



**Rockwell  
Automation**

expanding human possibility<sup>®</sup>

# Q3 Fiscal 2023 Earnings Presentation

August 1, 2023



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.

# Q3 FY23 Results Highlights

- ▶ Reported sales up 13.7% YOY; Organic sales increased 13.2% YOY
  - ▶ Currency reduced sales 0.7%
  - ▶ Acquisitions contributed 1.2%
- ▶ Information Solutions & Connected Services (IS/CS) sales up ~10% YOY
- ▶ Total ARR up 17% YOY
- ▶ Segment margin of 21.1%, up 30 bps YOY
- ▶ Adjusted EPS of \$3.01, up 13% YOY
- ▶ Backlog beginning to reduce with improving lead times
  - ▶ Backlog continues at historically high levels

Good quarter with double-digit sales and earnings growth

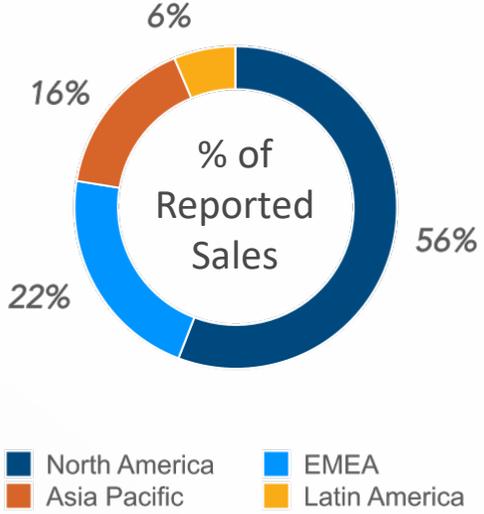
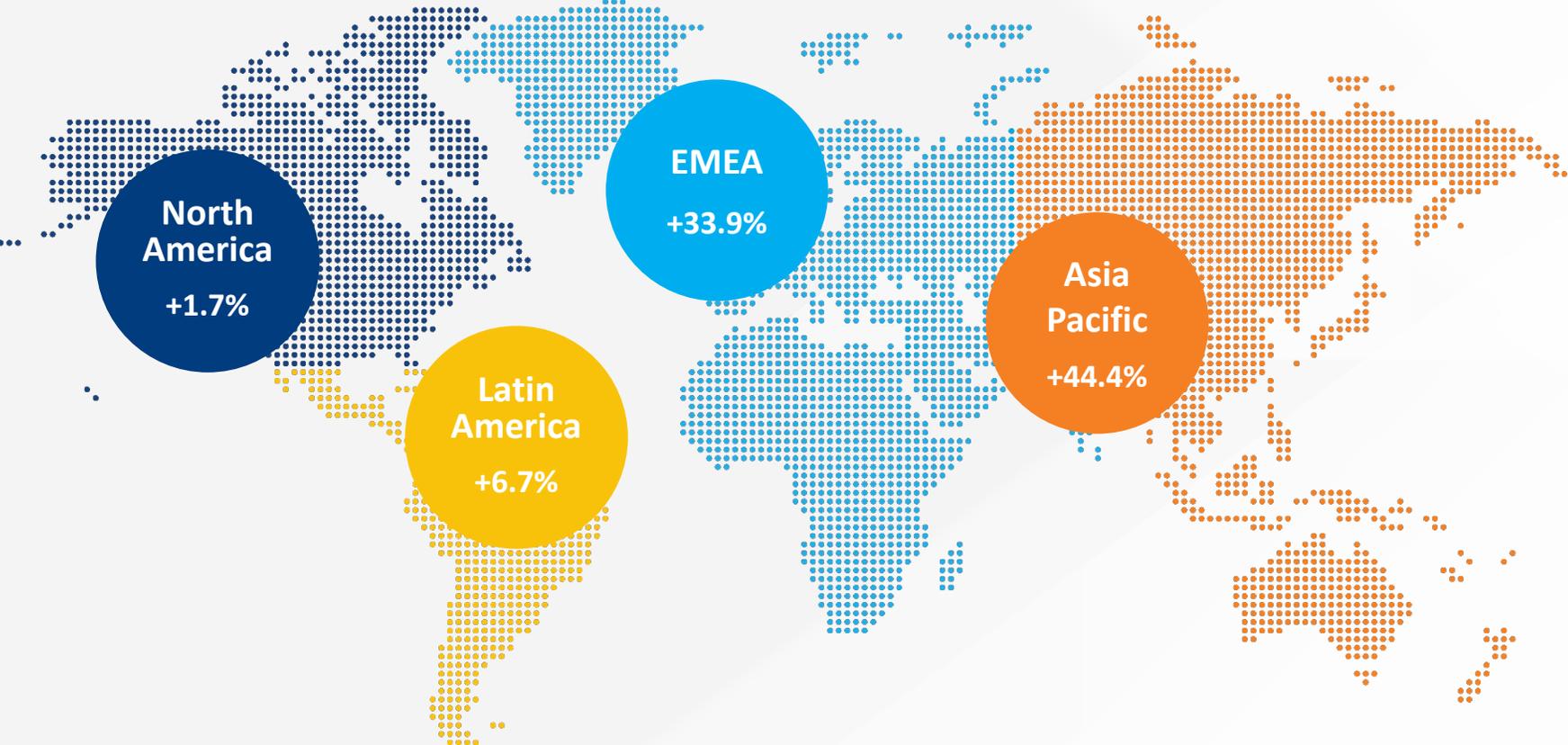
# Q3 FY23 Organic Industry Segment Performance

