



Fiscal Year 2020 First Quarter Conference Call

January 29, 2020



PUBLIC

Safe Harbor Statement

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.

Q1 FY20 and Full Year Outlook

Q1 HIGHLIGHTS

- Reported sales up 3% YOY
 - Significant contribution from inorganic investments of 4.5%
- Organic sales (1)% YOY, in line with expectations
 - Strong double-digit growth in Information Solutions & Connected Services (IS/CS) as enterprise rollouts accelerate
 - Logix down (2)%
- Backlog up sequentially and YOY
- Adjusted EPS of \$2.11; down (5)% YOY
- Free Cash Flow up 14% YOY

FY20 OUTLOOK

- Signs of stabilization in the macro environment
- Reaffirming guidance
 - Organic sales flat YOY at the midpoint
 - Inorganic investments expected to contribute ~4 pts to sales growth
 - Adjusted EPS of \$8.90 at the midpoint
 - Free Cash Flow conversion of ~100%
- Projecting double-digit growth in Information Solutions and Connected Services

Note: Guidance as of January 29, 2020

Reaffirming FY20 organic sales and Adjusted EPS guidance

Organic Industry Segment Performance and Outlook

	% of Q1 FY20 Sales	Q1 FY20 vs. Q1 FY19	Q1 FY20 vs. Q1 FY19	FY20 Assumptions at Guidance Midpoint
 Discrete	~ 25%	Up low single digits	<ul style="list-style-type: none"> ▲ Automotive up mid single digits ▲ Semiconductor up high single digits 	Down low single digits
 Hybrid	~ 40%	Down low single digits	<ul style="list-style-type: none"> ▼ Food & Beverage down low single digits ▲ Life Sciences up mid single digits ▲ Tire up mid single digits 	Up low single digits
 Process	~ 35%	Down low single digits	<ul style="list-style-type: none"> ▲ O&G up mid single digits ▼ Mining, Aggregates & Cement down mid single digits ▼ Chemicals down double digits 	Flat

Note: Organic growth rates depicted above exclude the impact of acquisitions and currency

Q1 FY20 Organic Sales Growth

North America
(3.3)%

EMEA
+1.6%

Asia Pacific
+5.9%

Latin America
(0.7)%



■ North America ■ EMEA
■ Asia Pacific ■ Latin America

Highlights *

- North America weakness driven by process industries, partially offset by Automotive and Semiconductor
- EMEA growth driven by Oil & Gas, Life Sciences, and Tire
- Asia Pacific strength led by Oil & Gas, Life Sciences, and Automotive. Solid growth in China
- Latin America slightly down due to weak performance in Automotive and Mining
- Emerging markets grew 3%

* All growth comments refer to organic growth

Inorganic Investments Highlights

- Information Solutions / Connected Services
- Process Expertise
- Market access in Europe / Asia

SENSIA



- Top line growing double digits with strong traction at marquis O&G customers around the world
- Validation of untapped digital oil field market potential
- Operating performance better than expected
- Sales team integration completed and launch of new solutions and products underway

MESTECH



- Acquired in Q1 FY20
- Global provider of industrial software consulting and delivery services company based in India
- Strong expertise in Life Sciences and Automotive
- Significantly augments global delivery capabilities

AVNET
CYBER & INFORMATION SECURITY



- Transaction expected to close Q2 FY20
- Augments existing cyber-security initiatives with significant domain expertise
- Provides incremental scale and support outside of North America
- Cybersecurity Center of Excellence in EMEA

Q1 FY20 Key Financial Information

(\$ in millions, except per share amounts)

	Q1 FY20	Q1 FY19	YOY B/(W)
SALES	\$1,685	\$1,642	Organic Growth (1.0)% Inorganic Growth +4.5% Currency Translation (0.9)% Reported Growth <u>+2.6%</u>
SEGMENT OPERATING MARGIN	20.1%	22.8%	(270) bps
GENERAL CORPORATE - NET	\$33	\$22	\$(11)
ADJUSTED EPS	\$2.11	\$2.21	(5)%
ADJUSTED EFFECTIVE TAX RATE	7.9%	18.7%	10.8 pts
FREE CASH FLOW	\$194	\$170	\$24

Q1 FY20 Segment Results

SALES
(\$ in millions)

SEGMENT OPERATING MARGIN

HIGHLIGHTS

ARCHITECTURE & SOFTWARE

\$751.6

Organic	+0.7%
Inorganic	+0.1%
Currency	<u>(1.0)%</u>
Reported	(0.2)%

29.8%

(170) bps

- Strong segment operating margin performance
- YOY decline of (170) bps primarily due to higher investment spending

