

LISTEN.  
THINK.  
SOLVE.®

# Fiscal Year 2017 First Quarter Conference Call

January 25, 2017

- This presentation includes statements related to the expected future results of the company and are therefore forward-looking statements. Actual results may differ materially from those projections due to a wide range of risks and uncertainties, including those that are listed in our SEC filings.
- This presentation also contains non-GAAP financial information and reconciliations to GAAP are included in the appendix. All information should be read in conjunction with our historical financial statements.

# Fiscal 2017 First Quarter Results and Full Year Outlook

## Q1 Results

- Organic sales up 3.8% YOY
  - U.S. returned to growth; double-digit growth in emerging markets
  - Continued strength in consumer and transportation
- Acquisitions contributed 1.8% to growth
- Solid segment operating margin of 21.2%
- Adjusted EPS of \$1.75

## Full Year Outlook

- Macro outlook consistent with prior guidance
- Increasing organic growth by 1 point across the range
- Greater currency headwinds

***Increasing Adjusted EPS guidance to \$5.95 - \$6.35 for FY 2017***

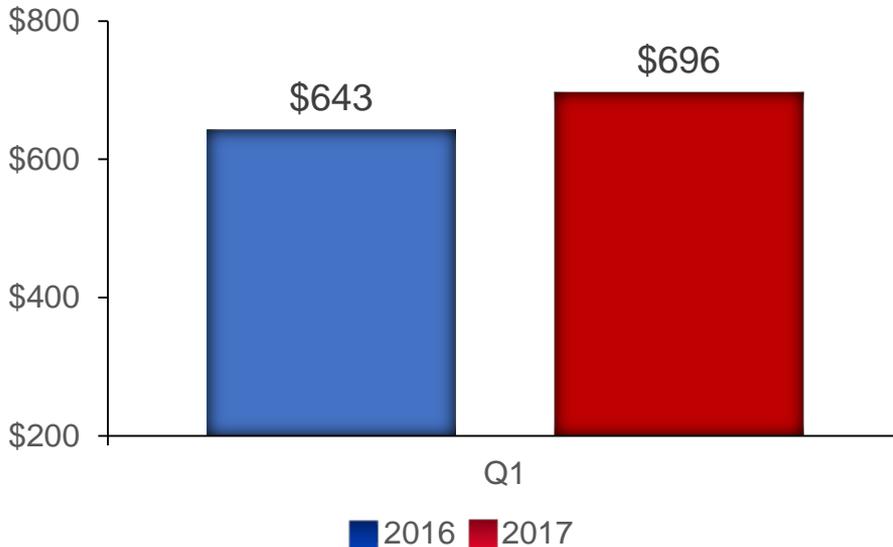
# Key Financial Information: First Quarter

(in millions, except per share amounts)

	<u>Q1 2017</u>	<u>Q1 2016</u>	<u>YOY B/(W)</u>
Sales	\$ 1,490	\$ 1,427	4.5 %
Segment Operating Margin	21.2 %	20.7 %	50 bps
General Corporate - Net	\$ 15	\$ 18	\$ 3
Adjusted EPS	\$ 1.75	\$ 1.49	17.4 %
Adjusted Effective Tax Rate	18.1 %	22.8 %	470 bps
Free Cash Flow	\$ 271	\$ 145	\$ 126
ROIC	34.6 %	32.6 %	200 bps

## Sales

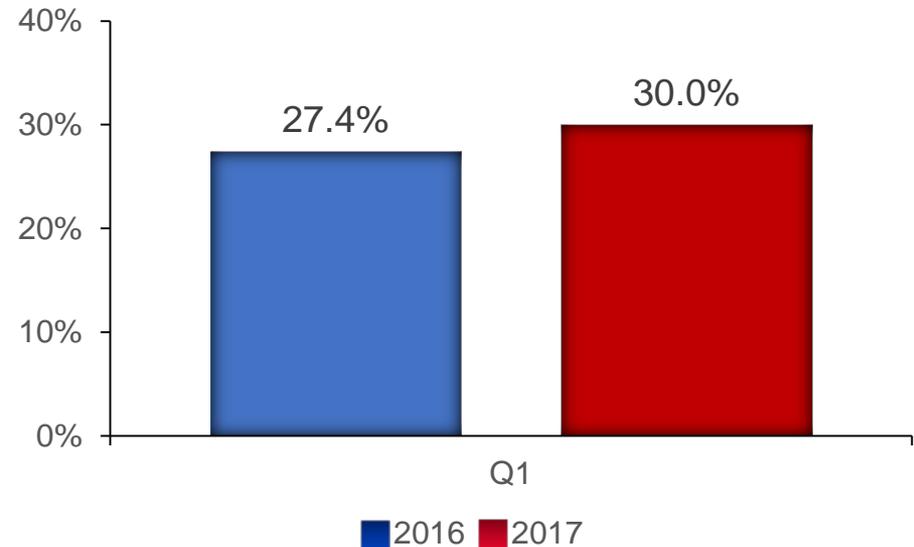
(\$ millions)



