



**Rockwell  
Automation**

expanding human possibility<sup>®</sup>

# Q2 Fiscal 2024 Earnings Presentation

May 7, 2024



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.

# Q2 FY24 Results Highlights

- ▶ Orders up low double digits sequentially; first-half orders of \$3.6B
- ▶ Reported sales down (6.6)% YOY; organic sales decreased (8.1)% YOY
  - ▶ Currency increased sales 0.1%
  - ▶ Acquisitions contributed 1.4%
- ▶ Continued strong performance in Clearpath and Verve acquisitions
- ▶ Total Annual Recurring Revenue (ARR) up 20% YOY
- ▶ Segment margin of 19.0%, down (230) bps YOY
- ▶ Adjusted EPS of \$2.50, down 17% YOY
- ▶ Results include the impact of incentive compensation accrual reversal

Strong execution and continued sequential growth;  
underlying margins and EPS came in as expected

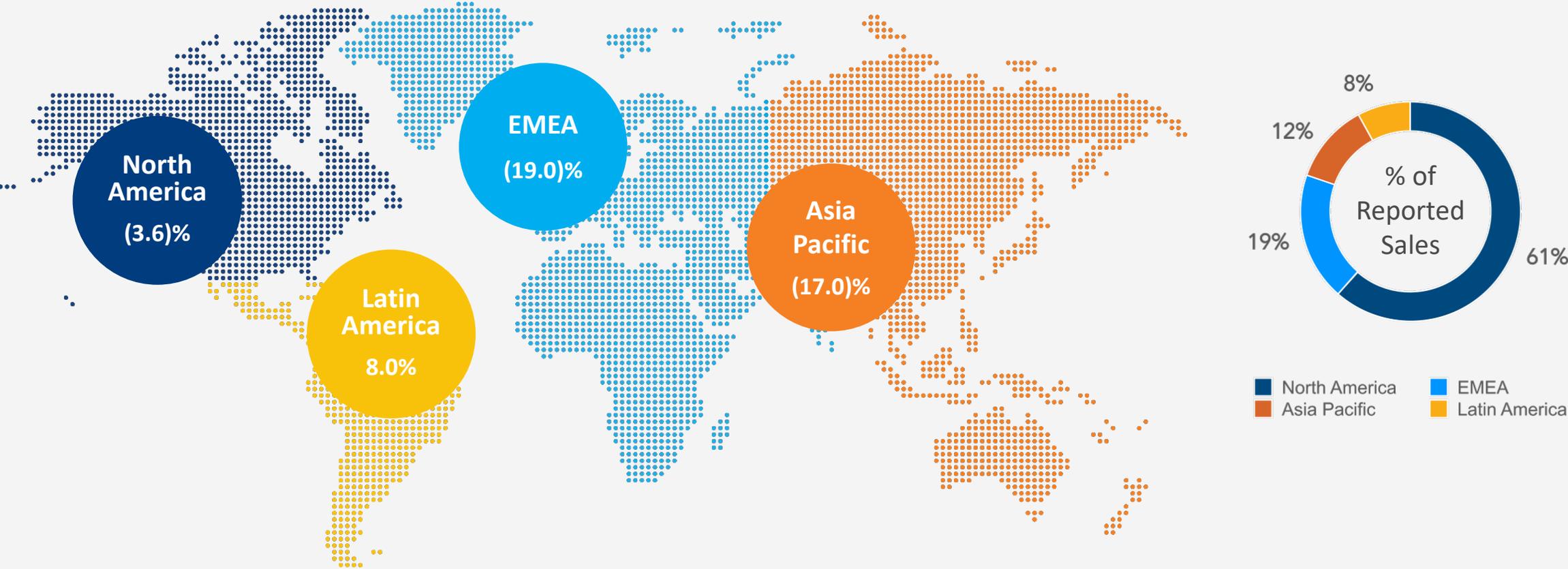
# Q2 FY24 Organic Industry Segment Performance

	% of Q2 FY24 Sales	Q2 FY24 vs. Q2 FY23	Q2 FY24 vs. Q2 FY23
 <p>DISCRETE</p>	~25%	Down mid teens	<ul style="list-style-type: none"> <li>↓ Automotive down ~20%</li> <li>↓ Semiconductor down ~25%</li> <li>↓ e-Commerce &amp; Warehouse Automation down high teens</li> </ul>
 <p>HYBRID</p>	~ 40%	Down mid teens	<ul style="list-style-type: none"> <li>↓ Food &amp; Beverage down ~20%</li> <li>↓ Life Sciences down high single digits</li> <li>↓ Tire down mid single digits</li> </ul>
 <p>PROCESS</p>	~ 35%	Up high single digits	<ul style="list-style-type: none"> <li>↑ Oil &amp; Gas up ~20%</li> <li>↑ Mining up low teens</li> <li>↓ Chemicals down 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.



