**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 27, 2021**

**FLOWSERVE 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 |
|  |  |  |

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 27, 2021, Flowserve Corporation, a New York corporation (the “Company”), issued a press release announcing financial results for its third quarter ended September 30, 2021. 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.**

*Earnings Presentation*

On October 28, 2021, the Company will make a presentation about its financial and operating results for the third quarter of 2021, 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.**

1. Exhibits.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Exhibit No.** | |  |  | **Description** |  |
| [99.1](#page4) | | [Press Release, dated October 27, 2021.](#page4) | | |  |
|  |  |  |  |  |  |

**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 27, 2021 By: /s/ Amy B. Schwetz



Amy B. Schwetz

Senior Vice President, Chief Financial Officer

**Exhibit 99.1**

**Flowserve Corporation Reports Third Quarter 2021 Results**

**Reported and Adjusted Earnings Per Share of 38 cents and 29 cents, respectively Financial results adversely affected by late-quarter supply chain and logistics challenges Bookings increased 13.1% year-over-year to $912 million, Backlog up 6.2% year-to-date Year-to-date operating cash flow of $151 million, up over 32 percent versus prior year Revised full-year 2021 financial guidance metrics, including Revenue and Adjusted EPS**



DALLAS--(BUSINESS WIRE)--October 27, 2021--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, 2021.

**Third Quarter 2021 Highlights** (all comparisons to the 2020 third quarter, unless otherwise noted)1

Reported Earnings Per Share (EPS) of $0.38 and Adjusted EPS2 of $0.29



Reported EPS includes a net after-tax adjusted gain of $12.1 million, comprised of certain discrete tax items partially offset by realignment and financing costs and below-the-line foreign exchange impacts



Total bookings were $911.6 million, up 13.1%, or 11.8% on a constant currency basis



Original equipment bookings were $417.0 million, or 46% of total bookings, up 9.4%, or 7.9% on a constant currency basis



Aftermarket bookings were $494.6 million, or 54% of total bookings, up 16.3%, or 15.3% on a constant currency basis



Sales were $866.1 million, down 6.3%, or 7.3% on a constant currency basis



Original equipment sales were $425.2 million, down 11.3%, or 12.5% on a constant currency basis



 Aftermarket sales were $440.9 million, down 0.9%, or 1.8% on a constant currency basis Reported gross and operating margins were 29.3% and 6.6%, respectively



Adjusted gross and operating margins3 were 29.6% and 7.0%, respectively



Backlog at September 30, 2021 was $1.97 billion, up 6.2% versus December 31, 2020



“We are encouraged that the visibility into our project funnel continues to improve, including numerous energy transition related opportunities. In the third quarter, we captured a number of energy transition awards, including bio-diesel, solar power and desalination projects,” said Scott Rowe, Flowserve’s president and chief executive officer. “Additionally, our aftermarket and MRO activity are expected to remain at or near pre-pandemic levels, while our capabilities to support our customers’ decarbonization and other energy transition initiatives will further support the increased project activity we see ahead. We are confident in our near-term outlook for year-over-year bookings growth which should position Flowserve well to deliver revenue and earnings growth in 2022.”



Rowe concluded, “Flowserve’s third quarter results reflected substantial global supply chain, logistics, and labor availability issues which deferred approximately $60 million of revenue and $20 million of gross profit out of the quarter. The global nature of our business and our operations network amplified the impact of these disruptions. We strongly believe in our ability to work through these challenges to restore a more normal backlog conversion rate in the coming quarters.”

**Updated 2021 Guidance**4

Flowserve today revised certain of the full-year metrics of our 2021 target range.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Revised Target Range Prior Target Range** | | |
| Revenues | Down 3.5% to 4.5% |  | Down 2.0% to 4.0% |
| Reported Earnings Per Share | $1.05 - $1.10 | $1.15 - $1.40 | |
| Adjusted Earnings Per Share | $1.40 - $1.45 | $1.45 - $1.65 | |
| Net Interest Expense | $55 - $60 million |  | $55 - $60 million |
| Adjusted Tax Rate | ~20% | 21%-23% | |
| Capital Expenditures | ~$65 million |  | $70 - $80 million |

Consistent with the prior range, Flowserve’s 2021 Adjusted EPS target range excludes expected net after tax adjusted items of approximately $45 million, including realignment charges, the potential impact of below-the-line foreign currency effects and certain other discrete items. In a change to the approach for 2021, Flowserve 2.0 transformation-related expenses of approximately 5 cents per share will now be included in both the Company’s reported and adjusted EPS.