	% of Q3 FY23 Sales	Q3 FY23 vs. Q3 FY22	Q3 FY23 vs. Q3 FY22
 <p>DISCRETE</p>	~25%	Up ~10%	<ul style="list-style-type: none"> <li>▲ Automotive up mid teens</li> <li>▲ Semiconductor up high teens</li> <li>▼ e-Commerce &amp; Warehouse Automation down high teens</li> </ul>
 <p>HYBRID</p>	~ 45%	Up ~15%	<ul style="list-style-type: none"> <li>▲ Food &amp; Beverage up mid teens</li> <li>▲ Life Sciences up mid single digits</li> <li>▲ Tire up ~35%</li> </ul>
 <p>PROCESS</p>	~ 30%	Up ~15%	<ul style="list-style-type: none"> <li>▲ Oil &amp; Gas up mid teens</li> <li>▲ Mining up ~30%</li> <li>▲ Chemicals up low single digits</li> </ul>

Note: Organic sales growth rates depicted above exclude the impact of acquisitions and currency. Arrows reflect positive/negative directional growth vs prior year. Results primarily impacted by composition of backlog versus underlying demand.



# Q3 FY23 Organic Sales Growth



Sales growth by region driven by composition of backlog



# Full Year Outlook Update

- ▶ Total sales growth range of 14% - 16%; Organic growth range of 14% - 16%
  - ▶ Currency to reduce sales ~(1.0) pt
  - ▶ Acquisitions to contribute ~1.0 pt of growth
- ▶ Expect orders of ~\$8.5B - \$9B and to exit the year with ~\$4.5B - \$5B in backlog
- ▶ Information Solutions & Connected Services (IS/CS) sales to grow double digits
- ▶ Organic ARR expected to grow ~15% YOY
- ▶ Expect segment margin of ~21.5%, up ~160 bps YOY
- ▶ Adjusted EPS range of \$11.70 - \$12.10, up ~25% at the midpoint
- ▶ Expect Free Cash Flow conversion of ~80%

Note: Updated Guidance as of August 1, 2023

Good finish to this fiscal year and strong foundation for fiscal 2024



# FY23 Organic Industry Segment Outlook

	% of FY23 Sales	FY23 vs. FY22	Assumptions at Guidance Midpoint	B/(W) vs. Prior Guidance
 <p>DISCRETE</p>	~25%	Up low double digits	<ul style="list-style-type: none"> <li>▲ Automotive up strong double digits</li> <li>▲ Semiconductor up high teens</li> <li>▼ e-Commerce &amp; Warehouse Automation down mid teens</li> </ul>	-
 <p>HYBRID</p>	~40%	Up high teens	<ul style="list-style-type: none"> <li>▲ Food &amp; Beverage up mid teens</li> <li>▲ Life Sciences up high single digits</li> <li>▲ Tire up strong double digits</li> </ul>	=
 <p>PROCESS</p>	~35%	Up mid teens	<ul style="list-style-type: none"> <li>▲ Oil &amp; Gas up high teens</li> <li>▲ Mining up strong double digits</li> <li>▲ Chemicals up high single digits</li> </ul>	+

Note: Organic sales growth rates depicted above exclude the impact of acquisitions and currency. Arrows reflect positive/negative directional growth vs prior year. Results primarily impacted by composition of backlog versus underlying demand.

Note: Updated Guidance as of August 1, 2023; Prior Guidance as of April 27, 2023

# Q3 FY23 Key Financial Information

(\$ in millions, except per share amounts)

	Q3 FY23	Q3 FY22	YOY B/(W)
Sales	\$2,239	\$1,969	<b>Organic Growth</b> +13.2 % Inorganic Growth +1.2 % Currency Translation <u>(0.7) %</u> <b>Reported Growth</b> +13.7 %
Segment Operating Margin	21.1%	20.8%	+30 bps
Corporate and Other	\$32	\$16	\$(16)
Adjusted EPS	\$3.01	\$2.66	+13%
Adjusted Effective Tax Rate	14.1%	14.5%	0.4 pts
Free Cash Flow	\$240	\$327	\$(87)