# Q2 FY24 Year-Over-Year Organic Sales Growth



Americas continue to be our strongest region in FY24



# Full Year Outlook Update

- ▶ Orders of ~\$8B expected to be down low single digits YOY
- ▶ Total sales growth range of (6.0)% - (4.0)%; organic growth range of (8.0)% - (6.0%)
  - ▶ Currency to increase sales ~0.5 pt
  - ▶ Acquisitions to contribute ~1.5 pts of growth
- ▶ Total ARR still expected to grow ~15% YOY
- ▶ Expect segment margin of ~20.0%; includes additional cost reduction of ~\$100M in 2H
- ▶ Adjusted EPS range of \$10.00 - \$11.00, down 13% YOY at the midpoint
- ▶ Increasing FY24 share repurchases to \$600M-\$800M
- ▶ Expect Free Cash Flow conversion of ~80%

Note: Updated Guidance as of May 7, 2024

Aligning our cost structure with the revised outlook for fiscal 2024;  
setting foundation for sustained growth and profitability



# Q2 FY24 Key Financial Information

(\$ in millions, except per share amounts)

	Q2 FY24	Q2 FY23	YOY B/(W)
Sales	\$2,126	\$2,275	<b>Organic Growth</b> (8.1) %
			Inorganic Growth +1.4 %
			Currency Translation +0.1 %
			<b>Reported Growth</b> (6.6) %
Segment Operating Margin	19.0%	21.3%	(230) bps
Corporate and Other	\$28	\$29	\$1
Adjusted EPS	\$2.50	\$3.01	(17)%
Adjusted Effective Tax Rate	14.8%	17.4%	2.6 pts
Free Cash Flow	\$69	\$156	\$(87)