**Third Quarter 2021 Results Conference Call**

Flowserve will host its conference call with the financial community on Thursday, October 28th 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.

* Prior period comparisons are impacted by certain accounting revisions. Reference Flowserve’s Form 8-K filed on November 5, 2020 and Form 10-Q for the period ending September 30, 2021 for additional details.
* See Reconciliation of Non-GAAP Measures table for detailed reconciliation of reported results to adjusted measures.
* Adjusted gross and operating margins are calculated by dividing adjusted gross profit and adjusted 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.
* Adjusted 2021 EPS excludes realignment expenses, the impact from other specific discrete items and below-the-line foreign currency effects and utilizes year-end 2020 FX rates and approximately 131 million fully diluted shares.
* FX impact is calculated by comparing the difference between the actual average FX rates of 2020 and the year-end 2020 spot rates both as applied to our 2021 expectations, divided by the number of shares expected for 2021.



**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 theSecurities 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: the impact of the global outbreak of COVID-19 on our business and operations; 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, epidemics or pandemics 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.



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** |  |  |  |  |  |  |  |
| **(Unaudited)** |  |  |  |  |  |  |  |
|  |  |  | **Three Months Ended September 30,** | | | |  |
| (Amounts in thousands, except per share data) |  |  | **2021** |  |  | **2020** |  |
| Sales | $ | | 866,118 | $ | | 924,301 |  |
| Cost of sales |  |  | (612,626) |  |  | (639,092) |  |
| Gross profit |  |  | 253,492 |  |  | 285,209 |  |
| Selling, general and administrative expense |  |  | (200,862) |  |  | (200,729) |  |
| Net earnings from affiliates |  |  | 4,732 |  |  | 2,842 |  |
| Operating income |  |  | 57,362 |  |  | 87,322 |  |
| Interest expense |  |  | (14,746) |  |  | (13,509) |  |
| Loss on extinguishment of debt |  |  | (563) |  |  | (1,201) |  |
| Interest income |  |  | 827 |  |  | 673 |  |
| Other income (expense), net |  |  | (1,504) |  |  | 4,673 |  |
| Earnings before income taxes |  |  | 41,376 |  |  | 77,958 |  |
| (Provision for) benefit from income taxes |  |  | 10,433 |  |  | (19,196) |  |
| Net earnings, including noncontrolling interests |  |  | 51,809 |  |  | 58,762 |  |
| Less: Net earnings attributable to noncontrolling interests |  |  | (2,024) |  |  | (2,647) |  |
| Net earnings attributable to Flowserve Corporation |  | $ | 49,785 |  | $ | 56,115 |  |
| Net earnings per share attributable to Flowserve Corporation common shareholders: |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Basic | $ | | 0.38 | $ | | 0.43 |  |
| Diluted |  |  | 0.38 |  |  | 0.43 |  |
|  |  |  |  |  |  |  |  |

