



## **Second-Quarter 2015 Results**

**July 28, 2015**

# Safe Harbor



This presentation includes “forward-looking statements,” which are statements that are not historical facts, including statements that relate to the mix of and demand for our products, performance of the markets in which we operate, our share repurchase program including the amount of shares to be repurchased and timing of such repurchases, our projected 2015 third-quarter and full-year financial performance, the resolution of tax disputes previously described in the company’s periodic filings, the financial impact of such resolutions, expectations related to cash outflows related to the resolution, and assumptions regarding our effective tax rate. These forward-looking statements are based on our current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from our current expectations. Such factors include, but are not limited to, global economic conditions, demand for our products and services, the impact of currency and tax law changes. Additional factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2014, Form 10-Q for the quarter ended March 31, 2015 and other SEC filings. We assume no obligation to update these forward-looking statements.

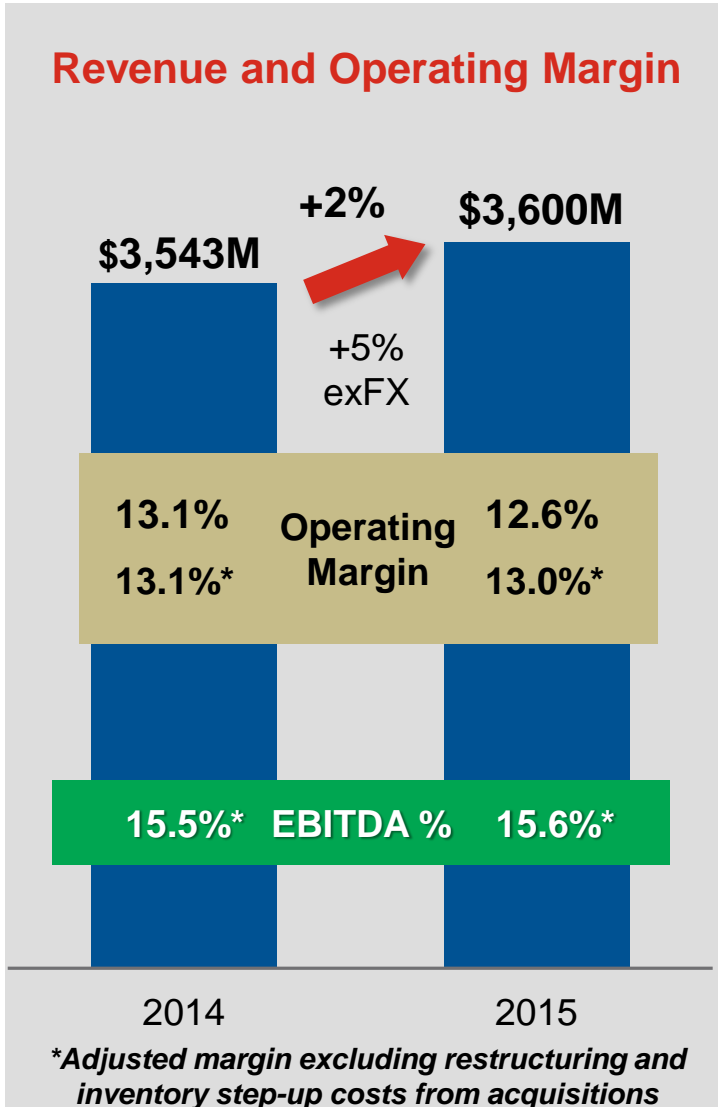
This presentation also includes adjusted non-GAAP financial information which should be considered supplemental to, not a substitute for, or superior to, the financial measure calculated in accordance with GAAP. Further information about the adjusted non-GAAP financial information is included in financial tables attached to the earnings news release that can be found at [www.ingersollrand.com](http://www.ingersollrand.com).

All data for beyond the second quarter of 2015 are estimates.