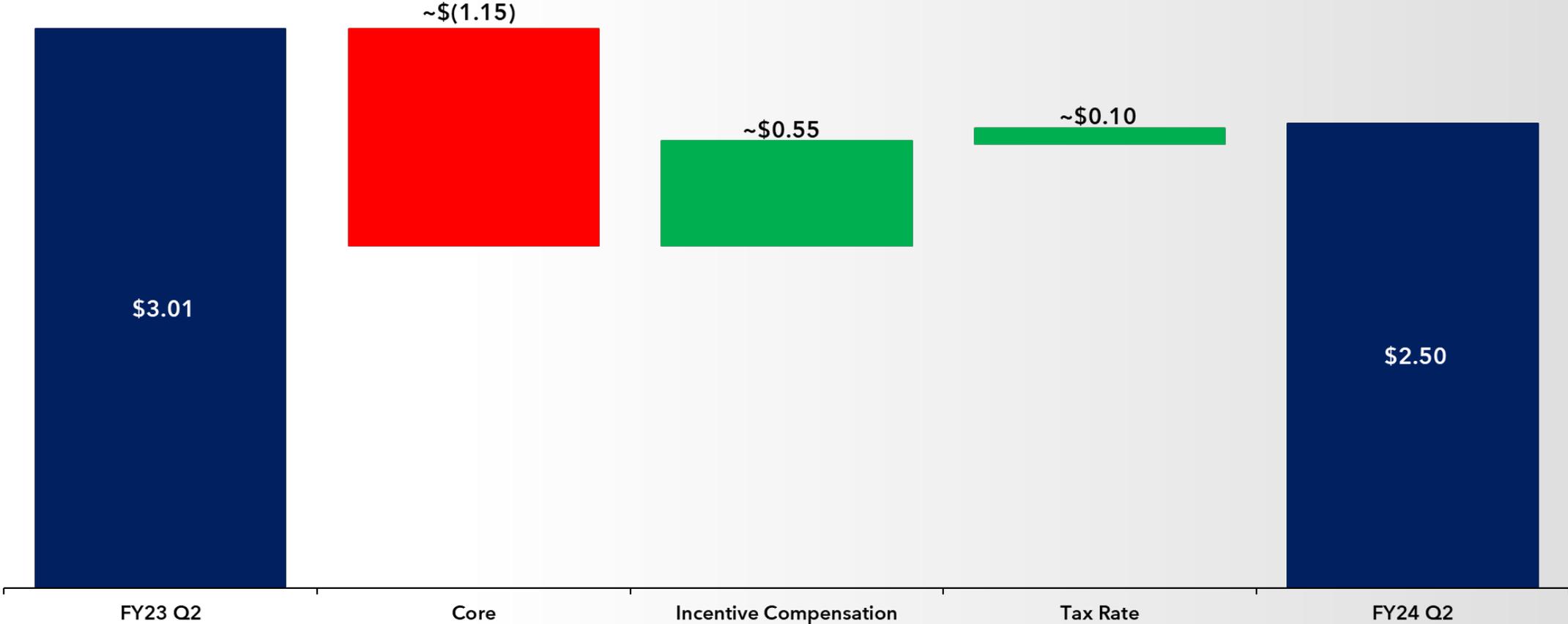


# Q2 FY24 Segment Results

	Sales (\$ in millions; YOY growth %)	Segment Operating Margin	Segment Highlights								
<b>Intelligent Devices</b>	<p><b>\$974M</b></p> <table border="1"> <tr> <td>Organic</td> <td>(7.4) %</td> </tr> <tr> <td>Inorganic</td> <td>+2.3 %</td> </tr> <tr> <td>Currency</td> <td>+0.2 %</td> </tr> <tr> <td><b>Reported</b></td> <td><b>(4.9) %</b></td> </tr> </table>	Organic	(7.4) %	Inorganic	+2.3 %	Currency	+0.2 %	<b>Reported</b>	<b>(4.9) %</b>	<p><b>16.5%</b></p> <p>(370) bps YOY</p> <p>+30 bps Seq</p>	<p>Lower segment margin YOY driven by lower sales volume and unfavorable mix, partially offset by lower incentive compensation</p>
Organic	(7.4) %										
Inorganic	+2.3 %										
Currency	+0.2 %										
<b>Reported</b>	<b>(4.9) %</b>										
<b>Software &amp; Control</b>	<p><b>\$570M</b></p> <table border="1"> <tr> <td>Organic</td> <td>(23.2) %</td> </tr> <tr> <td>Inorganic</td> <td>— %</td> </tr> <tr> <td>Currency</td> <td>+0.1 %</td> </tr> <tr> <td><b>Reported</b></td> <td><b>(23.1) %</b></td> </tr> </table>	Organic	(23.2) %	Inorganic	— %	Currency	+0.1 %	<b>Reported</b>	<b>(23.1) %</b>	<p><b>25.7%</b></p> <p>(790) bps YOY</p> <p>+70 bps Seq</p>	<p>Lower segment margin driven by lower sales volume, partially offset by lower incentive compensation, positive price/cost and favorable mix</p>
Organic	(23.2) %										
Inorganic	— %										
Currency	+0.1 %										
<b>Reported</b>	<b>(23.1) %</b>										
<b>Lifecycle Services</b>	<p><b>\$583M</b></p> <table border="1"> <tr> <td>Organic</td> <td>+12.4 %</td> </tr> <tr> <td>Inorganic</td> <td>+1.6 %</td> </tr> <tr> <td>Currency</td> <td>— %</td> </tr> <tr> <td><b>Reported</b></td> <td><b>+14.0 %</b></td> </tr> </table>	Organic	+12.4 %	Inorganic	+1.6 %	Currency	— %	<b>Reported</b>	<b>+14.0 %</b>	<p><b>16.6%</b></p> <p>+1,110 bps YOY</p> <p>+620 bps Seq</p>	<p>Book-to-bill of 1.07</p> <p>Higher segment margin driven by lower incentive compensation, higher sales, and higher margins in Sensia</p> <p>Sequential margin growth driven by higher sales, lower incentive compensation, and improved productivity</p>
Organic	+12.4 %										
Inorganic	+1.6 %										
Currency	— %										
<b>Reported</b>	<b>+14.0 %</b>										