**RECONCILIATION OF NON-GAAP MEASURES**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended September 30, 2021** | | | | |  |  |  |
| (Amounts in thousands, except per share data) |  | **As Reported (a)** |  |  | **Realignment (1)** |  |  | **Other Items** |  |  |  | **As Adjusted** |
| Sales | $ | 866,118 | $ | | - | $ | | - |  | $ | | 866,118 |
| Gross profit |  | 253,492 |  |  | (2,582) |  |  | - |  |  |  | 256,074 |
| *Gross margin* |  | *29.3%* |  |  | *-* |  |  | *-* |  |  |  | *29.6%* |
| Selling, general and administrative expense |  | (200,862) |  |  | (368) |  |  | - |  |  |  | (200,494) |
| Gain on sale of business |  | - |  |  | - |  |  | - |  |  |  | - |
| Net earnings from affiliates |  | 4,732 |  |  | - |  |  | - |  |  |  | 4,732 |
| Operating income |  | 57,362 |  |  | (2,950) |  |  | - |  |  |  | 60,312 |
| *Operating income as a percentage of sales* |  | *6.6%* |  |  | *-* |  |  | *-* |  |  |  | *7.0%* |
| Interest and other expense, net |  | (15,986) |  |  | - |  |  | (2,520) |  | (3) |  | (13,466) |
| Earnings before income taxes |  | 41,376 |  |  | (2,950) |  |  | (2,520) |  |  |  | 46,846 |
| (Provision for) benefit from income taxes |  | 10,433 |  |  | 624 | (2) |  | 16,935 |  | (4) |  | (7,126) |
| *Tax Rate* |  | *-25.2%* |  |  | *21.2%* |  |  | *672.0%* |  |  |  | *15.2%* |
| **Net earnings attributable to Flowserve Corporation** | **$** | **49,785** | **$** | | **(2,326)** | **$** | | **14,415** |  | **$** | | **37,696** |
| Net earnings per share attributable to Flowserve Corporation |  |  |  |  |  |  |  |  |  |  |  |  |
| common shareholders: |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | 0.38 | $ | | (0.02) | $ | | 0.11 |  | $ | | 0.29 |
| Diluted |  | 0.38 |  |  | (0.02) |  |  | 0.11 |  |  |  | 0.29 |
| Basic number of shares used for calculation |  | 130,242 |  |  | 130,242 |  |  | 130,242 |  |  |  | 130,242 |
| Diluted number of shares used for calculation |  | 130,789 |  |  | 130,789 |  |  | 130,789 |  |  |  | 130,789 |

(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 below-the-line foreign exchange impacts and $1.5 million of expense as a result of early extinguishment of debt and duplicate interest expense.
4. Includes tax impact of items above and $16.6 million benefit related to legal entity restructuring of foreign holding companies.



**RECONCILIATION OF NON-GAAP MEASURES**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended September 30, 2020** | | | | |  |  |  |
| (Amounts in thousands, except per share data) |  | **As Reported (a)** |  |  | **Realignment (1)** |  |  | **Other Items** |  |  |  | **As Adjusted** |
| Sales | $ | 924,301 | $ | | - | $ | | - |  | $ | | 924,301 |
| Gross profit |  | 285,209 |  |  | (5,659) |  |  | - |  |  |  | 290,868 |
| *Gross margin* |  | *30.9%* |  |  | *-* |  |  | *-* |  |  |  | *31.5%* |
| Selling, general and administrative expense |  | (200,729) |  |  | (1,773) |  |  | (5,856) |  | (3) |  | (193,100) |
| Operating income |  | 87,322 |  |  | (7,432) |  |  | (5,856) |  |  |  | 100,610 |
| *Operating income as a percentage of sales* |  | *9.4%* |  |  | *-* |  |  | *-* |  |  |  | *10.9%* |
| Interest and other expense, net |  | (9,364) |  |  | - |  |  | 3,307 |  | (4) |  | (12,671) |
| Earnings before income taxes |  | 77,958 |  |  | (7,432) |  |  | (2,549) |  |  |  | 87,939 |
| Provision for income taxes |  | (19,196) |  |  | (1,552) | (2) |  | 2,343 |  | (5) |  | (19,987) |
| *Tax Rate* |  | *24.6%* |  |  | *-20.9%* |  |  | *91.9%* |  |  |  | *22.7%* |
| **Net earnings attributable to Flowserve Corporation** | **$** | **56,115** | **$** | | **(8,984)** | **$** | | **(206)** |  | **$** | | **65,305** |
| Net earnings per share attributable to Flowserve Corporation |  |  |  |  |  |  |  |  |  |  |  |  |
| common shareholders: |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | 0.43 | $ | | (0.07) | $ | | - |  | $ | | 0.50 |
| Diluted |  | 0.43 |  |  | (0.07) |  |  | - |  |  |  | 0.50 |
| Basic number of shares used for calculation |  | 130,313 |  |  | 130,313 |  |  | 130,313 |  |  |  | 130,313 |
| Diluted number of shares used for calculation |  | 130,900 |  |  | 130,900 |  |  | 130,900 |  |  |  | 130,900 |

(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 and $1.1 million related to discrete asset write-downs.
4. Represents below-the-line foreign exchange impacts.
5. Includes tax impact of items above and $0.4 million benefit related to tax reform.