CONTROL PRODUCTS & SOLUTIONS

\$932.9

Organic	(2.5)%
Inorganic	+8.2%
Currency	<u>(0.8)%</u>
Reported	+4.9%

12.4%

(310) bps

- Segment operating margin declined (310) bps YOY primarily due to Sensia one-time items, unfavorable mix, and lower organic sales
- Sensia had a year-over-year negative impact of 140 basis points on segment operating margin

FY20 guidance

	November Guidance	January Guidance
Sales Midpoint	~ \$7.0B	~ \$7.0B
Organic Growth Range	(1.5)% - 1.5%	(1.5)% - 1.5%
Inorganic Growth	~ 4%	~ 4%
Currency Translation	~ (0.5)%	~ (0.5)%
Segment Operating Margin	~ 21.5%	~ 21.5%
Adjusted Effective Tax Rate¹	~ 16.0%	~ 15.5%
Adjusted EPS²	\$8.70 - \$9.10	\$8.70 - \$9.10
Free Cash Flow as a % of Adjusted Income	~ 100%	~ 100%

Note: As of January 29, 2020

¹ Includes the impact of a tax benefit recognized upon the formation of the Sensia joint venture on October 1, 2019.

² Based on Adjusted Income, which excludes Schlumberger's non-controlling interest in Sensia.



**Rockwell
Automation**

Appendix

Supplemental Financial Information and
Reconciliations to Non-GAAP Measures

Q1 FY20 year-over-year impacts of Sensia

	Operations	Intangible Amortization	One-time items ⁵	Tax benefit	Total reported
Sales ¹	\$72M				\$72M
Segment operating earnings ¹	\$13M ⁴		\$(15)M		\$(2)M
General Corporate – net			\$(6)M		\$(6)M
Purchase accounting amort		\$(6)M			\$(6)M
Tax provision				\$19M	\$19M
Adjusted EPS before non-controlling interest	\$0.08	\$(0.04)	\$(0.14)	\$0.16	\$0.06
Non-controlling interest ²	(0.04)	0.02	0.04	(0.07)	(0.05)
Adjusted EPS ³	\$0.04	\$(0.02)	\$(0.10)	\$0.09	\$0.01 ⁶

1. Sensia sales and operating earnings are reported in the Control Products & Solutions segment.

2. Non-controlling interest represents Schlumberger's 47% share of various items, including 47% of the operating earnings of the business contributed to Sensia by Rockwell.

3. Adjusted EPS is based on Adjusted Income (i.e. after non-controlling interest adjustments).

4. Net of \$1M of depreciation.

5. One-time items relate to purchase accounting, transaction fees, and other integration costs.

6. Incremental year-over-year Sensia impact excludes interest expense associated with the \$250M paid to Schlumberger in connection with the formation of Sensia on October 1, 2019.

FY20 estimated year-over-year impacts of Sensia

	Operations	Intangible Amortization	One-time items ⁵	Tax benefit	Total reported
Sales ¹	~\$270M				~\$270M
Segment operating earnings ¹	~\$35-\$40M ⁴		~\$(20)M		~\$20M
General Corporate – net			~\$(5)M		~\$(5)M
Purchase accounting amort		~\$(25)M			~\$(25)M
Tax provision				~\$20M	~\$20M
Adjusted EPS before non-controlling interest	~\$0.25	~\$(0.15)	~\$(0.15)	~\$0.15	~\$0.10
Non-controlling interest ²	~(0.15)	~0.05	~0.05	~(0.05)	~(0.10)
Adjusted EPS ³	~\$0.10	~\$(0.10)	~\$(0.10)	~\$0.10	~\$0.00 ⁶

Note: As of January 29, 2020

1. Sensia sales and operating earnings are reported in the Control Products & Solutions segment.

2. Non-controlling interest represents Schlumberger's 47% share of various items, including 47% of the operating earnings of the business contributed to Sensia by Rockwell.

3. Adjusted EPS is based on Adjusted Income (i.e. after non-controlling interest adjustments).

4. Net of \$5M of depreciation.

5. One-time items relate to purchase accounting, transaction fees, and other integration costs.

6. Incremental year-over-year Sensia impact excludes interest expense associated with the \$250M paid to Schlumberger in connection with the formation of Sensia on October 1, 2019.