# Second-Quarter 2015 highlights



## Revenue and Operating Margin



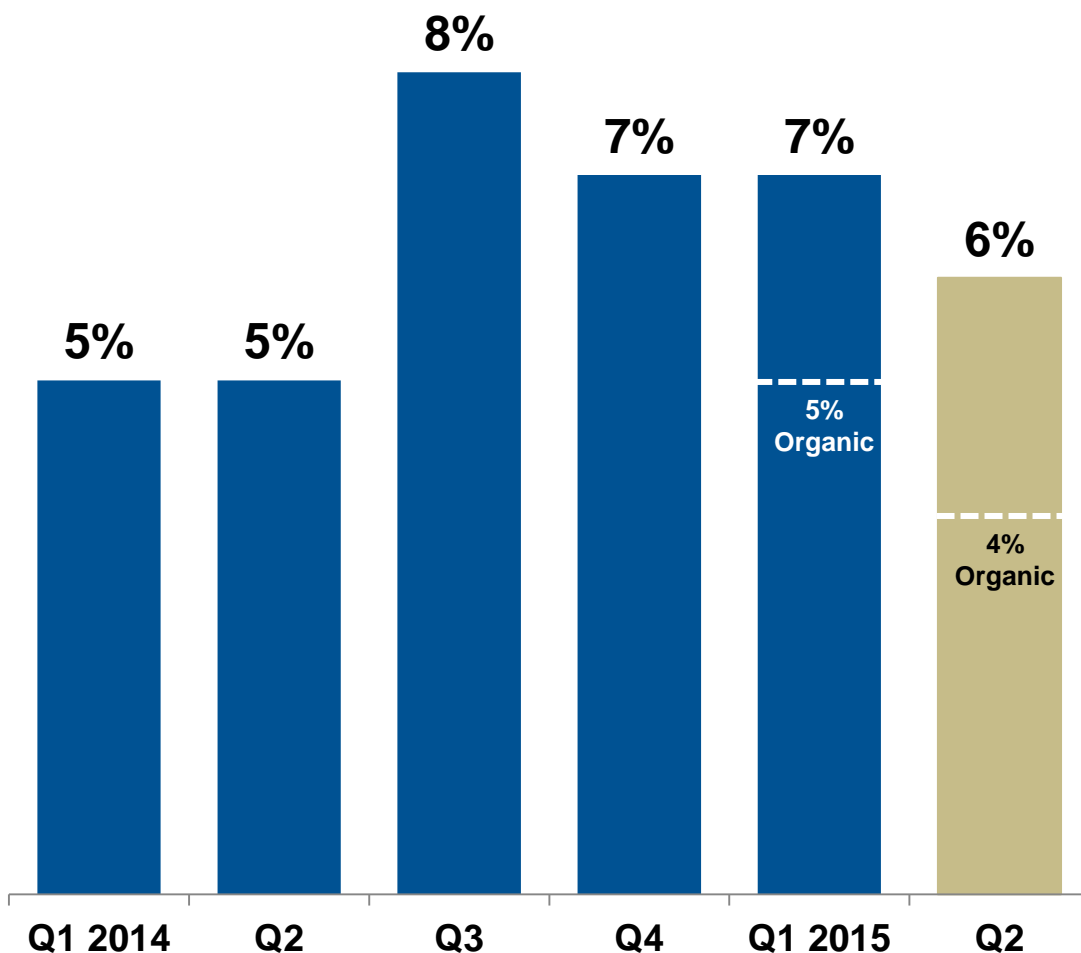
- Adjusted EPS from continuing ops: \$1.20
- Revenue of \$3,600M, organic revenue (exFX and acquisitions) +3%
  - Strong growth in N. America Transport and Commercial HVAC; good organic growth in Transport and Commercial HVAC in EMEA
- Q2 bookings +2%, +6% exFX, +4% organic
- Adjusted operating margin 13.0%; down slightly versus Q2 2014; up 50 basis points organically
- Price and productivity gains offset by inflation, negative FX, investment spending and purchase accounting impacts
- IRS tax agreement

**Strong revenue growth in North America HVAC and Transport**

# Quarterly Year-Over-Year Order Change



## Orders, % Change Excluding Currency



	Reported	ExFX
Q4 '13	5%	5%
Q1 '14	5%	5%
Q2	5%	5%
Q3	7%	8%
Q4	5%	7%
Q1 '15	3%	7%
Q2	2%	6%