### YOY Sales % Change

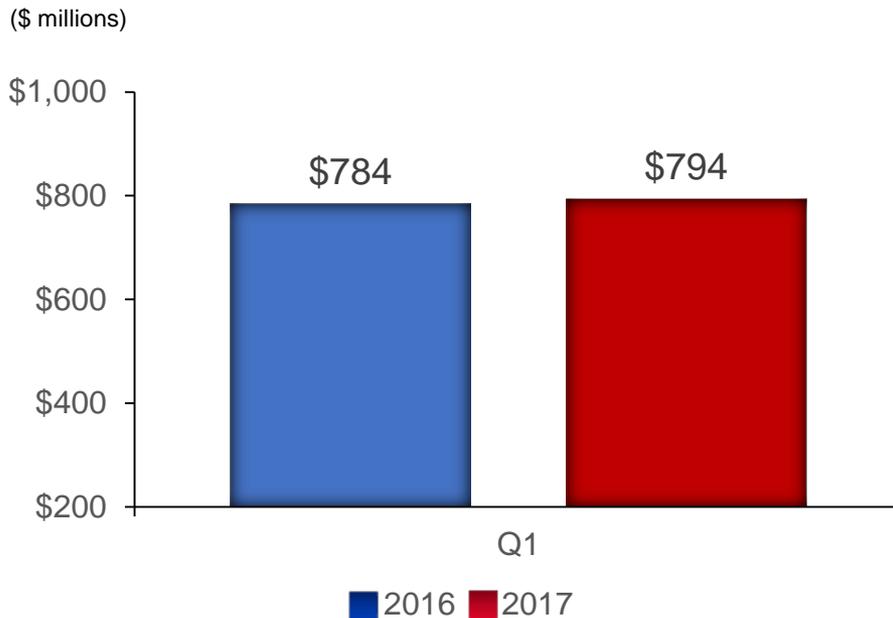
	<u>Q1 2017</u>
Organic	7.6%
FX	(1.0)%
Acquisitions	1.7%
<b>Reported</b>	<b>8.3%</b>

## Segment Operating Margin



- Segment operating margin expanded 260 bps in Q1, primarily due to higher sales

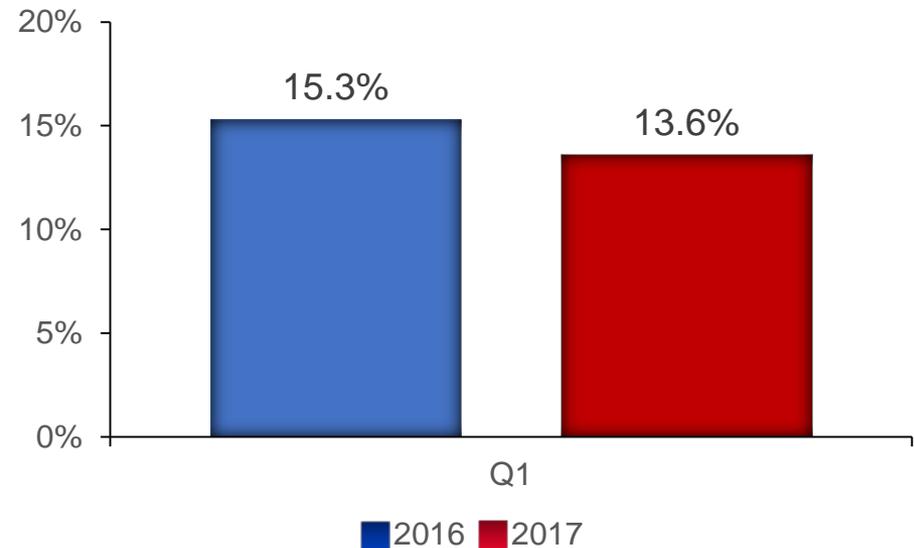
## Sales



### YOY Sales % Change

	Q1 2017
Organic	0.7%
FX	(1.3)%
Acquisitions	1.9%
Reported	1.3%

## Segment Operating Margin



- Segment operating margin contracted 170 bps in Q1, primarily due to higher incentive compensation

# Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q1 2017</u>	
	<u>Sales</u>	<u>Organic % Change</u>
U.S.	\$ 820	1.8%
Canada	83	5.3%
EMEA	271	(1.8)%
Asia Pacific	205	19.8%
Latin America	111	5.9%
TOTAL	<u>\$ 1,490</u>	3.8%