# Q2 FY23 to Q2 FY24 Adjusted EPS Walk



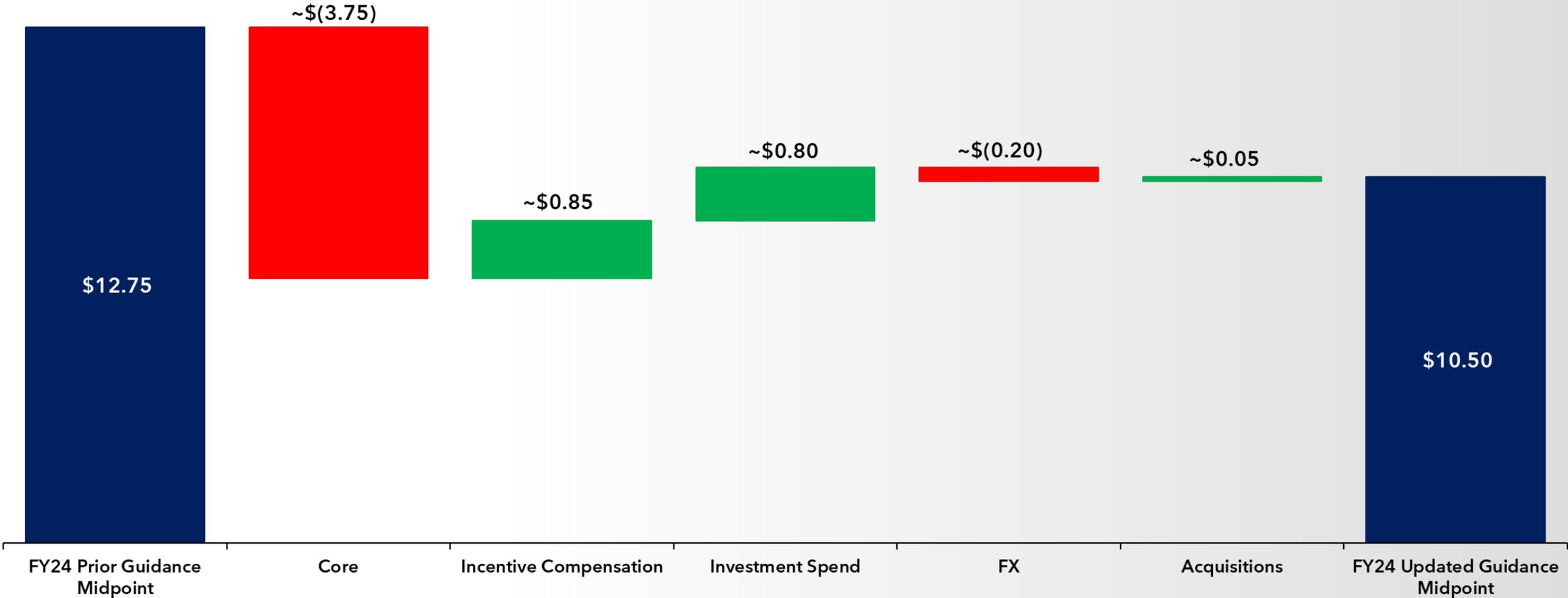
# Fiscal Year 2024 Guidance

	Updated Guidance	Prior Guidance
<b>Sales Midpoint</b>	~ \$8.6B	~ \$9.4B
Organic Growth Range	(8.0)% - (6.0)%	(2.0)% - 4.0%
Inorganic Growth	~ 1.5%	~ 1.5%
Currency Translation	~ 0.5%	~ 1.0%
<b>Segment Operating Margin</b>	~ 20.0%	~ 21.5%
<b>Adjusted Effective Tax Rate</b>	~ 17.0%	~ 17.0%
<b>Adjusted EPS Range</b>	\$10.00 - \$11.00	\$12.00 - \$13.50
<b>Free Cash Flow Conversion</b>	~ 80%	~ 100%