**SEGMENT INFORMATION**

**(Unaudited)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FLOWSERVE PUMP DIVISION** |  | **Three Months Ended September 30,** | | | |
| (Amounts in millions, except percentages) |  | **2021** |  |  | **2020** |
| Bookings | $ | 660.9 |  | $ | 574.1 |
| Sales |  | 601.8 |  |  | 670.2 |
| Gross profit |  | 182.9 |  |  | 210.0 |
| Gross profit margin |  | 30.4% |  |  | 31.3% |
| SG&A |  | 128.5 |  |  | 126.2 |
| Segment operating income |  | 59.1 |  |  | 86.7 |
| Segment operating income as a percentage of sales |  | 9.8% |  |  | 12.9% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FLOW CONTROL DIVISION** |  | **Three Months Ended September 30,** | | | |
| (Amounts in millions, except percentages) |  | **2021** |  |  | **2020** |
| Bookings | $ | 253.6 |  | $ | 237.6 |
| Sales |  | 266.1 |  |  | 255.2 |
| Gross profit |  | 77.0 |  |  | 78.1 |
| Gross profit margin |  | 28.9% |  |  | 30.6% |
| SG&A |  | 49.3 |  |  | 47.3 |
| Segment operating income |  | 27.7 |  |  | 30.8 |
| Segment operating income as a percentage of sales |  | 10.4% |  |  | 12.1% |
|  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** |  |  |  |  |  |  |  |
| **(Unaudited)** |  |  |  |  |  |  |  |
|  |  |  | **Nine Months Ended September 30,** | | | |  |
| (Amounts in thousands, except per share data) |  |  | **2021** |  |  | **2020** |  |
| Sales | $ | | 2,621,604 | $ | | 2,742,826 |  |
| Cost of sales |  |  | (1,838,974) |  |  | (1,921,451) |  |
| Gross profit |  |  | 782,630 |  |  | 821,375 |  |
| Selling, general and administrative expense |  |  | (609,965) |  |  | (675,523) |  |
| Gain on sale of business |  |  | 1,806 |  |  | - |  |
| Net earnings from affiliates |  |  | 11,157 |  |  | 9,125 |  |
| Operating income |  |  | 185,628 |  |  | 154,977 |  |
| Interest expense |  |  | (45,847) |  |  | (39,407) |  |
| Loss on extinguishment of debt |  |  | (8,173) |  |  | (1,201) |  |
| Interest income |  |  | 1,893 |  |  | 3,571 |  |
| Other income (expense), net |  |  | (20,717) |  |  | 23,969 |  |
| Earnings before income taxes |  |  | 112,784 |  |  | 141,909 |  |
| (Provision for) benefit from income taxes |  |  | 3,929 |  |  | (60,650) |  |
| Net earnings, including noncontrolling interests |  |  | 116,713 |  |  | 81,259 |  |
| Less: Net earnings attributable to noncontrolling interests |  |  | (7,495) |  |  | (6,890) |  |
| Net earnings attributable to Flowserve Corporation |  | $ | 109,218 |  | $ | 74,369 |  |
| Net earnings per share attributable to Flowserve Corporation common shareholders: |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Basic | $ | | 0.84 | $ | | 0.57 |  |
| Diluted |  |  | 0.83 |  |  | 0.57 |  |
|  |  |  |  |  |  |  |  |