## First Quarter \*

- U.S. and Canada return to YOY organic growth
- Slow start in EMEA, as expected
- Broad-based growth in Asia Pacific; China up mid-teens
- Latin America growth led by Mexico and Brazil
- Emerging markets up double digits

\* All growth comments refer to organic growth

# Revised Fiscal 2017 Guidance

	January Guidance	November Guidance
Sales Midpoint	~ \$6B	~ \$6B
Organic Growth Range	1% to 5%	0% to 4%
Currency Translation	~ (2.0)%	~ (0.5)%
Acquisitions	~ 1.5%	~ 1.5%
Segment Operating Margin	~ 20%	~ 20%
Adjusted Effective Tax Rate	~ 23.5%	~ 24%
Adjusted EPS	\$5.95 - \$6.35	\$5.85 - \$6.25
Free Cash Flow as a % of Adjusted Income	100%+	~ 100%

Note: As of January 25, 2017

# Appendix

Supplemental Financial Information and  
Reconciliations to Non-GAAP Measures

# First Quarter Results: Summary

(in millions, except per share amounts)

	<u>Q1 2017</u>	<u>Q1 2016</u>
Total Sales	\$ 1,490.3	\$ 1,426.6
Total Segment Operating Earnings	\$ 316.6	\$ 295.9
Purchase Accounting Depreciation and Amortization	(5.6)	(4.7)
General Corporate - Net	(14.9)	(18.0)
Non-Operating Pension Costs	(19.8)	(18.9)
Interest Expense	(18.7)	(17.4)
Income Tax Provision	(42.9)	(51.4)
Net Income	<u>\$ 214.7</u>	<u>\$ 185.5</u>
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	12.6	12.1
Adjusted Income	<u>\$ 227.3</u>	<u>\$ 197.6</u>
Adjusted EPS	<u>\$ 1.75</u>	<u>\$ 1.49</u>
Average Diluted Shares	<u>129.7</u>	<u>132.6</u>

# Free Cash Flow

(in millions)	<u>Q1 2017</u>
Net Income	\$ 214.7
Depreciation/Amortization	40.4
Retirement Benefits Expense	43.0
Receivables/Inventory/Payables	(32.3)
Compensation and Benefits	22.4
Pension Contributions	(13.5)
Income Taxes	22.3
Other	13.8
Cash Flow from Operations	310.8
Capital Expenditures	(39.4)
Excess Income Tax Benefit from Share-based Compensation	—
Free Cash Flow	<u>\$ 271.4</u>

# Reconciliation to Non-GAAP Measures

## Organic Sales

	Three Months Ended December 31,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
United States	\$ 820.1	\$ 0.2	\$ 820.3	\$ (18.7)	\$ 801.6	\$ 787.3	4.2%	1.8%
Canada	82.7	0.3	83.0	(0.1)	82.9	78.7	5.1%	5.3%
Europe, Middle East, Africa	270.7	4.1	274.8	(5.4)	269.4	274.2	(1.3)%	(1.8)%
Asia Pacific	205.6	3.2	208.8	(1.5)	207.3	173.0	18.8%	19.8%
Latin America	111.2	9.0	120.2	(0.1)	120.1	113.4	(1.9)%	5.9%
Total	<u>\$ 1,490.3</u>	<u>\$ 16.8</u>	<u>\$ 1,507.1</u>	<u>\$ (25.8)</u>	<u>\$ 1,481.3</u>	<u>\$ 1,426.6</u>	4.5%	3.8%

	Three Months Ended December 31,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
Architecture & Software	\$ 696.4	\$ 6.6	\$ 703.0	\$ (11.1)	\$ 691.9	\$ 642.9	8.3%	7.6%
Control Products & Solutions	793.9	10.2	804.1	(14.7)	789.4	783.7	1.3%	0.7%
Total	<u>\$ 1,490.3</u>	<u>\$ 16.8</u>	<u>\$ 1,507.1</u>	<u>\$ (25.8)</u>	<u>\$ 1,481.3</u>	<u>\$ 1,426.6</u>	4.5%	3.8%

# Reconciliation to Non-GAAP Measures

## Segment Operating Margin

(in millions, except percentages)

	<u>Three Months Ended December 31, 2016</u>	<u>Three Months Ended December 31, 2015</u>
Sales		
Architecture & Software (a)	\$ 696.4	\$ 642.9
Control Products & Solutions (b)	793.9	783.7
Total sales (c)	<u>\$ 1,490.3</u>	<u>\$ 1,426.6</u>
Segment operating earnings		
Architecture & Software (d)	\$ 208.6	\$ 176.2
Control Products & Solutions (e)	108.0	119.7
Total segment operating earnings (f)	<u>316.6</u>	<u>295.9</u>
Purchase accounting depreciation and amortization	(5.6)	(4.7)
General corporate - net	(14.9)	(18.0)
Non-operating pension costs	(19.8)	(18.9)
Interest expense	(18.7)	(17.4)
Income before income taxes (g)	<u>\$ 257.6</u>	<u>\$ 236.9</u>
Segment operating margin:		
Architecture & Software (d/a)	30.0%	27.4%
Control Products & Solutions (e/b)	13.6%	15.3%
Total segment operating margin (f/c)	21.2%	20.7%
Pretax margin (g/c)	17.3%	16.6%