Q1 FY20 Results: Summary

(\$ in millions, except per share amounts)

	<u>Q1 2020</u>	<u>Q1 2019</u>
Total Sales	\$ 1,684.5	\$ 1,642.3
Total Segment Operating Earnings	\$ 339.1	\$ 374.9
Purchase Accounting Depreciation and Amortization	(10.0)	(4.1)
General Corporate - Net	(32.8)	(21.9)
Non-operating pension and postretirement benefit (cost) credit	(8.7)	2.6
Change in fair value of investments ¹	71.0	(212.7)
Interest (expense) income, net	(24.0)	(18.0)
Income tax provision	(19.2)	(40.5)
Net income	\$ 315.4	\$ 80.3
Net income attributable to noncontrolling interests	4.7	—
Net income attributable to Rockwell Automation	\$ 310.7	\$ 80.3
<u>Adjustments</u>		
Non-operating pension and postretirement benefit cost (credit), net of tax	6.3	(2.3)
Change in fair value of investments ¹	(71.0)	212.7
Tax effect of change in fair value of investments ¹	—	(21.7)
Adjusted Income	\$ 246.0	\$ 269.0
Adjusted EPS	\$ 2.11	\$ 2.21
Average Diluted Shares	116.6	121.5

¹In the three months ended December 31, 2019, Change in fair value of investments included a \$71.0 million gain due to the change in value of our investment in PTC. In the three months ended December 31, 2018, Change in fair value of investments included a \$246.4 million loss due to the change in value of our investment in PTC and a \$33.7 million gain due to the valuation adjustments related to the registration of PTC Shares.

Free Cash Flow

(\$ in millions)	<u>Q1 2020</u>	<u>Q1 2019</u>
Net Income	\$ 315	\$ 80
Depreciation/Amortization	42	36
Retirement Benefits Expense	32	17
Receivables/Inventory/Payables	(84)	(90)
Compensation and Benefits	(39)	(85)
Pension Contributions	(7)	(6)
Income Taxes	(17)	12
Change in fair value of investments ¹	(71)	213
Other	<u>60</u>	<u>35</u>
Cash Flow From Operations	231	212
Capital Expenditures	(37)	(42)
Free Cash Flow	<u>\$ 194</u>	<u>\$ 170</u>
Adjusted Income	\$ 246	\$ 269
Free Cash Flow as a % of Adjusted Income	79%	63%

¹In the three months ended December 31, 2019, Change in fair value of investments included a \$71.0 million gain due to the change in value of our investment in PTC. In the three months ended December 31, 2018, Change in fair value of investments included a \$246.4 million loss due to the change in value of our investment in PTC and a \$33.7 million gain due to the valuation adjustments related to the registration of PTC Shares.

Industry Segmentation

% of FY19 Sales

Discrete

- ~10% Automotive
- ~5% Semiconductor
- ~5% General Industries
 - Warehousing & Logistics
 - Printing & Publishing
 - Marine
 - Glass
 - Fiber & Textiles
 - Airports
 - Aerospace
- ~10% Other Discrete

Total Discrete Industries ~25% of sales

Hybrid

- ~20% Food & Beverage
- ~5% Life Sciences
- ~5% Household & Personal Care
- ~5% Tire
- ~5% Eco Industrial
 - Water & Wastewater
 - Mass Transit
 - Renewable Energy

Total Hybrid Industries ~40% of sales

Process

- ~10% Oil & Gas
- ~5% Mining, Aggregates & Cement
- ~5% Metals
- ~5% Chemicals
- ~5% Pulp & Paper
- ~5% Other Process
 - Traditional Power
 - Other Process

Total Process Industries ~35% of sales

Reconciliation to Non-GAAP Measures

Organic Sales

(\$ in millions)

	Three Months Ended December 31,						Reported Sales Growth (Decline) (a)/(c)	Currency Growth (Decline) (d)/(c)	Acquisition Growth (Decline) (e)/(c)	Organic Growth (Decline) (b)/(c)
	2019			2018						
	Sales(a)	Effect of Changes in Currency(d)	Sales Excluding Changes in Currency	Effect of Acquisitions(e) ¹	Organic Sales(b)	Sales(c)				
North America	\$ 1,006.9	\$ —	\$ 1,006.9	\$ (40.8)	\$ 966.1	\$ 998.8	0.8%	—%	4.1%	(3.3)%
EMEA	310.1	9.2	319.3	(20.3)	299.0	294.4	5.3%	(3.2)%	6.9%	1.6%
Asia Pacific	229.6	3.1	232.7	(5.7)	227.0	214.4	7.1%	(1.4)%	2.7%	5.9%
Latin America	137.9	2.4	140.3	(6.6)	133.7	134.7	2.4%	(1.8)%	4.9%	(0.7)%
Total	\$ 1,684.5	\$ 14.7	\$ 1,699.2	\$ (73.4)	\$ 1,625.8	\$ 1,642.3	2.6%	(0.9)%	4.5%	(1.0)%