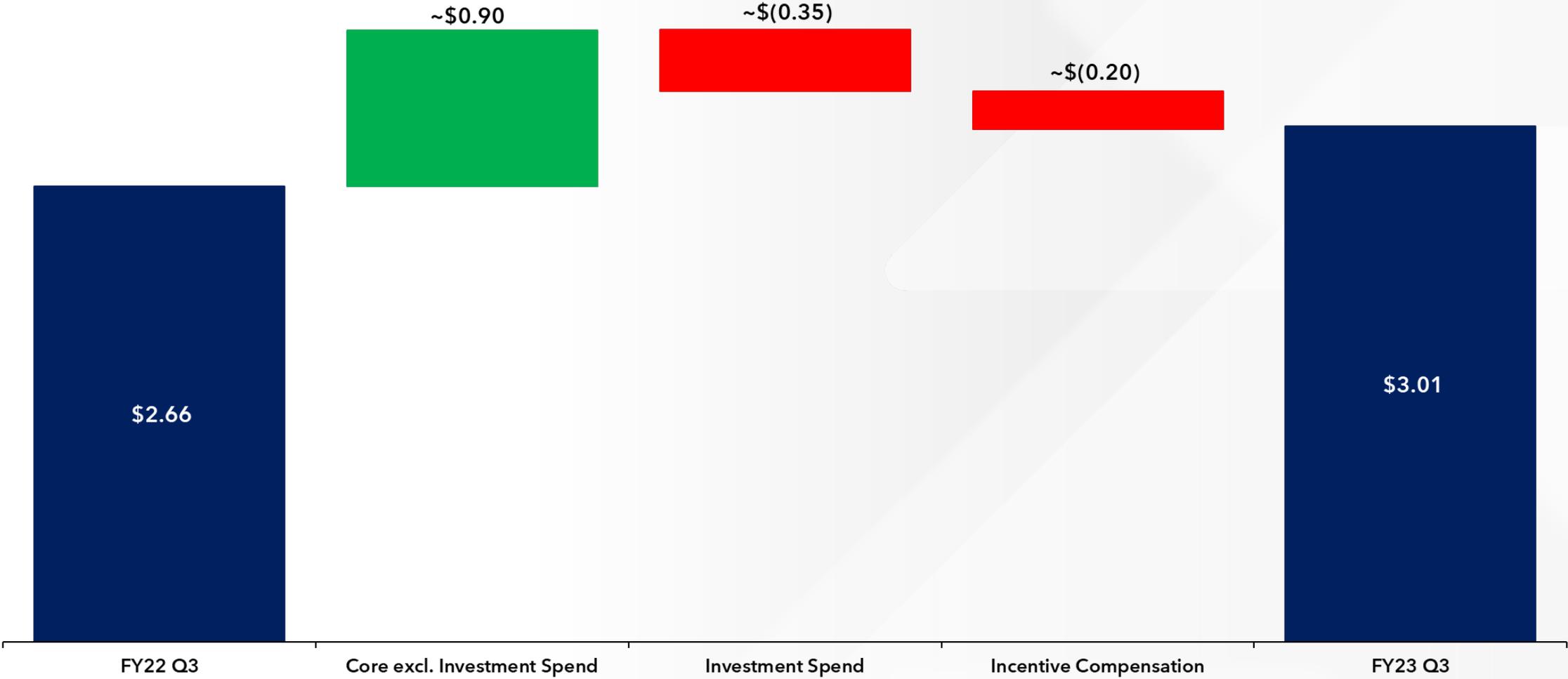


# Q3 FY23 Segment Results

	Sales (\$ in millions; YOY growth %)	Segment Operating Margin	Segment Highlights								
<b>Intelligent Devices</b>	<p><b>\$968M</b></p> <table border="1"> <tr> <td>Organic</td> <td>+8.2 %</td> </tr> <tr> <td>Inorganic</td> <td>+2.4 %</td> </tr> <tr> <td>Currency</td> <td>(0.4)%</td> </tr> <tr> <td><b>Reported</b></td> <td><b>+10.2 %</b></td> </tr> </table>	Organic	+8.2 %	Inorganic	+2.4 %	Currency	(0.4)%	<b>Reported</b>	<b>+10.2 %</b>	<p><b>16.8%</b> (290) bps YOY</p>	<p>Lower segment margin driven by higher investment spend, unfavorable mix, and higher incentive compensation, partially offset by positive price/cost</p>
Organic	+8.2 %										
Inorganic	+2.4 %										
Currency	(0.4)%										
<b>Reported</b>	<b>+10.2 %</b>										
<b>Software &amp; Control</b>	<p><b>\$751M</b></p> <table border="1"> <tr> <td>Organic</td> <td>+24.4 %</td> </tr> <tr> <td>Inorganic</td> <td>— %</td> </tr> <tr> <td>Currency</td> <td>(0.7)%</td> </tr> <tr> <td><b>Reported</b></td> <td><b>+23.7 %</b></td> </tr> </table>	Organic	+24.4 %	Inorganic	— %	Currency	(0.7)%	<b>Reported</b>	<b>+23.7 %</b>	<p><b>34.8%</b> +340 bps YOY</p>	<p>Accelerating growth and margins from prior acquisitions (Plex, Fiix, ASEM)</p> <p>Higher segment margin driven by higher sales volume and positive price/cost, partially offset by higher investment spend</p>
Organic	+24.4 %										
Inorganic	— %										
Currency	(0.7)%										
<b>Reported</b>	<b>+23.7 %</b>										
<b>Lifecycle Services</b>	<p><b>\$520M</b></p> <table border="1"> <tr> <td>Organic</td> <td>+8.0 %</td> </tr> <tr> <td>Inorganic</td> <td>+0.5 %</td> </tr> <tr> <td>Currency</td> <td>(1.0)%</td> </tr> <tr> <td><b>Reported</b></td> <td><b>+7.5 %</b></td> </tr> </table>	Organic	+8.0 %	Inorganic	+0.5 %	Currency	(1.0)%	<b>Reported</b>	<b>+7.5 %</b>	<p><b>9.3%</b> (10) bps YOY</p>	<p>Segment margin flat YOY</p> <p>Book-to-bill of 1.08</p>
Organic	+8.0 %										
Inorganic	+0.5 %										
Currency	(1.0)%										
<b>Reported</b>	<b>+7.5 %</b>										