# Reconciliation to Non-GAAP Measures

## Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

(in millions, except per share amounts)

	<b>Three Months Ended December 31, 2016</b>	<b>Three Months Ended December 31, 2015</b>
Income from continuing operations	\$ 214.7	\$ 185.5
Non-operating pension costs	19.8	18.9
Tax effect of non-operating pension costs	(7.2)	(6.8)
Adjusted Income	<u>\$ 227.3</u>	<u>\$ 197.6</u>
Diluted EPS from continuing operations	\$ 1.65	\$ 1.40
Non-operating pension costs per diluted share	0.15	0.14
Tax effect of non-operating pension costs per diluted share	(0.05)	(0.05)
Adjusted EPS	<u>\$ 1.75</u>	<u>\$ 1.49</u>
Effective tax rate	16.7 %	21.7 %
Tax effect of non-operating pension costs	1.4 %	1.1 %
Adjusted Effective Tax Rate	<u>18.1 %</u>	<u>22.8 %</u>

## Non-Operating Pension Costs

(in millions)

	<b>Three Months Ended December 31, 2016</b>	<b>Three Months Ended December 31, 2015</b>
Interest cost	\$ 37.8	\$ 42.5
Expected return on plan assets	(56.2)	(54.7)
Amortization of net actuarial loss	38.0	31.1
Settlements	0.2	—
Non-operating pension costs	<u>\$ 19.8</u>	<u>\$ 18.9</u>

# Reconciliation to Non-GAAP Measures

## Return On Invested Capital

(in millions, except percentages)

	<b>Twelve Months Ended</b>	
	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>(a) Return</b>		
Income from continuing operations	\$ 758.9	\$ 798.9
Interest expense	72.6	66.2
Income tax provision	204.9	278.0
Purchase accounting depreciation and amortization	19.3	20.3
Return	<u>1,055.7</u>	<u>1,163.4</u>
<b>(b) Average invested capital</b>		
Short-term debt	380.0	133.8
Long-term debt	1,457.0	1,379.4
Shareowners' equity	2,122.6	2,437.0
Accumulated amortization of goodwill and intangibles	815.5	797.1
Cash and cash equivalents	(1,495.2)	(1,427.7)
Short-term investments	(879.7)	(667.7)
Average invested capital	<u>2,400.2</u>	<u>2,651.9</u>
<b>(c) Effective tax rate</b>		
Income tax provision	204.9	278.0
Income from continuing operations before income taxes	\$ 963.8	\$ 1,076.9
Effective tax rate	<u>21.3%</u>	<u>25.8%</u>
<b>(a) / (b) * (1-c) Return On Invested Capital</b>	<u>34.6%</u>	<u>32.6%</u>

# Reconciliation to Non-GAAP Measures

## Fiscal 2017 Guidance

(in billions, except percentages and per share amounts)

### Organic Sales

	<u>January Guidance</u>	<u>November Guidance</u>
Organic sales growth	1% to 5%	0% to 4%
Foreign currency impact	~ (2.0)%	~ (0.5)%
Acquisition impact	~ 1.5%	~ 1.5%
Reported sales growth	<u>1% to 5%</u>	<u>1% to 5%</u>

### Segment Operating Margin

Total sales (a)	\$ ~ 6	\$ ~ 6
Total segment operating earnings (b)	~ 1.2	~ 1.2
Costs not allocated to segments	~ (0.2)	~ (0.3)
Income before income taxes (c)	<u>\$ ~ 1.0</u>	<u>\$ ~ 0.9</u>
Total segment operating margin (b/a)	~ 20 %	~ 20 %
Pretax margin (c/a)	~ 16 %	~ 16 %

### Adjusted Effective Tax Rate

Effective tax rate	~ 22.5 %	~ 23 %
Tax effect of non-operating pension costs	~ 1.0 %	~ 1 %
Adjusted Effective Tax Rate	<u>~ 23.5 %</u>	<u>~ 24 %</u>

### Adjusted EPS

Diluted EPS from continuing operations	\$5.56 - \$5.96	\$5.46 - \$5.86
Non-operating pension costs per diluted share	0.61	0.62
Tax effect of non-operating pension costs per diluted share	(0.22)	(0.23)
Adjusted EPS	<u>\$5.95 - \$6.35</u>	<u>\$5.85 - \$6.25</u>