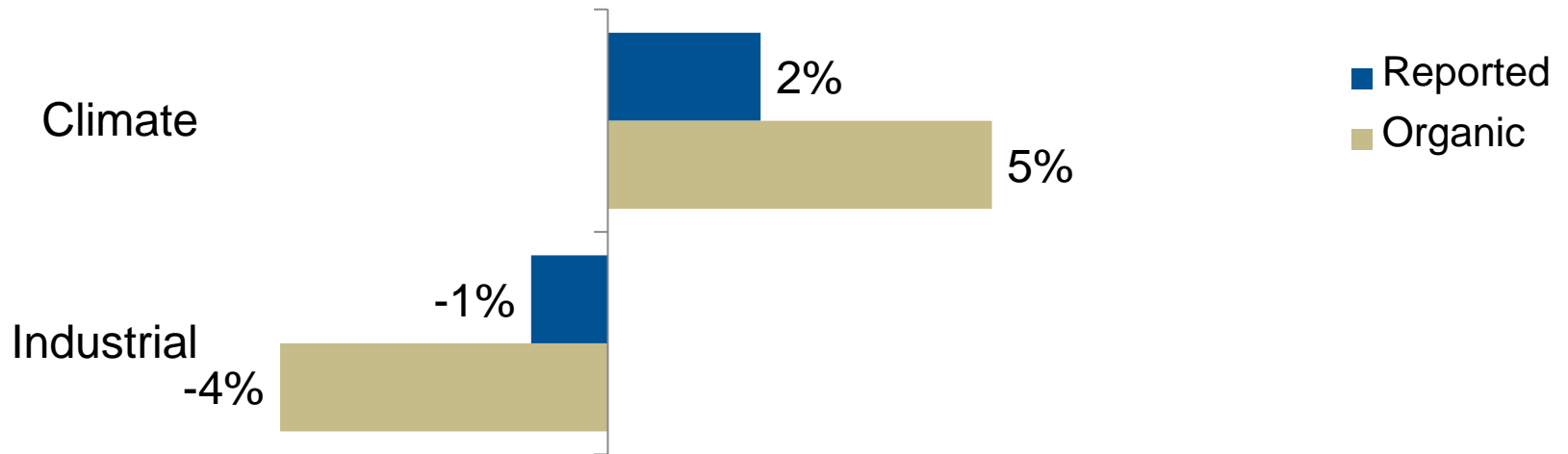
Q2 2015 % Change vs. Q2 2014		
	Reported	ExFX
Climate	3%	6%
Industrial	-1%	5%
<b>Total</b>	<b>2%</b>	<b>6%</b>