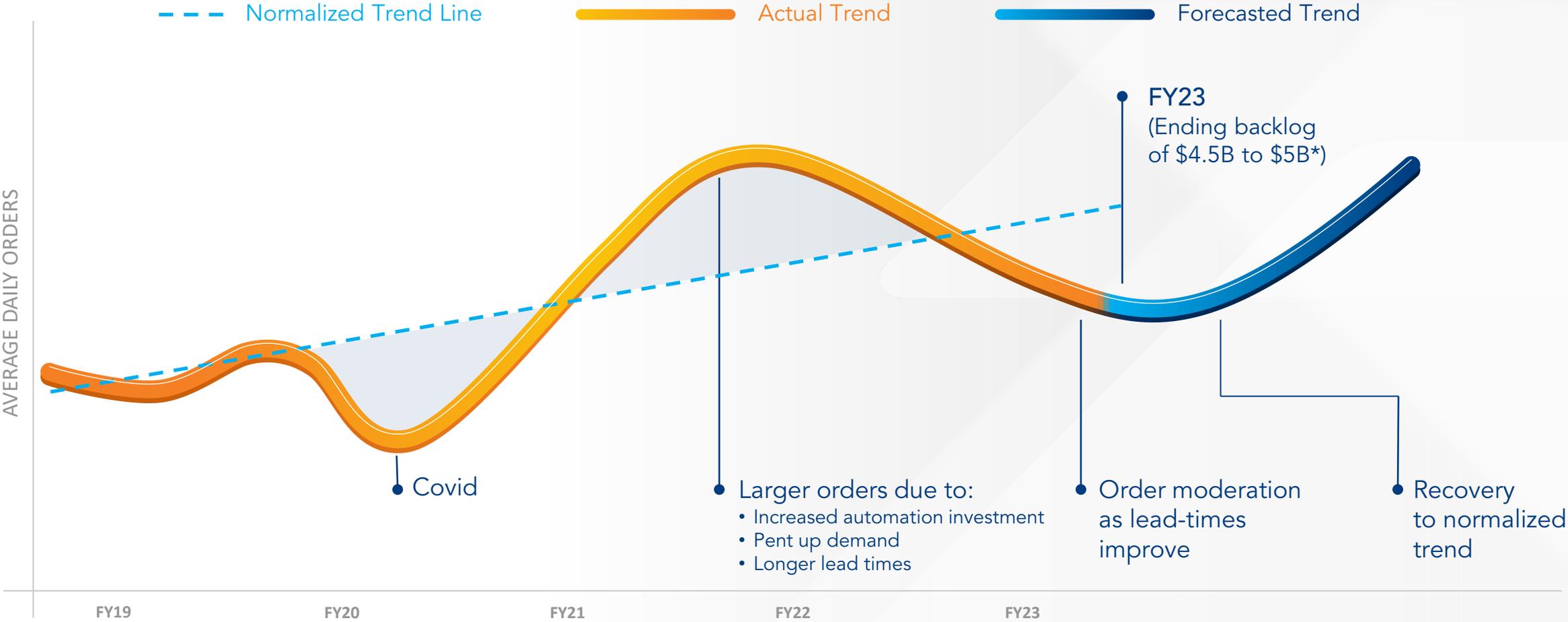
# Q3 FY22 to Q3 FY23 Adjusted EPS Walk



Note: Impacts from currency, interest, tax, shares, and acquisitions were immaterial



# Total Order Trends



Backlog and strong underlying demand position us well for FY24 and beyond

\*Updated Guidance as of August 1, 2023



# Fiscal Year 2023 Guidance

	Updated Guidance	Prior Guidance
<b>Sales Midpoint</b>	~ \$8.9B	~ \$8.9B
Organic Growth Range	14% - 16%	13% - 17%
Inorganic Growth	~ 1.0%	~ 1.0%
Currency Translation	~ (1.0)%	~ (1.5)%
<b>Segment Operating Margin</b>	~ 21.5%	~ 21.5%
<b>Adjusted Effective Tax Rate</b>	~ 17.5%	~ 17.5%
<b>Adjusted EPS Range</b>	\$11.70 - \$12.10	\$11.50 - \$12.20
<b>Free Cash Flow Conversion</b>	~ 80%	~ 95%

Note: Updated Guidance as of August 1, 2023; Prior Guidance as of April 27, 2023





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# Q3 Fiscal 2023 Earnings Presentation