Note: Updated Guidance as of May 7, 2024; Prior Guidance as of January 31, 2024



# FY24 Updated vs Prior Guidance Adjusted EPS Walk



Adjusted EPS excludes anticipated 2nd half restructuring charges

Updated Guidance as of May 7, 2024; Prior Guidance as of January 31, 2024





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# Appendix



# FY24 Organic Industry Segment Outlook

	% of FY24 Sales	FY24 vs. FY23	Assumptions at Guidance Midpoint	B/(W) vs. Prior Guidance
 <p>DISCRETE</p>	~25%	Down ~10%	<ul style="list-style-type: none"> <li>▼ Automotive down mid teens</li> <li>▼ Semiconductor down mid teens</li> <li>▲ e-Commerce &amp; Warehouse Automation up low single digits</li> </ul>	-
 <p>HYBRID</p>	~40%	Down low double digits	<ul style="list-style-type: none"> <li>▼ Food &amp; Beverage down mid teens</li> <li>▼ Life Sciences down high single digits</li> <li>▼ Tire down mid single digits</li> </ul>	-
 <p>PROCESS</p>	~35%	Up low single digits	<ul style="list-style-type: none"> <li>▲ Oil &amp; Gas up low double digits</li> <li>▲ Mining up low single digits</li> <li>▼ Chemicals down 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.

Note: Guidance as of May 7, 2024; Prior Guidance as of January 31, 2024



# Industry Segmentation

% of FY23 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

# Q2 FY24 Results: Summary

(\$ in millions, except per share amounts)

	Three Months Ended	
	Q2 2024	Q2 2023
Total Sales	\$ 2,126.0	\$ 2,275.4
Total segment operating earnings	\$ 404.2	\$ 484.1
Purchase accounting depreciation and amortization	(37.1)	(26.6)
Corporate and other	(28.2)	(29.2)
Non-operating pension and postretirement benefit credit (cost)	4.9	(105.4)
Change in fair value of investments <sup>(1)</sup>	2.8	63.0
Interest expense, net	(36.2)	(34.5)
Income tax provision	(45.1)	(56.5)
Net income	\$ 265.3	\$ 294.9
Net loss attributable to noncontrolling interests	(0.9)	(5.4)
Net income attributable to Rockwell Automation	\$ 266.2	\$ 300.3
<u>Adjustments</u>		
Non-operating pension and postretirement benefit (credit) cost, net of tax	\$ (3.9)	\$ 79.8
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	28.4	17.8
Change in fair value of investments, net of tax <sup>(1)</sup>	(2.7)	(47.8)
Adjusted income	\$ 288.0	\$ 350.1
Adjusted EPS	\$ 2.50	\$ 3.01
Average Diluted Shares	114.8	115.6

<sup>(1)</sup> Amount in the three months ended March 31, 2023 primarily relates to the change in fair value of our previous investment in PTC.



# Reconciliation to Non-GAAP Measures

<u>Free Cash Flow</u> (\$ in millions)	Three Months Ended		Six Month Ended	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023
Net Income	\$ 265.3	\$ 294.9	\$ 478.0	\$ 673.6
Depreciation/Amortization	80.8	62.1	157.7	119.9
Change in Fair Value of Investments <sup>(1)</sup>	(2.8)	(63.0)	(5.9)	(203.6)
Retirement Benefits Expense	4.5	116.1	9.0	114.4
Receivables/Inventory/Payables	24.5	(269.5)	76.9	(507.2)
Compensation and Benefits	(41.4)	54.3	(284.8)	14.1
Pension Contributions	(6.1)	(6.4)	(12.0)	(13.4)
Income Taxes	(229.4)	(103.9)	(227.8)	(30.8)
Other	24.4	102.5	(38.7)	86.4
Cash Flow From Operations	119.8	187.1	152.4	253.4
Capital Expenditures	(51.2)	(31.5)	(119.1)	(55.7)
Free Cash Flow	<u>\$ 68.6</u>	<u>\$ 155.6</u>	<u>\$ 33.3</u>	<u>\$ 197.7</u>
Adjusted Income	\$ 288.0	\$ 350.1	\$ 524.0	\$ 635.4
Free Cash Flow Conversion	24 %	44 %	6 %	31 %

<sup>(1)</sup> Amount in the three and six months ended March 31, 2023, primarily relates to the change in fair value of our previous investment in PTC.