	Three Months Ended December 31,						Reported Sales Growth (Decline) (a)/(c)	Currency Growth (Decline) (d)/(c)	Acquisition Growth (Decline) (e)/(c)	Organic Growth (Decline) (b)/(c)
	2019			2018						
	Sales(a)	Effect of Changes in Currency(d)	Sales Excluding Changes in Currency	Effect of Acquisitions(e)	Organic Sales(b)	Sales(c)				
Architecture & Software	\$ 751.6	\$ 7.7	\$ 759.3	\$ (0.7)	\$ 758.6	\$ 753.1	(0.2)%	(1.0)%	0.1%	0.7%
Control Products & Solutions	932.9	7.0	939.9	(72.7) ¹	867.2	889.2	4.9%	(0.8)%	8.2%	(2.5)%
Total	\$ 1,684.5	\$ 14.7	\$ 1,699.2	\$ (73.4)	\$ 1,625.8	\$ 1,642.3	2.6%	(0.9)%	4.5%	(1.0)%

¹Includes incremental sales resulting from the formation of the Sensia joint venture.

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(\$ in millions)

	Three Months Ended	
	December 31, 2019	December 31, 2018
Sales		
Architecture & Software (a)	\$ 751.6	\$ 753.1
Control Products & Solutions (b)	932.9	889.2
Total sales (c)	<u>\$ 1,684.5</u>	<u>\$ 1,642.3</u>
Segment operating earnings		
Architecture & Software (d)	\$ 223.7	\$ 237.0
Control Products & Solutions (e)	115.4	137.9
Total segment operating earnings ¹ (f)	<u>339.1</u>	<u>374.9</u>
Purchase accounting depreciation and amortization	(10.0)	(4.1)
General corporate - net	(32.8)	(21.9)
Non-operating pension and postretirement benefit (cost) credit	(8.7)	2.6
Change in fair value of investments ¹	71.0	(212.7)
Interest (expense) income, net	(24.0)	(18.0)
Income before income taxes (g)	<u>\$ 334.6</u>	<u>\$ 120.8</u>
Segment operating margin:		
Architecture & Software (d/a)	29.8%	31.5%
Control Products & Solutions (e/b)	12.4%	15.5%
Total segment operating margin ¹ (f/c)	20.1%	22.8%
Pretax margin (g/c)	19.9%	7.4%

¹Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We exclude purchase accounting depreciation and amortization, general corporate – net, non-operating pension and postretirement benefit credit (cost), gains and losses on investments, valuation adjustments related to the registration of PTC Shares, gains and losses from the disposition of businesses, interest (expense) income, net and income tax provision because we do not consider these costs to be directly related to the operating performance of our segments. We believe total segment operating earnings and total segment operating margin are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our operating segments. Our measures of total segment operating earnings and total segment operating margin may be different from measures used by other companies.

Reconciliation to Non-GAAP Measures

Adjusted Income, Adjusted EPS, and Adjusted Effective Tax Rate

(\$ in millions, except per share amounts)

	Three Months Ended	
	December 31, 2019	December 31, 2018
Net Income attributable to Rockwell Automation	\$ 310.7	\$ 80.3
Non-operating pension and postretirement benefit cost (credit)	8.7	(2.6)
Tax effect of non-operating pension and postretirement benefit cost (credit)	(2.4)	0.3
Change in fair value of investments	(71.0)	212.7
Tax effect of change in fair value of investments	—	(21.7)
Adjusted Income	\$ 246.0	\$ 269.0
Diluted EPS	\$ 2.66	\$ 0.66
Non-operating pension and postretirement benefit cost (credit)	0.08	(0.02)
Tax effect of non-operating pension and postretirement benefit cost (credit)	(0.02)	—
Change in fair value of investments	(0.61)	1.75
Tax effect of change in fair value of investments	—	(0.18)
Adjusted EPS	\$ 2.11	\$ 2.21
Effective Tax Rate	5.7%	33.5%
Tax effect of non-operating pension and postretirement benefit cost (credit)	0.6%	—%
Tax effect of change in fair value of investments	1.6%	(14.8)%
Adjusted Effective Tax Rate	7.9%	18.7%