**Q2 organic orders up 4%**

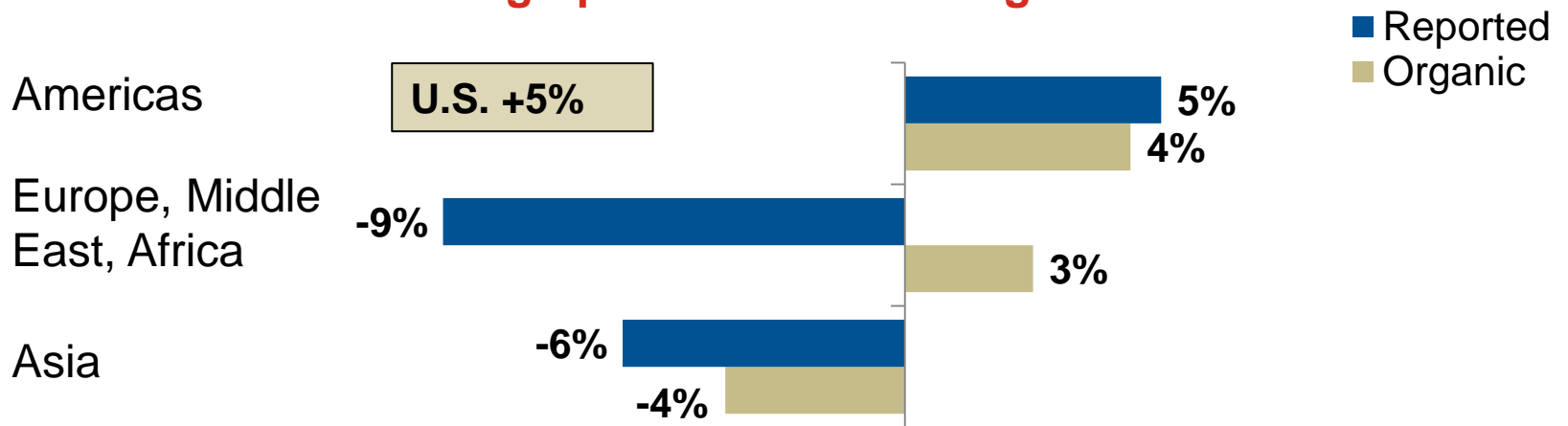
# Q2 2015 Revenue Change



## Segment Revenue Change



## Geographic Revenue Change



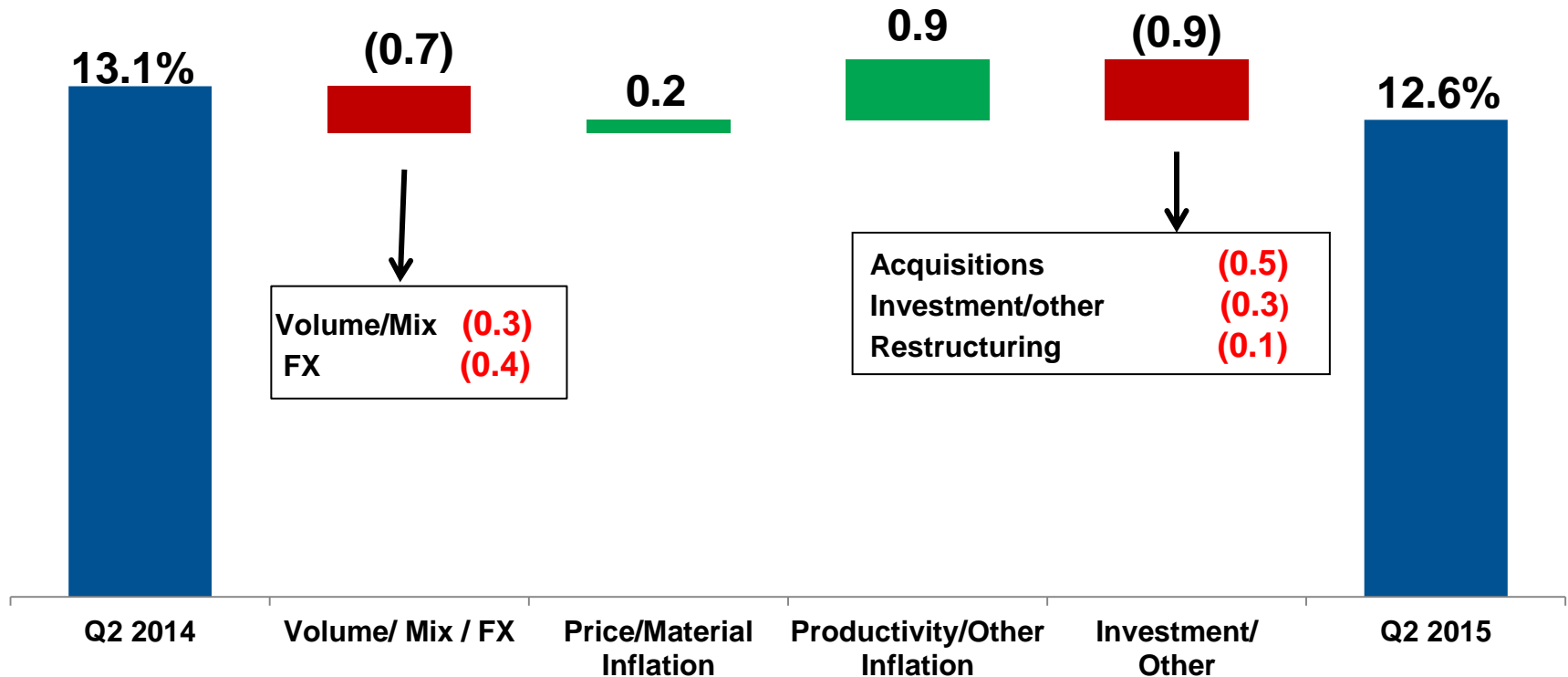
**Q2 organic revenue up 3%**

# Q2 2015 Operating Margin



## Operating Leverage

	Reported	Adjusted*
Year-Over-Year Revenue Change	\$ 57M	\$ 57M
Year-Over-Year Op. Income Change	\$ (11)M	\$ 5M
<b>Leverage</b>	<b>NM</b>	<b>10%</b>
<b>Organic** Leverage</b>		<b>31%</b>