**RECONCILIATION OF NON-GAAP MEASURES**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Nine Months Ended September 30, 2021** | | | |  |  |  |
| (Amounts in thousands, except per share data) |  | **As Reported (a)** |  |  | **Realignment (1)** |  |  | **Other Items** |  |  | **As Adjusted** |
| Sales | $ | 2,621,604 | $ | | - | $ | | - | $ | | 2,621,604 |
| Gross profit |  | 782,630 |  |  | (15,813) |  |  | - |  |  | 798,443 |
| *Gross margin* |  | *29.9%* |  |  | *-* |  |  | *-* |  |  | *30.5%* |
| Selling, general and administrative expense |  | (609,965) |  |  | (6,454) |  |  | - |  |  | (603,511) |
| Gain on sale of business |  | 1,806 |  |  | - |  |  | 1,806 | (3) |  | - |
| Net earnings from affiliates |  | 11,157 |  |  | - |  |  | - |  |  | 11,157 |
| Operating income |  | 185,628 |  |  | (22,267) |  |  | 1,806 |  |  | 206,089 |
| *Operating income as a percentage of sales* |  | *7.1%* |  |  | *-* |  |  | *-* |  |  | *7.9%* |
| Interest and other expense, net |  | (72,844) |  |  | - |  |  | (23,833) | (4) |  | (49,011) |
| Earnings before income taxes |  | 112,784 |  |  | (22,267) |  |  | (22,027) |  |  | 157,078 |
| (Provision for) benefit from income taxes |  | 3,929 |  |  | 8,466 | (2) |  | 22,734 | (5) |  | (27,271) |
| *Tax Rate* |  | *-3.5%* |  |  | *38.0%* |  |  | *103.2%* |  |  | *17.4%* |
| **Net earnings attributable to Flowserve Corporation** | **$** | **109,218** | **$** | | **(13,801)** | **$** | | **707** | **$** | | **122,312** |
| Net earnings per share attributable to Flowserve Corporation |  |  |  |  |  |  |  |  |  |  |  |
| common shareholders: |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | 0.84 | $ | | (0.11) | $ | | 0.01 | $ | | 0.94 |
| Diluted |  | 0.83 |  |  | (0.11) |  |  | 0.01 |  |  | 0.93 |
| Basic number of shares used for calculation |  | 130,325 |  |  | 130,325 |  |  | 130,325 |  |  | 130,325 |
| Diluted number of shares used for calculation |  | 130,867 |  |  | 130,867 |  |  | 130,867 |  |  | 130,867 |

(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 and realignment related tax release.
3. Represents final settlement gain on sale of business in 2018.
4. Represents below-the-line foreign exchange impacts and $9.1 million of expense as a result of early extinguishment of debt and duplicate interest expense.
5. Includes tax impact of items above and $17.9 million benefit related to legal entity restructuring of foreign holding companies.



**RECONCILIATION OF NON-GAAP MEASURES**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Nine Months Ended September 30, 2020** | | | |  |  |  |
| (Amounts in thousands, except per share data) |  | **As Reported (a)** |  |  | **Realignment (1)** |  |  | **Other Items** |  |  | **As Adjusted** |
| Sales | $ | 2,742,826 | $ | | - | $ | | - | $ | | 2,742,826 |
| Gross profit |  | 821,375 |  |  | (40,636) |  |  | - |  |  | 862,011 |
| *Gross margin* |  | *29.9%* |  |  | *-* |  |  | *-* |  |  | *31.4%* |
| Selling, general and administrative expense |  | (675,523) |  |  | (31,681) |  |  | (27,557) | (3) |  | (616,285) |
| Operating income |  | 154,977 |  |  | (72,317) |  |  | (27,557) |  |  | 254,851 |
| *Operating income as a percentage of sales* |  | *5.7%* |  |  | *-* |  |  | *-* |  |  | *9.3%* |
| Interest and other expense, net |  | (13,068) |  |  | - |  |  | 25,663 | (4) |  | (38,731) |
| Earnings before income taxes |  | 141,909 |  |  | (72,317) |  |  | (1,894) |  |  | 216,120 |
| Provision for income taxes |  | (60,650) |  |  | 10,146 | (2) |  | (19,138) | (5) |  | (51,658) |
| *Tax Rate* |  | *42.7%* |  |  | *14.0%* |  |  | *-1010.5%* |  |  | *23.9%* |
| **Net earnings attributable to Flowserve Corporation** | **$** | **74,369** | **$** | | **(62,171)** | **$** | | **(21,032)** | **$** | | **157,572** |
| Net earnings per share attributable to Flowserve Corporation |  |  |  |  |  |  |  |  |  |  |  |
| common shareholders: |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | 0.57 | $ | | (0.48) | $ | | (0.16) | $ | | 1.21 |
| Diluted |  | 0.57 |  |  | (0.47) |  |  | (0.16) |  |  | 1.20 |
| Basic number of shares used for calculation |  | 130,413 |  |  | 130,413 |  |  | 130,413 |  |  | 130,413 |
| Diluted number of shares used for calculation |  | 131,068 |  |  | 131,068 |  |  | 131,068 |  |  | 131,068 |