August 1, 2023

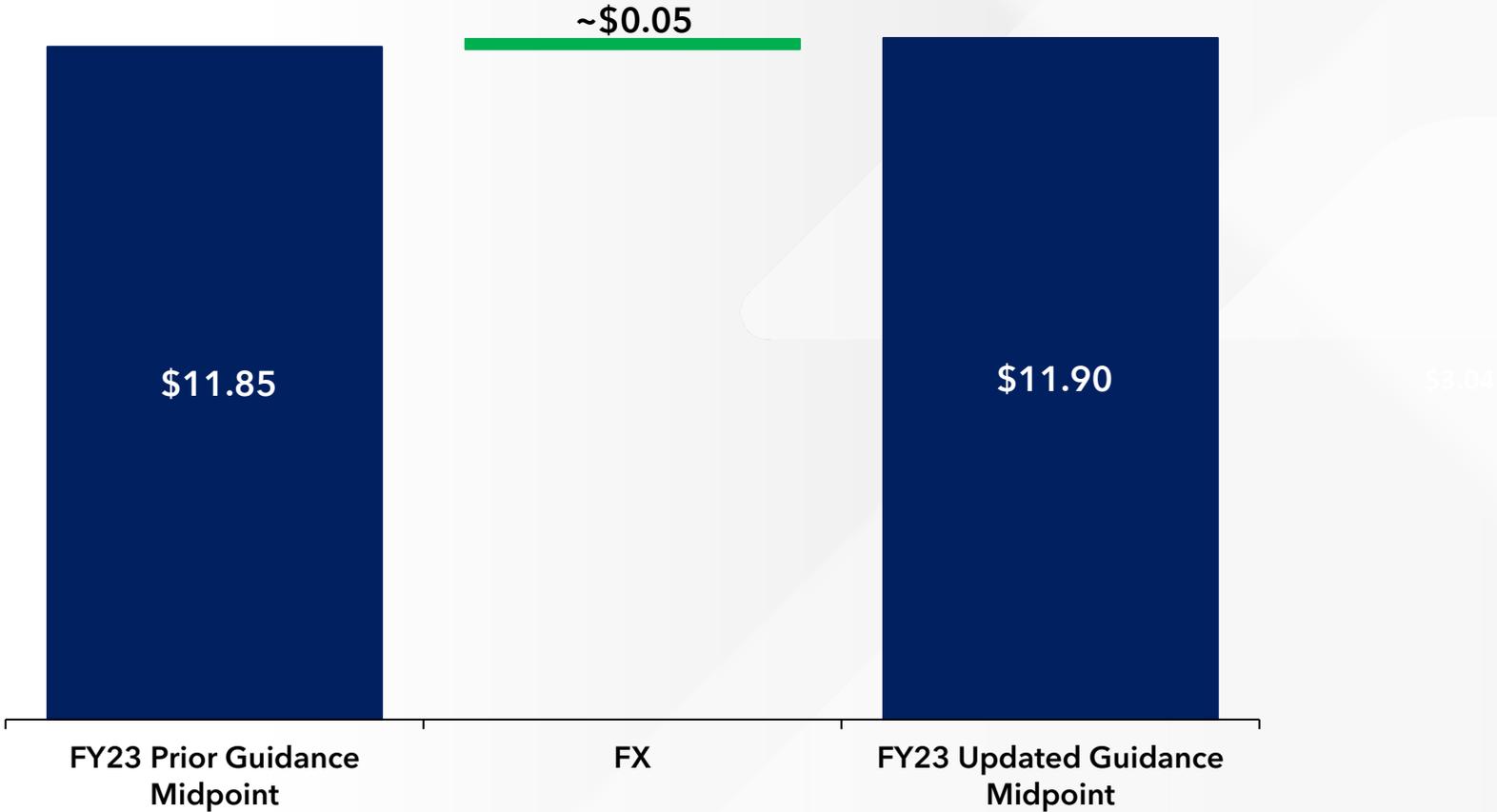


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# Appendix



# FY23 Updated vs. Prior Guidance Adjusted EPS Walk



Note: Updated Guidance as of August 1, 2023; Prior Guidance as of April 27, 2023



# Industry Segmentation

% of FY22 Sales



## DISCRETE

~25%  
of sales

- ~10% Automotive
- ~5% Semiconductor
- ~5% e-Commerce & Warehouse Automation
- ~5% General Industries
  - Printing & Publishing
  - Marine
  - Glass
  - Fiber & Textiles
  - Airports
  - Aerospace
  - Other Discrete



## HYBRID

~40%  
of sales

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



## PROCESS

~35%  
of sales

- ~10% Oil & Gas
- ~5% Mining
- ~5% Metals
- ~5% Chemicals
- ~5% Pulp & Paper
- ~5% Other Process

# Q3 FY23 Results: Summary

(\$ in millions, except per share amounts)