\* Adjusted results exclude restructuring costs and acquisition related inventory step-up costs

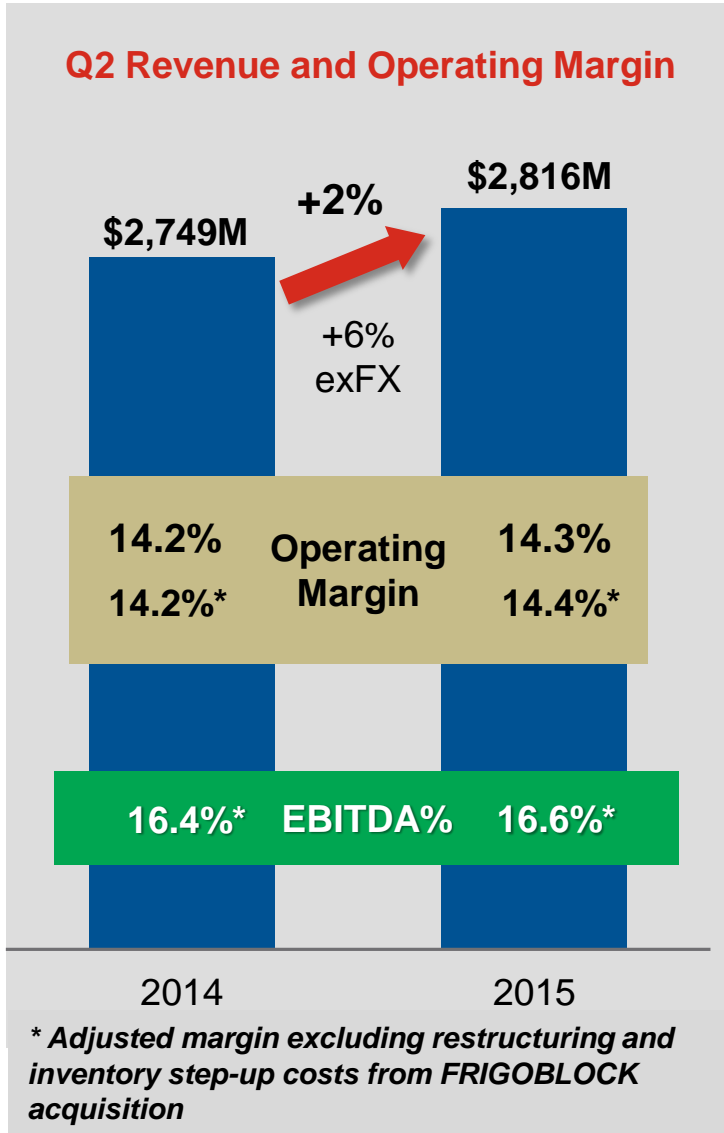
\*\* Organic results exclude restructuring costs, acquisitions and currency