# Reconciliation to Non-GAAP Measures

## Organic Sales

(\$ in millions)

	Three Months Ended March 31,								
	2024		2023						
	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	\$ 1,293.6	\$ 28.8	\$ 0.9	\$ 1,263.9	\$ 1,310.6	(1.3)%	2.2%	0.1%	(3.6)%
EMEA	398.9	1.3	3.7	393.9	486.5	(18.0)%	0.3%	0.7%	(19.0)%
Asia Pacific	269.9	1.4	(8.9)	277.4	334.2	(19.2)%	0.4%	(2.6)%	(17.0)%
Latin America	163.6	—	8.0	155.6	144.1	13.5%	—%	5.5%	8.0%
Total	\$ 2,126.0	\$ 31.5	\$ 3.7	\$ 2,090.8	\$ 2,275.4	(6.6)%	1.4%	0.1%	(8.1)%

	Three Months Ended March 31,								
	2024		2023						
	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	\$ 973.5	\$ 23.4	\$ 2.7	\$ 947.4	\$ 1,023.2	(4.9)%	2.3%	0.2%	(7.4)%
Software & Control	570.0	—	1.2	568.8	741.1	(23.1)%	—%	0.1%	(23.2)%
Lifecycle Services	582.5	8.1	(0.2)	574.6	511.1	14.0%	1.6%	—%	12.4%
Total	\$ 2,126.0	\$ 31.5	\$ 3.7	\$ 2,090.8	\$ 2,275.4	(6.6)%	1.4%	0.1%	(8.1)%

# Reconciliation to Non-GAAP Measures

## Segment Operating Margin

(\$ in millions)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Sales		
Intelligent Devices (a)	\$ 973.5	\$ 1,023.2
Software & Control (b)	570.0	741.1
Lifecycle Services (c)	582.5	511.1
Total sales (d)	<u>\$ 2,126.0</u>	<u>\$ 2,275.4</u>
Segment operating earnings		
Intelligent Devices (e)	\$ 161.0	\$ 206.9
Software & Control (f)	146.3	249.3
Lifecycle Services (g)	96.9	27.9
Total segment operating earnings <sup>(1)</sup> (h)	<u>404.2</u>	<u>484.1</u>
Purchase accounting depreciation and amortization	(37.1)	(26.6)
Corporate and other	(28.2)	(29.2)
Non-operating pension and postretirement benefit credit (cost)	4.9	(105.4)
Change in fair value of investments	2.8	63.0
Interest expense, net	(36.2)	(34.5)
Income before income taxes (i)	<u>\$ 310.4</u>	<u>\$ 351.4</u>
Pretax margin (i/d)	14.6 %	15.4 %
Segment operating margin:		
Intelligent Devices (e/a)	16.5 %	20.2 %
Software & Control (f/b)	25.7 %	33.6 %
Lifecycle Services (g/c)	16.6 %	5.5 %
Total segment operating margin <sup>(1)</sup> (h/d)	19.0 %	21.3 %

<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 benefit credit (cost), 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	
	March 31, 2024	March 31, 2023
Net income attributable to Rockwell Automation	\$ 266.2	\$ 300.3
Non-operating pension and postretirement benefit (credit) cost	(4.9)	105.4
Tax effect of non-operating pension and postretirement benefit (credit) cost	1.0	(25.6)
Purchase accounting depreciation and amortization attributable to Rockwell Automation	34.4	23.6
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(6.0)	(5.8)
Change in fair value of investments <sup>(1)</sup>	(2.8)	(63.0)
Tax effect of change in fair value of investments <sup>(1)</sup>	0.1	15.2
Adjusted income	<u>\$ 288.0</u>	<u>\$ 350.1</u>
Diluted EPS	\$ 2.31	\$ 2.59
Non-operating pension and postretirement benefit (credit) cost	(0.04)	0.90
Tax effect of non-operating pension and postretirement benefit (credit) cost	0.01	(0.22)
Purchase accounting depreciation and amortization attributable to Rockwell Automation	0.29	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>	(0.02)	(0.54)
Tax effect of change in fair value of investments <sup>(1)</sup>	—	0.13
Adjusted EPS	<u>\$ 2.50</u>	<u>\$ 3.01</u>
Effective tax rate	14.5 %	16.1 %
Tax effect of non-operating pension and postretirement benefit (credit) cost	(0.1)%	1.9 %
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	0.3 %	0.4 %
Tax effect of change in fair value of investments <sup>(1)</sup>	0.1 %	(1.0)%
Adjusted effective tax rate	<u>14.8 %</u>	<u>17.4 %</u>

## Non-operating pension and postretirement benefit credit

(in millions)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Interest cost	\$ 37.4	\$ 40.0
Expected return on plan assets	(42.5)	(51.7)
Amortization of net actuarial loss (gain)	0.2	(0.8)
Settlement charge	—	117.9
Non-operating pension and postretirement benefit (credit) cost	<u>\$ (4.9)</u>	<u>\$ 105.4</u>

<sup>(1)</sup> Amount in the three months ended March 31, 2023, primarily relates to the change in fair value of our previous investment in PTC.