(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. Includes $16.0 million related to Flowserve 2.0 transformation efforts and $11.6 million related to discrete asset write-downs.
4. Represents below-the-line foreign exchange impacts.
5. Includes tax impact of items above, $25.7 million related to Italian tax valuation allowance and $2.4 million benefit related to tax reform.



**SEGMENT INFORMATION**

**(Unaudited)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FLOWSERVE PUMP DIVISION** |  | **Nine Months Ended September 30,** | | | |
| (Amounts in millions, except percentages) |  | **2021** |  |  | **2020** |
| Bookings | $ | 1,982.5 |  | $ | 1,792.3 |
| Sales |  | 1,821.9 |  |  | 1,979.9 |
| Gross profit |  | 562.1 |  |  | 603.7 |
| Gross profit margin |  | 30.9% |  |  | 30.5% |
| SG&A |  | 394.7 |  |  | 426.1 |
| Gain on sale of business |  | 1.8 |  |  | - |
| Segment operating income |  | 180.7 |  |  | 186.7 |
| Segment operating income as a percentage of sales |  | 9.9% |  |  | 9.4% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FLOW CONTROL DIVISION** |  | **Nine Months Ended September 30,** | | | |
| (Amounts in millions, except percentages) |  | **2021** |  |  | **2020** |
| Bookings | $ | 834.0 |  | $ | 807.8 |
| Sales |  | 803.1 |  |  | 766.9 |
| Gross profit |  | 236.4 |  |  | 229.1 |
| Gross profit margin |  | 29.4% |  |  | 29.9% |
| SG&A |  | 147.1 |  |  | 154.9 |
| Segment operating income |  | 89.7 |  |  | 74.2 |
| Segment operating income as a percentage of sales |  | 11.2% |  |  | 9.7% |
|  |  |  |  |  |  |

**Third Quarter and Year-to-Date 2021 - Segment Results**



(dollars in millions, comparison vs. 2020 third quarter and year-to-date, unaudited)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FPD | |  |  |  | FCD | |  |
| Bookings |  | $ | 660.9 | $ | 1,982.5 |  | $ | 253.6 | $ | 834.0 |
| - vs. prior year |  |  | 15.1% |  | 10.6% |  |  | 6.7% |  | 3.2% |
| - on constant currency |  |  | 13.9% |  | 7.6% |  |  | 5.4% |  | 0.5% |
| Sales | $ | | 601.8 | $ | 1,821.9 | $ | | 266.1 | $ | 803.1 |
| - vs. prior year |  |  | -10.2% |  | -8.0% |  |  | 4.3% |  | 4.7% |
| - on constant currency |  |  | -11.2% |  | -10.6% |  |  | 3.2% |  | 1.7% |
| Gross Profit | $ | | 182.9 | $ | 562.1 | $ | | 77.0 | $ | 236.4 |
| - vs. prior year |  |  | -12.9% |  | -6.9% |  |  | -1.4% |  | 3.2% |
| Gross Margin (% of sales) |  |  | 30.4% |  | 30.9% |  |  | 28.9% |  | 29.4% |
| - vs. prior year (in basis points) |  |  | (90) bps |  | 40 bps |  |  | (170) bps |  | (50) bps |
| Operating Income | $ | | 59.1 | $ | 180.7 | $ | | 27.7 | $ | 89.7 |
| - vs. prior year |  |  | -31.8% |  | -3.2% |  |  | -10.1% |  | 20.9% |
| - on constant currency |  |  | -33.5% |  | -7.2% |  |  | -11.6% |  | 17.4% |
| Operating Margin (% of sales) |  |  | 9.8% |  | 9.9% |  |  | 10.4% |  | 11.2% |
| - vs. prior year (in basis points) |  |  | (310) bps |  | 50 bps |  |  | (170) bps |  | 150 bps |
| Adjusted Operating Income \* | $ | | 61.1 | $ | 193.6 | $ | | 28.0 | $ | 91.9 |
| - vs. prior year |  |  | -35.3% |  | -18.8% |  |  | -10.3% |  | 2.2% |
| - on constant currency |  |  | -36.9% |  | -21.9% |  |  | -12.1% |  | -0.7% |
| Adj. Oper. Margin (% of sales)\* |  |  | 10.2% |  | 10.6% |  |  | 10.5% |  | 11.4% |
| - vs. prior year (in basis points) |  |  | (390) bps |  | (140) bps |  |  | (170) bps |  | (30) bps |
| Backlog | $ | | 1,339.2 |  |  | $ | | 636.9 |  |  |