NM = Not Meaningful

# Climate Segment



## Q2 Revenue and Operating Margin



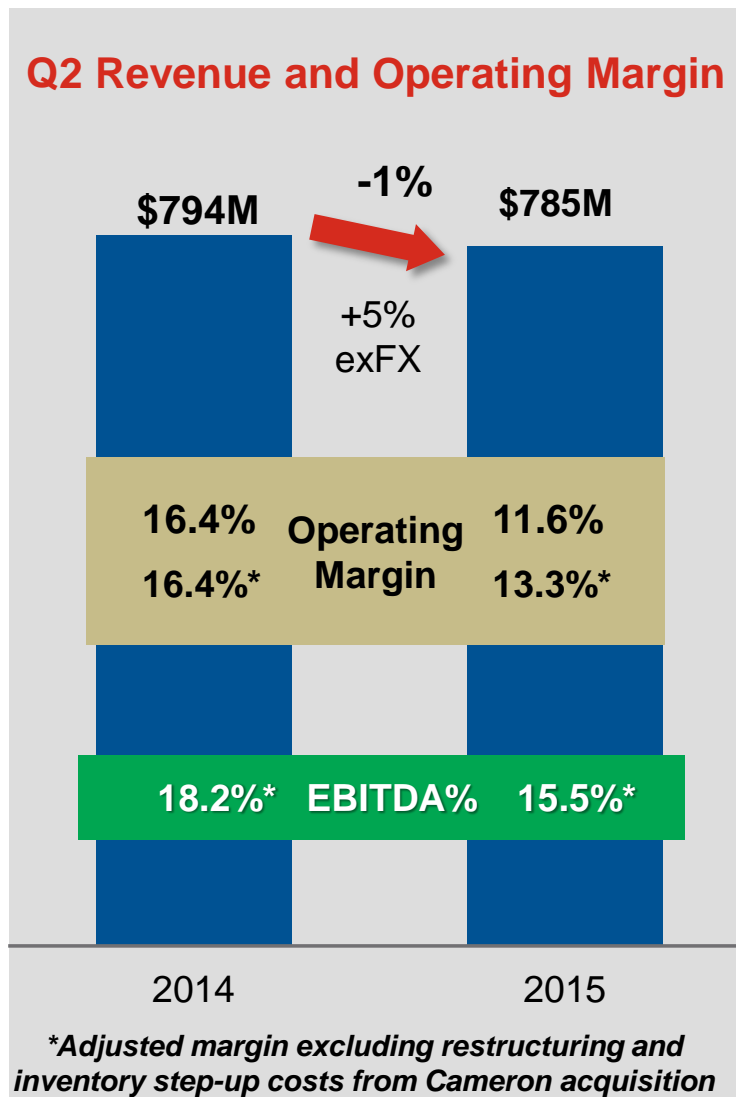
- Climate bookings up 6% (exFX); up high-single digits in N. America with Commercial HVAC bookings up mid-teens; Solid bookings (exFX) growth in Europe was slightly offset by muted demand in Asia and market deceleration in L. America
  - HVAC bookings up high-single digits (exFX)
  - Transport bookings down slightly (exFX); gains in N. America offset by declines in Asia and L. America, Europe flat (down on an organic basis)
- Climate revenues +6% (exFX); double digit growth in Commercial HVAC and Transport helped offset softer markets in Asia and L. America
  - HVAC revenues up mid-single digits (exFX)
    - HVAC revenues in N. America up mid-single digits (exFX) and up high-single digits (exFX) in Europe and Middle East; Asia down low-single digits (exFX)
    - Residential HVAC revenues to owned-distribution up double digits while shipments to independent distribution were down double digits due to timing of inventory re-stocking; strong restocking orders by independents in June and continuing into July
  - Transport Revenues (exFX) up high-single digits, strong N. America and low-single digit organic growth in Europe
- Segment adjusted operating margins increased 20 basis points from increased volume, price and productivity, partially offset by inflation and currency

Improved margins in uneven end markets

# Industrial Segment



## Q2 Revenue and Operating Margin



- Industrial organic bookings down 1% and revenues down 4%
- Air and industrial products organic bookings down low-single digits and organic revenues down mid-single digits. Organic revenues down in all geographic regions
- Club Car revenues (exFX) down low single digits from weak golf markets; orders (exFX) increased by high-single digits
- Adjusted Operating margin down compared with last year
  - Productivity gains and price were offset by declines in volume, currency, initial-year acquisition impact and inflation
  - Acquisitions and currency were 180 basis point drag on adjusted earnings