# Reconciliation to Non-GAAP Measures

## Return On Invested Capital

(\$ in millions)

	Twelve Months Ended March 31,	
	2024	2023
<b>(a) Return</b>		
Net income	\$ 1,082.4	\$ 1,304.4
Interest expense	138.0	133.5
Income tax provision	276.8	264.9
Purchase accounting depreciation and amortization	284.5	104.3
Return	<u>\$ 1,781.7</u>	<u>\$ 1,807.1</u>
<b>(b) Average invested capital</b>		
Short-term debt	\$ 740.2	\$ 898.0
Long-term debt	2,809.1	3,106.5
Shareowners' equity	3,662.0	3,051.1
Accumulated amortization of goodwill and intangibles	1,230.2	1,023.4
Cash and cash equivalents	(576.2)	(466.5)
Short-term and long-term investments	(0.5)	(7.6)
Average invested capital	<u>\$ 7,864.8</u>	<u>\$ 7,604.9</u>
<b>(c) Effective tax rate</b>		
Income tax provision	276.8	264.9
Income before income taxes	<u>\$ 1,359.2</u>	<u>\$ 1,569.3</u>
Effective tax rate	20.4 %	16.9 %
<b>(a) / (b) * (1-c) Return On Invested Capital</b>	<u>18.0 %</u>	<u>19.7 %</u>

# Reconciliation to Non-GAAP Measures

## Fiscal 2024 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 Rate

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

### Adjusted EPS

Diluted EPS <sup>(1)</sup>  
 Non-operating pension and postretirement benefit credit  
 Tax effect of non-operating pension and postretirement benefit credit  
 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>(2)</sup>  
 Tax effect of change in fair value of investments <sup>(2)</sup>  
 Restructuring costs  
 Tax effect of restructuring costs  
 Adjusted EPS

## Fiscal 2024 Guidance

	(8.0)% - (6.0)%
	~ 1.5%
	~ 0.5%
	<u>(6.0)% - (4.0)%</u>
\$ ~	8.6
~	1.7
~	(0.4)
\$ ~	1.3
~	20.0%
~	15.3%
~	16.8%
~	(0.1)%
~	—%
~	—%
~	0.3%
~	<u>17.0%</u>
	\$8.80- \$9.80
	(0.17)
	0.04
	1.17
	(0.20)
	(0.05)
	0.01
	0.52
	(0.12)
	<u>\$10.00 - \$11.00</u>

(1) Fiscal 2024 guidance based on adjusted income attributable to Rockwell, which includes an adjustment for SLB's non-controlling interest in Sensia.

(2) The actual year-to-date adjustments 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 May 7, 2024



# Reconciliation to Non-GAAP Measures

## Free Cash Flow Conversion

(\$ in billions)

	<b>Fiscal 2024 Guidance</b>	
Net income attributable to Rockwell Automation at the mid-point	\$ ~	1.1
Non-operating pension and postretirement benefit cost, net of tax	~	—
Purchase accounting depreciation and amortization attributable to Rockwell Automation, net of tax	~	0.1
Change in fair value of investments, net of tax <sup>(1)</sup>	~	—
Restructuring costs, net of tax	~	—
Adjusted income at the mid-point (a)	\$ ~	1.2
Cash provided by operating activities	\$ ~	1.2
Capital expenditures	~	(0.2)
Free cash flow (b)	\$ ~	1.0
Free cash flow conversion (b/a)	~	80%

<sup>(1)</sup>The actual year-to-date adjustments 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 May 7, 2024

# Performance Metric Definition

## ***Total 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. Total ARR growth is calculated as the dollar change in ARR, adjusted to exclude the effects of currency, divided by ARR as of the prior period. 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. 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.

## ***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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