Non-operating pension and postretirement benefit cost (credit)

(in millions)

	Three Months Ended	
	December 31, 2019	December 31, 2018
Interest cost	\$ 34.6	\$ 40.2
Expected return on plan assets	(61.2)	(61.2)
Amortization of prior service credit	(1.2)	(1.1)
Amortization of net actuarial loss	37.2	19.7
Settlements	(0.7)	(0.2)
Non-operating pension and postretirement benefit cost (credit)	\$ 8.7	\$ (2.6)

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(\$ in millions)

	Twelve Months Ended December 31,	
	2019	2018
(a) Return		
Net income	\$ 930.9	\$ 852.2
Interest expense	103.9	73.7
Income tax provision	183.9	301.6
Purchase accounting depreciation and amortization	22.5	17.1
Return	<u>1,241.2</u>	<u>1,244.6</u>
(b) Average invested capital		
Short-term debt	370.9	466.3
Long-term debt	1,803.7	1,231.4
Shareowners' equity	1,041.6	1,687.9
Accumulated amortization of goodwill and intangibles	890.1	870.2
Cash and cash equivalents	(829.1)	(1,034.4)
Short-term and long-term investments	(126.7)	(717.8)
Average invested capital	<u>3,150.5</u>	<u>2,503.6</u>
(c) Effective tax rate		
Income tax provision ¹	183.9	243.0
Income before income taxes	\$ 1,114.8	\$ 1,153.8
Effective tax rate	<u>16.5%</u>	<u>21.1%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>32.9%</u>	<u>39.2%</u>

¹The income tax provision used to calculate the effective tax rate is adjusted to remove amounts associated with the enactment of the Tax Act. For the twelve months ended December 31, 2019 and December 31, 2018, these adjustments were zero and \$58.6 million, respectively.

Reconciliation to Non-GAAP Measures

Logix Sales Growth

	Three Months Ended December 31, 2019
<u>Logix</u>	
Logix reported growth	(3) %
Effect of currency translation	1 %
Logix organic growth	<u>(2) %</u>

Control Products & Solutions Sales Growth

	Three Months Ended December 31, 2019
<u>Control Products</u>	
Control Products reported growth	(6) %
Effect of currency translation	1 %
Effect of inorganic investments	— %
Control Products organic growth	<u>(5) %</u>
<u>Solutions & Services</u>	
Solutions & Services reported growth	13 %
Effect of currency translation	1 %
Effect of inorganic investments	(14) %
Solutions & Services organic growth	<u>— %</u>

Reconciliation to Non-GAAP Measures

Fiscal 2020 Guidance

(\$ in billions, except per share amounts)

Organic Sales

Organic sales growth
Inorganic sales growth
Foreign currency impact
Reported sales growth

Segment Operating Margin

Total sales (a)
Total segment operating earnings (b)
Costs not allocated to segments
Income before income taxes (c)

Total segment operating margin (b/a)
Pretax margin (c/a)

Adjusted Effective Tax Rate¹

Effective tax rate
Tax effect of non-operating pension and postretirement benefit cost
Tax effect of change in fair value of investments³
Adjusted Effective Tax Rate

Adjusted EPS²

Diluted EPS
Non-operating pension and postretirement benefit cost
Tax effect of non-operating pension and postretirement benefit cost
Change in fair value of investments³
Adjusted EPS

Fiscal 2020 Guidance

(1.5)% - 1.5%
~ 4%
~ (0.5)%
2% - 5%

\$ ~ 7.0

~ 1.5

~ 0.2

\$ ~ 1.3

~ 21.5 %

~ 18.6 %

~ 14.5 %

~ 0.5 %

~ 0.5 %

~ 15.5 %

\$9.09 - \$9.49

0.30

(0.08)

(0.61)

\$8.70 - \$9.10

¹ Includes the impact of a tax benefit recognized upon the formation of the Sensia joint venture on October 1, 2019. This tax benefit is expected to reduce the full year Effective tax rate and the Adjusted Effective Tax Rate by approximately 150 basis points.

² Based on Adjusted Income, which excludes Schlumberger's non-controlling interest in Sensia.

³ The actual year-to-date adjustments, which are based on PTC's share price at December 31, 2019, are used for guidance, as estimates of these adjustments on a forward-looking basis are not available due to variability, complexity and limited visibility of these items.



Thank you



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