**Soft end markets and currency negatively impacted margins**



# Tax Update

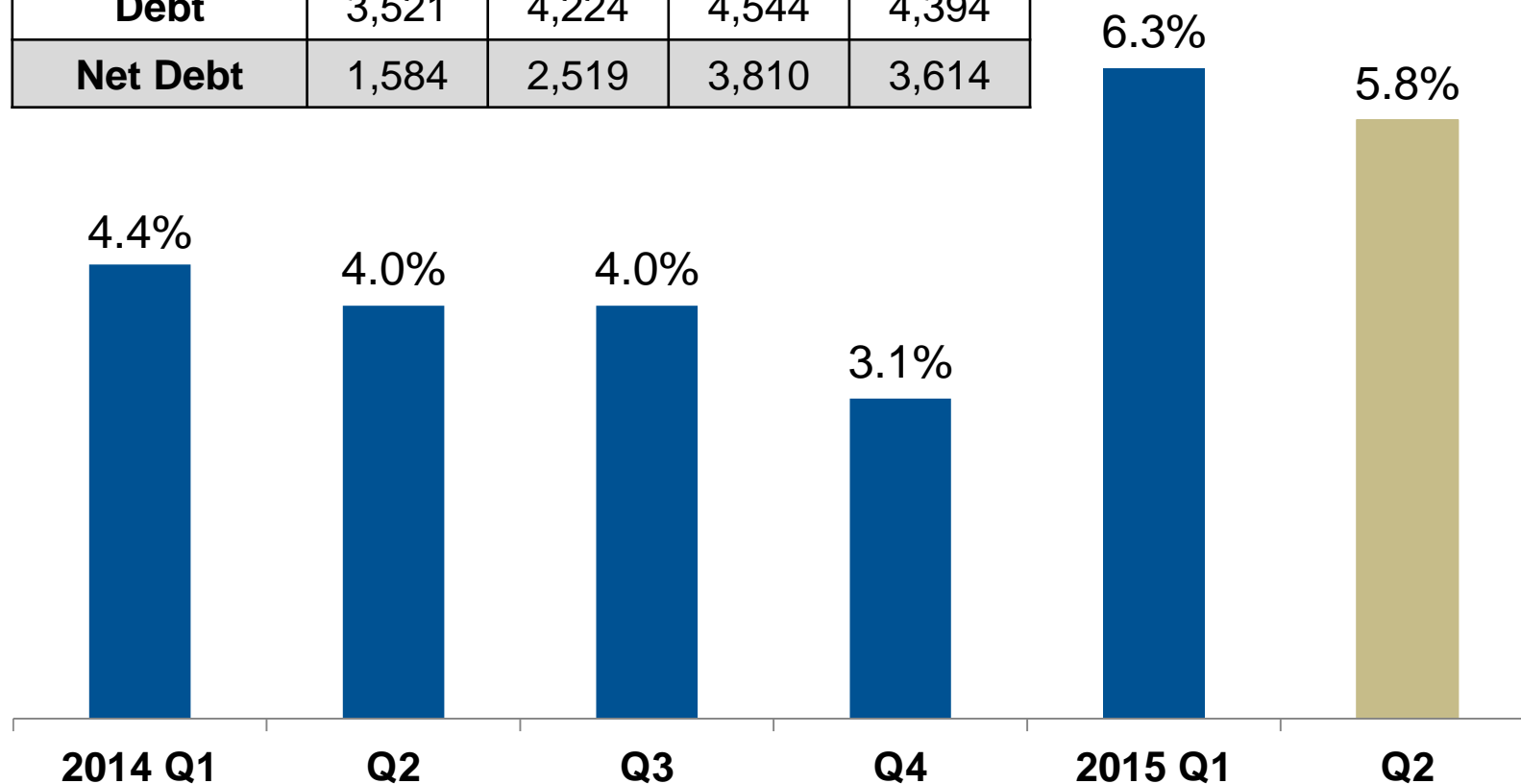


- Entered into agreement with IRS on July 17 for tax years 2002 to 2011 to resolve the dispute related to intercompany debt for \$230 million in tax plus interest
- No penalties will apply with regard to any of the tax years 2002-2011 and no additional tax will be owed with respect to these intercompany debt and related matters for the years 2007-2011
- Total charge ~\$227 million – EPS charge of (\$0.84) to 2Q earnings
- 2015 Cash flow impact: \$ (375) million
  - \$ (230) million in tax and \$ (145) million of net interest
  - Funded by short term debt and cash
  - No impact on scheduled share repurchase plans
- IRS will now report the agreement to the independent Congressional Joint Committee on Taxation (the “JCT”) for review as the agreement cannot be finalized until the IRS considers the views, if any, expressed by the JCT
- When final, this resolution will provide greater certainty around the company’s tax structure, effective tax rate and financial position going forward