Total Sales

Total segment operating earnings

Purchase accounting depreciation and amortization

Corporate and other

Non-operating pension and postretirement credit

Change in fair value of investments <sup>(1)</sup>

Interest expense, net

Income tax provision

Net income

Net loss attributable to noncontrolling interests

Net income attributable to Rockwell Automation

## Adjustments

Non-operating pension and postretirement benefit cost, net of tax

Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax

Change in fair value of investments, net of tax <sup>(1)</sup>

Adjusted income

Adjusted EPS

Average Diluted Shares

	Three Months Ended	
	Q3 2023	Q3 2022
Total Sales	\$ 2,238.7	\$ 1,968.7
Total segment operating earnings	\$ 473.0	\$ 409.2
Purchase accounting depreciation and amortization	(27.2)	(25.9)
Corporate and other	(32.3)	(15.6)
Non-operating pension and postretirement credit	5.5	11.9
Change in fair value of investments <sup>(1)</sup>	85.7	(5.2)
Interest expense, net	(32.9)	(30.2)
Income tax provision	(73.1)	(49.4)
Net income	\$ 398.7	\$ 294.8
Net loss attributable to noncontrolling interests	(1.5)	(3.1)
Net income attributable to Rockwell Automation	\$ 400.2	\$ 297.9
<u>Adjustments</u>		
Non-operating pension and postretirement benefit cost, net of tax	\$ (4.3)	\$ (8.1)
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	18.2	17.3
Change in fair value of investments, net of tax <sup>(1)</sup>	(65.0)	4.0
Adjusted income	\$ 349.1	\$ 311.1
Adjusted EPS	\$ 3.01	\$ 2.66
Average Diluted Shares	115.6	116.5

<sup>(1)</sup> Primarily relates to the change in fair value of investment in PTC.

# Reconciliation to Non-GAAP Measures

## Free Cash Flow

(\$ in millions)

	Three Months Ended		Nine Months Ended	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Net Income	\$ 398.7	\$ 294.8	\$ 1,072.3	\$ 583.1
Depreciation/Amortization	62.1	56.8	182.0	178.2
Change in Fair Value of Investments <sup>(1)</sup>	(85.7)	5.2	(289.3)	138.3
Retirement Benefits Expense	4.1	3.7	118.5	61.7
Receivables/Inventory/Payables	(292.5)	(187.3)	(799.7)	(413.8)
Compensation and Benefits	60.8	30.1	74.9	(114.9)
Pension Contributions	(5.1)	(7.3)	(18.5)	(23.1)
Income Taxes	(18.4)	27.1	(49.2)	(202.6)
Other	157.7	121.8	244.1	216.8
Cash Flow From Operations	281.7	344.9	535.1	423.7
Capital Expenditures	(41.6)	(18.3)	(97.3)	(100.3)
Free Cash Flow	\$ 240.1	\$ 326.6	\$ 437.8	\$ 323.4
Adjusted Income	\$ 349.1	\$ 311.1	\$ 984.5	\$ 756.9
Free Cash Flow Conversion	69 %	105 %	44 %	43 %

<sup>(1)</sup> Primarily relates to the change in fair value of investment in PTC.



# Reconciliation to Non-GAAP Measures

## Organic Sales

(\$ in millions)

	Three Months Ended June 30,								
	2023		2022						
	Reported Sales(a)	Less: Effect of Acquisitions(e)	Effect of Changes in Currency(d)	Organic Sales(b)	Reported Sales(c)	Reported Sales Growth (a)/(c)	Less: Effect of Acquisitions (e)/(c)	Effect of Changes in Currency (d)/(c)	Organic Sales Growth (b)/(c)
North America	\$ 1,260.9	\$ 4.3	\$ (4.9)	\$ 1,261.5	\$ 1,239.9	1.7%	0.3%	(0.3)%	1.7%
EMEA	494.4	15.3	6.8	472.3	352.6	40.2%	4.3%	2.0%	33.9%
Asia Pacific	343.5	4.2	(17.1)	356.4	246.8	39.2%	1.7%	(6.9)%	44.4%
Latin America	139.9	—	1.8	138.1	129.4	8.1%	—%	1.4%	6.7%
Total	\$ 2,238.7	\$ 23.8	\$ (13.4)	\$ 2,228.3	\$ 1,968.7	13.7%	1.2%	(0.7)%	13.2%

	Three Months Ended June 30,								
	2023		2022						
	Reported Sales(a)	Less: Effect of Acquisitions(e)	Effect of Changes in Currency(d)	Organic Sales(b)	Reported Sales(c)	Reported Sales Growth (a)/(c)	Less: Effect of Acquisitions (e)/(c)	Effect of Changes in Currency (d)/(c)	Organic Sales Growth (b)/(c)
Intelligent Devices	\$ 968.1	\$ 21.2	\$ (3.8)	\$ 950.7	\$ 878.3	10.2%	2.4%	(0.4)%	8.2%
Software & Control	750.6	—	(4.6)	755.2	606.9	23.7%	—%	(0.7)%	24.4%
Lifecycle Services	520.0	2.6	(5.0)	522.4	483.5	7.5%	0.5%	(1.0)%	8.0%
Total	\$ 2,238.7	\$ 23.8	\$ (13.4)	\$ 2,228.3	\$ 1,968.7	13.7%	1.2%	(0.7)%	13.2%

# Reconciliation to Non-GAAP Measures

## Segment Operating Margin

(\$ in millions)

