

Rockwell Automation

Fiscal Year 2019

First Quarter Conference Call

January 29, 2019



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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.



Fiscal 2019 First Quarter Results and Full Year Outlook



Q1 Results

- Organic sales up 5.7% YOY
 - Logix growth of 7%
 - Process growth of 5%
 - Double-digit growth in Information Solutions and Connected Services
 - Growth led by consumer and heavy industries; transportation down
- Segment operating margin of 22.8%, up 40 bps YOY
- Adjusted EPS of \$2.21, up 13%

Full Year Outlook

- Organic sales growth still expected to be about 5.2% at mid-point of guidance range
- Maintaining fiscal 2019 Adjusted EPS guidance of \$9.05 at mid-point of range

A good start to the fiscal year

Key Financial Information: First Quarter

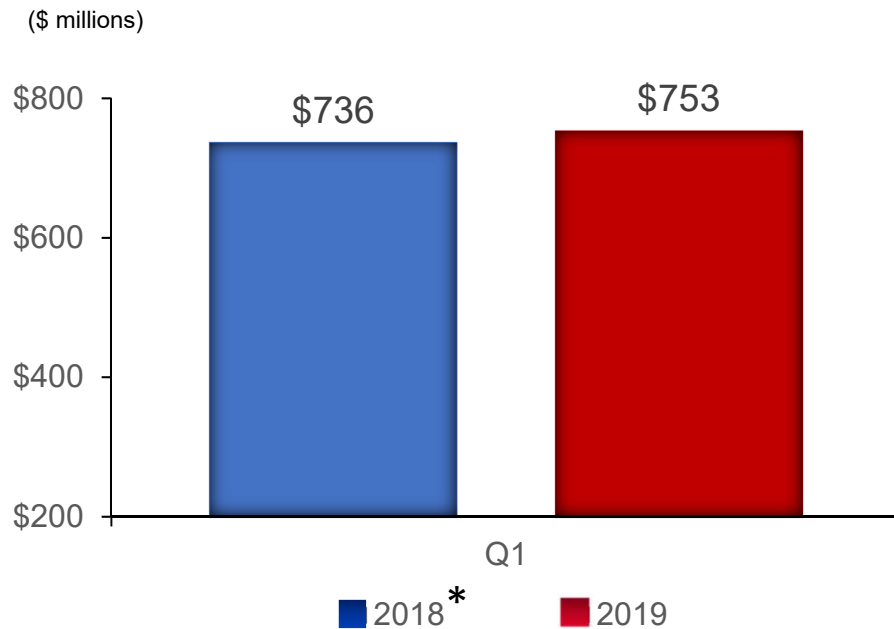
(in millions, except per share amounts)

	<u>Q1 2019</u>	<u>Q1 2018 *</u>	<u>YOY B/(W)</u>
Sales	\$ 1,642	\$ 1,587	3.5 %
Segment Operating Earnings	\$ 375	\$ 355	5.5 %
Segment Operating Margin	22.8 %	22.4 %	40 bps
General Corporate - Net	\$ 22	\$ 24	\$ 2
Adjusted EPS	\$ 2.21	\$ 1.96	12.8 %
Adjusted Effective Tax Rate	18.7 %	18.9 %	20 bps
Free Cash Flow	\$ 170	\$ 179	\$ (9)
ROIC	39.2 %	40.8 %	(160) bps

* Comparable numbers in fiscal 2018 were recast to conform to fiscal 2019 reporting, except for ASC 606, which was adopted using the modified retrospective transition method. See pages 9-11.