# Working Capital as a % of Revenues



\$ Millions	YE 13	YE 14	Q1 15	Q2 15
Cash	1,937	1,705	734	780
Debt	3,521	4,224	4,544	4,394
Net Debt	1,584	2,519	3,810	3,614



**2015 full-year adjusted free cash flow target \$950M to \$1B\***

\*Adjusted free cash flow excludes the impact of the \$375M IRS agreement

# Full-Year 2015 Forecast



	Y-O-Y Revenue Change	Markets	Adjusted Operating Margin
<b>Climate</b> – Reported – Organic	3% to 4% 6% to 7%	<ul style="list-style-type: none"> <li>• Commercial HVAC equipment replacement and aftermarket growing low- to mid-single digits</li> <li>• Transport high-single digit growth in N. America and low-single digit decline Europe, including currency</li> <li>• Continued growth in U.S. residential builder and moderate replacement market demand</li> </ul>	~13%
<b>Industrial</b> – Reported – Organic	6% to 7% 1% to 2%	<ul style="list-style-type: none"> <li>• Slow worldwide industrial new equipment and aftermarket growth</li> <li>• Golf market up low-single digits</li> </ul>	~14%
<b>Total Reported Organic</b>	4% to 5% 4% to 5%	+2% to +3% for acquisitions and (3%) to (4%) for FX	11.0% to 11.5%*

\*Includes acquisition operating results plus acquisition-related amortization costs of ~\$7 million per quarter and excludes inventory step-up costs of ~\$12 million for both Q1 and Q2

# Forecast 2015



	Full Year	Q3
Y-O-Y reported revenue change <ul style="list-style-type: none"> <li>• Organic</li> <li>• Currency</li> <li>• Acquisitions</li> </ul>	<b>4% to 5%</b> 4% to 5% (3%) to (4%) 2% to 3%	<b>4% to 5%</b> 5% to 6% (3%) to (4%) 2% to 3%
<b>EPS continuing – reported*</b>	\$2.59 to \$2.74	\$1.13 to \$1.17
- Inventory step-up costs \$0.06 and Venezuela currency \$0.13	0.19	-----
- Tax agreement	0.84	-----
- Restructuring	0.05	0.02
EPS continuing – adjusted	\$3.66 to \$3.81	\$1.15 to \$1.19
EPS – discontinued	\$(0.09)	\$(0.02)
Shares – Millions	~270	~270
Ongoing tax rate	~25%	~25%

\*Includes acquisition operating results, acquisition-related amortization costs of ~\$7 million (EPS of \$0.02) per quarter, inventory step-up costs of ~\$24 million (EPS of \$0.06). Also includes ~\$42.6 million of costs (EPS of \$0.13) related to the devaluation of the Venezuelan Bolivar and income tax expense items of \$226.6 million (EPS of \$0.84)



# Appendix

# Q3 2015 Guidance Bridge



<b>2014 EPS Continuing Operations</b>	<b>\$1.10</b>
Restructuring costs	(0.02)
Operations improvement	0.20 to 0.24
Investments	(0.05)
Currency	(0.09)
Acquisitions*	(0.01)
<b>EPS Continuing Reported</b>	<b><u>1.13 to 1.17</u></b>
Restructuring	0.02
<b>Adjusted EPS</b>	<b>\$1.15 to \$1.19</b>

\*Includes acquisition operating results, acquisition-related amortization costs of ~\$8 million

# Year-Over-Year Revenue Change



Reported	2013		2014				2015	
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Climate	4%	4%	4%	6%	5%	5%	6%	2%
Industrial	Flat	Flat	4%	3%	3%	3%	7%	(1%)
<b>Total Ingersoll Rand</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>2%</b>

Organic	2013		2014				2015	
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Climate	4%	5%	4%	6%	7%	6%	9%	5%
Industrial	(1%)	Flat	4%	3%	6%	3%	4%	(4%)
<b>Total Ingersoll Rand</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>	<b>5%</b>	<b>8%</b>	<b>3%</b>