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



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **CONDENSED CONSOLIDATED BALANCE SHEETS** |  |  |  |  |  |  |  |
| **(Unaudited)** |  |  |  |  |  |  |  |
|  |  |  | **September 30,** |  |  | **December 31,** |  |
| (Amounts in thousands, except par value) |  |  | **2021** |  |  | **2020** |  |
| **ASSETS** |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | | 1,457,269 | $ | | 1,095,274 |  |
| Accounts receivable, net of allowance for expected credit losses of $75,966 and |  |  |  |  |  |  |  |
| $75,176, respectively |  |  | 710,782 |  |  | 753,462 |  |
| Contract assets, net of allowance for expected credit losses of $2,778 and $3,205, respectively |  |  | 235,917 |  |  | 277,734 |  |
| Inventories, net |  |  | 698,046 |  |  | 667,228 |  |
| Prepaid expenses and other |  |  | 121,209 |  |  | 110,635 |  |
| Total current assets |  |  | 3,223,223 |  |  | 2,904,333 |  |
| Property, plant and equipment, net of accumulated depreciation of $1,117,487 and $1,093,348, respectively |  |  | 513,168 |  |  | 556,873 |  |
| Operating lease right-of-use assets, net |  |  | 194,306 |  |  | 208,125 |  |
| Goodwill |  |  | 1,202,598 |  |  | 1,224,886 |  |
| Deferred taxes |  |  | 57,849 |  |  | 30,538 |  |
| Other intangible assets, net |  |  | 155,994 |  |  | 168,496 |  |
| Other assets, net of allowance for expected credit losses of $67,697 and $67,842, respectively |  |  | 248,778 |  |  | 221,426 |  |
| Total assets |  | $ | 5,595,916 |  | $ | 5,314,677 |  |
| **LIABILITIES AND EQUITY** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |  |
| Accounts payable | $ | | 370,977 | $ | | 440,199 |  |
| Accrued liabilities |  |  | 468,153 |  |  | 463,222 |  |
| Contract liabilities |  |  | 199,103 |  |  | 194,227 |  |
| Debt due within one year |  |  | 836,618 |  |  | 8,995 |  |
| Operating lease liabilities |  |  | 34,034 |  |  | 34,990 |  |
| Total current liabilities |  |  | 1,908,885 |  |  | 1,141,633 |  |
| Long-term debt due after one year |  |  | 1,272,246 |  |  | 1,717,911 |  |
| Operating lease liabilities |  |  | 165,588 |  |  | 176,246 |  |
| Retirement obligations and other liabilities |  |  | 457,964 |  |  | 517,566 |  |
| 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 |  |  | 501,122 |  |  | 502,227 |  |
| Retained earnings |  |  | 3,700,507 |  |  | 3,670,543 |  |
| Treasury shares, at cost – 46,804 and 46,768 shares, respectively |  |  | (2,058,168) |  |  | (2,059,309) |  |
| Deferred compensation obligation |  |  | 7,145 |  |  | 6,164 |  |
| Accumulated other comprehensive loss |  |  | (612,093) |  |  | (609,625) |  |
| Total Flowserve Corporation shareholders' equity |  |  | 1,759,504 |  |  | 1,730,991 |  |
| Noncontrolling interests |  |  | 31,729 |  |  | 30,330 |  |
| Total equity |  |  | 1,791,233 |  |  | 1,761,321 |  |
| Total liabilities and equity |  | $ | 5,595,916 |  | $ | 5,314,677 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** |  |  |  |  |  |  |