	Three Months Ended	
	June 30, 2023	June 30, 2022
Sales		
Intelligent Devices (a)	\$ 968.1	\$ 878.3
Software & Control (b)	750.6	606.9
Lifecycle Services (c)	520.0	483.5
Total sales (d)	<u>\$ 2,238.7</u>	<u>\$ 1,968.7</u>
Segment operating earnings		
Intelligent Devices (e)	\$ 163.1	\$ 173.2
Software & Control (f)	261.5	190.6
Lifecycle Services (g)	48.4	45.4
Total segment operating earnings <sup>(1)</sup> (h)	<u>473.0</u>	<u>409.2</u>
Purchase accounting depreciation and amortization	(27.2)	(25.9)
Corporate and other	(32.3)	(15.6)
Non-operating pension and postretirement benefit credit	5.5	11.9
Change in fair value of investments	85.7	(5.2)
Interest expense, net	<u>(32.9)</u>	<u>(30.2)</u>
Income before income taxes (i)	<u>\$ 471.8</u>	<u>\$ 344.2</u>
Pretax margin (i/d)	21.1 %	17.5 %
Segment operating margin:		
Intelligent Devices (e/a)	16.8 %	19.7 %
Software & Control (f/b)	34.8 %	31.4 %
Lifecycle Services (g/c)	9.3 %	9.4 %
Total segment operating margin <sup>(1)</sup> (h/d)	21.1 %	20.8 %

<sup>(1)</sup>Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We exclude purchase accounting depreciation and amortization, corporate and other, non-operating pension and postretirement credit, change in fair value of investments, interest expense, net, and income tax provision because we do not consider these items 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	
	June 30, 2023	June 30, 2022
Net income attributable to Rockwell Automation	\$ 400.2	\$ 297.9
Non-operating pension and postretirement benefit credit	(5.5)	(11.9)
Tax effect of non-operating pension and postretirement benefit credit	1.2	3.8
Purchase accounting depreciation and amortization attributable to Rockwell Automation	24.1	22.9
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(5.9)	(5.6)
Change in fair value of investments <sup>(1)</sup>	(85.7)	5.2
Tax effect of change in fair value of investments <sup>(1)</sup>	20.7	(1.2)
Adjusted income	<u>\$ 349.1</u>	<u>\$ 311.1</u>
Diluted EPS	\$ 3.45	\$ 2.55
Non-operating pension and postretirement benefit credit	(0.05)	(0.10)
Tax effect of non-operating pension and postretirement benefit credit	0.01	0.03
Purchase accounting depreciation and amortization attributable to Rockwell Automation	0.21	0.20
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(0.05)	(0.05)
Change in fair value of investments <sup>(1)</sup>	(0.74)	0.04
Tax effect of change in fair value of investments <sup>(1)</sup>	0.18	(0.01)
Adjusted EPS	<u>\$ 3.01</u>	<u>\$ 2.66</u>
Effective tax rate	15.5 %	14.4 %
Tax effect of non-operating pension and postretirement benefit credit	(0.1)%	(0.7)%
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	0.6 %	0.6 %
Tax effect of change in fair value of investments <sup>(1)</sup>	(1.9)%	0.2 %
Adjusted effective tax rate	<u>14.1 %</u>	<u>14.5 %</u>

## Non-operating pension and postretirement benefit cost (credit)

(in millions)

	Three Months Ended	
	June 30, 2023	June 30, 2022
Interest cost	\$ 35.9	\$ 34.8
Expected return on plan assets	(44.0)	(56.4)
Amortization of prior service cost (credit)	0.1	(0.2)
Amortization of net actuarial loss	0.3	10.6
Settlement and curtailment charges (benefit)	2.2	(0.7)
Non-operating pension and postretirement benefit credit	<u>\$ (5.5)</u>	<u>\$ (11.9)</u>

<sup>(1)</sup>Primarily relates to the change in fair value of investment in PTC.



# Reconciliation to Non-GAAP Measures

## Return On Invested Capital

(\$ in millions)

	Twelve Months Ended June 30,	
	2023	2022
<b>(a) Return</b>		
Net income	\$ 1,408.3	\$ 657.7
Interest expense	137.1	116.8
Income tax provision	288.6	14.4
Purchase accounting depreciation and amortization	105.6	95.5
Return	<u>\$ 1,939.6</u>	<u>\$ 884.4</u>
<b>(b) Average invested capital</b>		
Short-term debt	\$ 947.2	\$ 476.5
Long-term debt	2,986.7	3,168.2
Shareowners' equity	3,189.6	2,738.9
Accumulated amortization of goodwill and intangibles	1,049.9	1,009.9
Cash and cash equivalents	(466.6)	(608.4)
Short-term and long-term investments	(6.5)	(2.9)
Average invested capital	<u>\$ 7,700.3</u>	<u>\$ 6,782.2</u>
<b>(c) Effective tax rate</b>		
Income tax provision	288.6	14.4
Income before income taxes	<u>\$ 1,696.9</u>	<u>\$ 672.1</u>
Effective tax rate	<u>17.0 %</u>	<u>2.1 %</u>
<b>(a) / (b) * (1-c) Return On Invested Capital</b>	<u>20.9 %</u>	<u>12.8 %</u>

