | |
| Capital in excess of par value | | 499,930 | | 494,551 |
| Retained earnings | | 3,651,126 | | 3,543,007 |
| Treasury shares, at cost – 46,053 and 46,237 shares, respectively | | (2,042,140) | | (2,049,404) |
| Deferred compensation obligation | | 8,277 | | 7,117 |
| Accumulated other comprehensive loss | | (593,849) | | (573,947) |
| Total Flowserve Corporation shareholders' equity | | 1,744,335 | | 1,642,315 |
| Noncontrolling interests | | 25,469 | | 18,465 |
| Total equity | | 1,769,804 | | 1,660,780 |
| Total liabilities and equity | \$ | 4,764,492 | \$ | 4,616,277 |

FLOWSERVE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (Amounts in thousands) | Nine Months Ended September 30 | |
|--|---------------------------------------|-------------|
| | 2019 | 2018 |
| Cash flows – Operating activities: | | |
| Net earnings, including noncontrolling interests | \$ 190,534 | \$ 60,685 |
| Adjustments to reconcile net earnings to net cash provided (used) by operating activities: | | |
| Depreciation | 69,007 | 72,668 |
| Amortization of intangible and other assets | 10,134 | 12,548 |
| Loss on disposition of businesses | - | 7,727 |
| Stock-based compensation | 22,507 | 14,130 |
| Foreign currency, assets impairments and other non-cash adjustments | (8,284) | 31,678 |
| Change in assets and liabilities: | | |
| Accounts receivable, net | (13,351) | (9,481) |
| Inventories, net | (68,695) | (46,699) |
| Contract assets, net | (36,325) | (54,822) |
| Prepaid expenses and other assets, net | 3,786 | (16,340) |
| Accounts payable | (17,889) | (29,963) |
| Contract liabilities | 21,323 | 3,410 |
| Accrued liabilities and income taxes payable | (6,407) | (13,690) |
| Retirement obligations and other | (27,660) | (1,480) |
| Net deferred taxes | 5,311 | (4,033) |
| Net cash flows provided (used) by operating activities | 143,991 | 26,338 |
| Cash flows – Investing activities: | | |
| Capital expenditures | (44,624) | (49,976) |
| Proceeds from disposal of assets and other | 40,773 | 4,062 |
| (Payments) proceeds from disposition of businesses | - | (3,663) |
| Net cash flows provided (used) by investing activities | (3,851) | (49,577) |
| Cash flows – Financing activities: | | |
| Payments on long-term debt | (105,000) | (45,000) |
| Proceeds from short-term financing | 75,000 | - |
| Payments on short-term financing | (75,000) | - |
| Proceeds under other financing arrangements | 2,572 | 2,720 |
| Payments under other financing arrangements | (8,903) | (9,093) |
| Repurchases of common shares | (5,432) | - |
| Payments related to tax withholding for stock-based compensation | (3,835) | (2,972) |
| Payments of dividends | (74,695) | (74,548) |
| Other | (251) | (4,333) |
| Net cash flows provided (used) by financing activities | (195,544) | (133,226) |
| Effect of exchange rate changes on cash | (17,009) | (17,038) |
| Net change in cash and cash equivalents | (72,413) | (173,503) |
| Cash and cash equivalents at beginning of period | 619,683 | 703,445 |
| Cash and cash equivalents at end of period | \$ 547,270 | \$ 529,942 |

Contacts

Flowserve

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