| **(Unaudited)** |  |  |  |  |  |  |
|  |  |  | **Nine Months Ended September 30,** | | | |
| (Amounts in thousands) |  |  | **2021** |  |  | **2020** |
| **Cash flows – Operating activities:** |  |  |  |  |  |  |
| Net earnings, including noncontrolling interests | $ | | 116,713 | $ | | 81,259 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |  |  |  |  |  |  |
| Depreciation |  |  | 66,316 |  |  | 63,887 |
| Amortization of intangible and other assets |  |  | 10,643 |  |  | 8,788 |
| Loss on extinguishment of debt |  |  | 8,173 |  |  | 1,201 |
| Stock-based compensation |  |  | 23,610 |  |  | 24,104 |
| Foreign currency, asset write downs and other non-cash adjustments |  |  | 9,897 |  |  | 1,880 |
| Change in assets and liabilities: |  |  |  |  |  |  |
| Accounts receivable, net |  |  | 24,361 |  |  | 24,324 |
| Inventories, net |  |  | (47,533) |  |  | (51,974) |
| Contract assets, net |  |  | 35,358 |  |  | (37,328) |
| Prepaid expenses and other assets, net |  |  | 2,429 |  |  | 6,168 |
| Accounts payable |  |  | (58,600) |  |  | (21,756) |
| Contract liabilities |  |  | 9,379 |  |  | (22,468) |
| Accrued liabilities and income taxes payable |  |  | 9,136 |  |  | 22,762 |
| Retirement obligations and other |  |  | (23,842) |  |  | 22,729 |
| Net deferred taxes |  |  | (34,933) |  |  | (9,325) |
| Net cash flows provided (used) by operating activities |  |  | 151,107 |  |  | 114,251 |
| **Cash flows – Investing activities:** |  |  |  |  |  |  |
| Capital expenditures |  |  | (34,034) |  |  | (46,424) |
| Proceeds from disposal of assets and other |  |  | 2,525 |  |  | 13,759 |
| Net affiliate investment activity |  |  | (7,204) |  |  | - |
| Net cash flows provided (used) by investing activities |  |  | (38,713) |  |  | (32,665) |
| **Cash flows – Financing activities:** |  |  |  |  |  |  |
| Payments on senior notes |  |  | (407,473) |  |  | (191,258) |
| Proceeds from issuance of senior notes |  |  | 498,280 |  |  | 498,280 |
| Proceeds from long-term debt |  |  | 300,000 |  |  | - |
| Payments of deferred loan cost |  |  | (5,399) |  |  | (4,572) |
| Proceeds under other financing arrangements |  |  | 1,408 |  |  | 603 |
| Payments under other financing arrangements |  |  | (6,215) |  |  | (7,145) |
| Repurchases of common shares |  |  | (17,531) |  |  | (32,112) |
| Payments related to tax withholding for stock-based compensation |  |  | (5,899) |  |  | (4,521) |
| Payments of dividends |  |  | (78,551) |  |  | (78,106) |
| Other |  |  | (6,276) |  |  | (2,314) |
| Net cash flows provided (used) by financing activities |  |  | 272,344 |  |  | 178,855 |
| Effect of exchange rate changes on cash |  |  | (22,743) |  |  | (10,243) |
| Net change in cash and cash equivalents |  |  | 361,995 |  |  | 250,198 |
| Cash and cash equivalents at beginning of period |  |  | 1,095,274 |  |  | 670,980 |
| Cash and cash equivalents at end of period |  | $ | 1,457,269 |  | $ | 921,178 |
|  |  |  |  |  |  |  |

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