# Reconciliation to Non-GAAP Measures

## Fiscal 2023 Guidance

(\$ in billions, except per share amounts)

### Organic Sales

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

### Segment Operating Margin

Total sales (a)  
Total segment operating earnings (b)  
(Income)/costs not allocated to segments  
Income before income taxes (c)  
Pretax margin (c/a)  
Total segment operating margin (b/a)

### Adjusted Effective Tax Rate

Effective tax rate  
Tax effect of non-operating pension and postretirement benefit cost <sup>(1)</sup>  
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation  
Tax effect of change in fair value of investments <sup>(2)</sup>  
Adjusted effective tax rate

### Adjusted EPS

Diluted EPS <sup>(1)</sup>  
Non-operating pension and postretirement benefit cost <sup>(2)</sup>  
Tax effect of non-operating pension and postretirement benefit cost <sup>(2)</sup>  
Purchase accounting depreciation and amortization attributable to Rockwell Automation  
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation  
Change in fair value of investments <sup>(3)</sup>  
Tax effect of change in fair value of investments <sup>(3)</sup>  
Adjusted EPS

### Fiscal 2023 Guidance

	14% - 16%
	~ 1.0%
	~ (1.0)%
	<u>14% - 16%</u>
\$ ~	8.9
~	1.9
~	0.1
\$ ~	1.8
~	20.0%
~	21.5%
~	17.5%
~	0.5%
~	0.5%
~	(1.0)%
~	<u>17.5%</u>
	\$12.46 - \$12.86
	0.68
	(0.17)
	0.82
	(0.20)
	(2.50)
	0.61
	<u>\$11.70 - \$12.10</u>

(1) Fiscal 2023 guidance based on adjusted income attributable to Rockwell, which includes an adjustment for SLB's non-controlling interest in Sensia.

(2) Year-to-date pension settlement charges 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.

(3) The actual year-to-date adjustments, which are based on PTC's share price at June 30, 2023, and year-to-date sales of PTC shares, 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.

Note: Guidance as of August 1, 2023



# Reconciliation to Non-GAAP Measures

## Free Cash Flow Conversion

(\$ in billions)

	<b>Fiscal 2023 Guidance</b>	
Net income attributable to Rockwell Automation at the mid-point	\$ ~	1.5
Non-operating pension and postretirement benefit cost, net of tax <sup>(1)</sup>	~	0.1
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	~	0.1
Change in fair value of investments, net of tax <sup>(2)</sup>	~	(0.3)
Adjusted income at the mid-point (a)	\$ ~	1.4
Cash provided by operating activities	\$ ~	1.3
Capital expenditures	~	(0.2)
Free cash flow (b)	\$ ~	1.1
Free cash flow conversion (b/a)	~	80%

<sup>(1)</sup> Year-to-date pension settlement charges 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.

<sup>(2)</sup> The actual year-to-date adjustments, which are based on PTC's share price at June 30, 2023, and year-to-date sales of PTC shares, 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.

Note: Guidance as of August 1, 2023

# Performance Metric Definition

## ***Organic ARR***

Annual recurring revenue (ARR) is a key metric that enables measurement of progress in growing our recurring revenue business. It represents the annual contract value of all active recurring revenue contracts at any point in time. Recurring revenue is defined as a revenue stream that is contractual, typically for a period of 12 months or more, and has a high probability of renewal. The probability of renewal is based on historical renewal experience of the individual revenue streams, or management's best estimates if historical renewal experience is not available. Organic ARR growth is calculated as the dollar change in ARR, adjusted to exclude the effects of currency translation and acquisitions, divided by ARR as of the prior period. The effects of currency translation are excluded by calculating Organic ARR on a constant currency basis. When we acquire businesses, we exclude the effect of ARR in the current period for which there was no comparable ARR in the prior period. We believe that Organic ARR provides useful information to investors because it reflects our recurring revenue performance period over period without the effect of acquisitions and changes in currency exchange rates. Organic ARR growth is also used as a financial measure of performance for our annual incentive compensation. Our measure of ARR may be different from measures used by other companies. Because ARR is based on annual contract value, it does not represent revenue recognized during a particular reporting period or revenue to be recognized in future reporting periods and is not intended to be a substitute for revenue, contract liabilities, or backlog.

## ***Total ARR***

Total ARR growth is calculated as the dollar change in ARR, adjusted to exclude the effects of currency. The effects of currency translation are excluded by calculating Total ARR on a constant currency basis. Total ARR includes acquisitions even if there was no comparable ARR in the prior period. We believe that Total ARR provides useful information to investors because it reflects our recurring revenue performance period over period including the effect of acquisitions.

## ***Book to bill***

Book to bill is a key metric that provides an indication on the level of demand. Book to bill represents the growth or decline in backlog in the Lifecycle Services segment. A book to bill greater than one indicates a growing backlog while a book to bill less than one indicates a declining backlog. Book to bill is calculated as net orders divided by sales for a specified period. We believe that book to bill provides useful information to investors about the strength of our Lifecycle Services segment backlog. Our measure of book to bill may be different from measures used by other companies.



Thank you



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