Architecture & Software

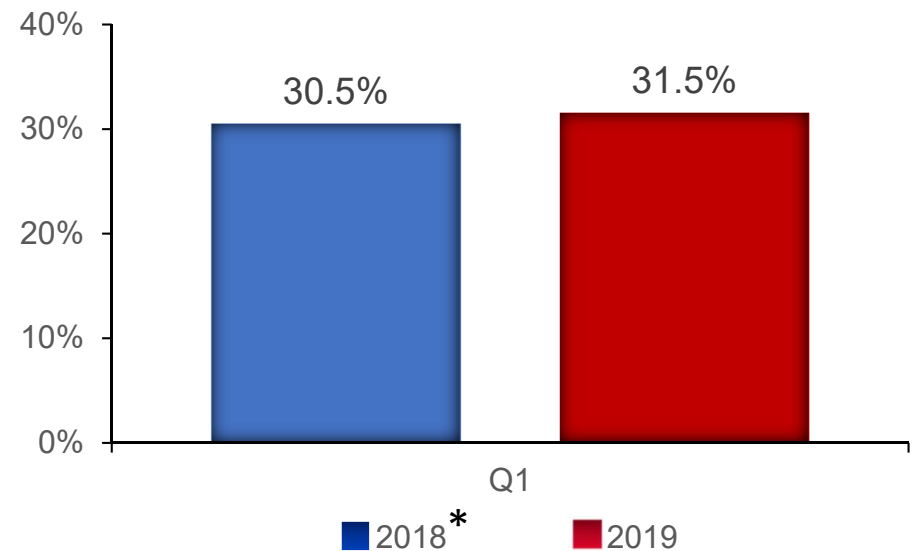
Sales



YOY Sales % Change

	Q1 2019
Organic	4.6%
FX	(2.2)%
Reported	2.4%

Segment Operating Margin

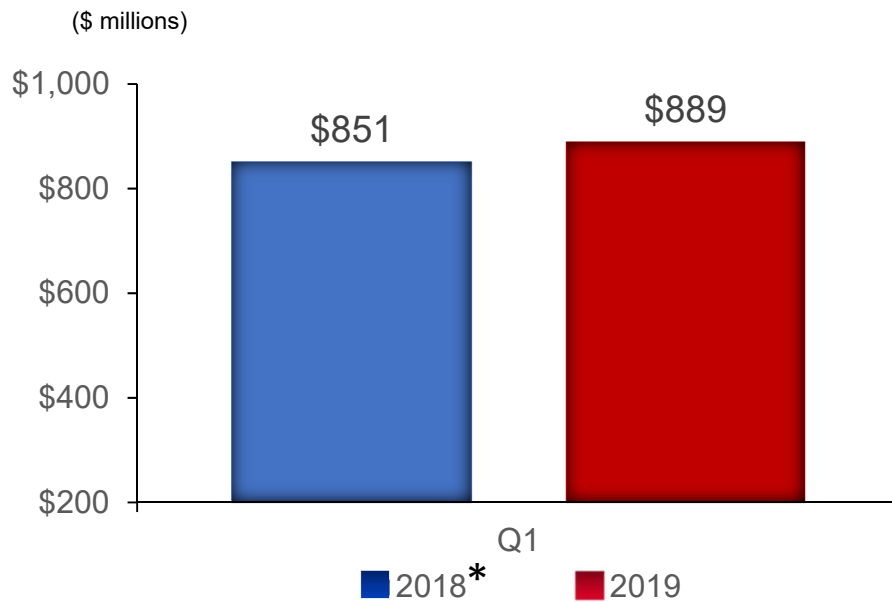


- Segment operating margin expanded 100 bps in Q1, primarily due to higher sales, partially offset by higher investment spending.

* Comparable numbers in fiscal 2018 were recast to conform to fiscal 2019 reporting, except for ASC 606, which was adopted using the modified retrospective transition method. See pages 9-11.

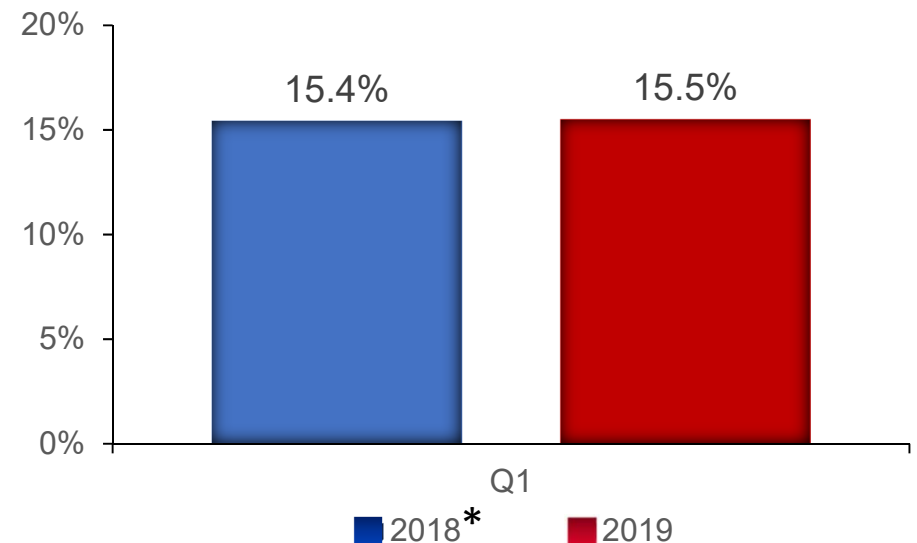
Control Products & Solutions

Sales



	YOY Sales % Change
	Q1 2019
Organic	6.6%
FX	(2.1)%
Reported	4.5%

Segment Operating Margin



- Segment operating margin expanded 10 bps in Q1, primarily due to higher sales, partially offset by higher investment spending.

* Comparable numbers in fiscal 2018 were recast to conform to fiscal 2019 reporting, except for ASC 606, which was adopted using the modified retrospective transition method. See pages 9-11.

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q1 2019</u>		<u>First Quarter</u> *
	<u>Sales</u>	<u>Organic % Change</u>	
North America	\$ 999	6.2%	<ul style="list-style-type: none"> North America growth led by consumer and heavy industries
EMEA	294	(0.7)%	<ul style="list-style-type: none"> In EMEA, consumer growth was offset by decline in heavy industries
Asia Pacific	214	4.3%	<ul style="list-style-type: none"> Broad-based growth in Asia Pacific
Latin America	135	19.9%	<ul style="list-style-type: none"> Latin America growth led by heavy industries
TOTAL	<u>\$ 1,642</u>	5.7%	<ul style="list-style-type: none"> Emerging markets up high single digits

* All growth comments refer to organic growth

Revised Fiscal 2019 Guidance

	January Guidance	November Guidance
Sales	~ \$6.9B	~ \$7.0B
Organic Growth	3.7% to 6.7%	3.7% to 6.7%
Currency Translation	~ (1.5)%	~ (1)%
Segment Operating Margin	~ 22%	~ 22%
Adjusted Effective Tax Rate	~ 19.5%	~ 19.5%
Adjusted EPS	\$8.85 - \$9.25	\$8.85 - \$9.25
Free Cash Flow as a % of Adjusted Income	~ 100%	~ 100%

Note: As of January 29, 2019

Fiscal 2019 Reporting Changes

Revenue Reporting

- Adopted ASC 606 (revenue recognition) in Q1
- U.S. & Canada revenues combined and reported as North America region

Segment Reporting

- Segment P&L: Realigned certain business activities between A&S and CP&S reporting segments
- \$48M of FY18 revenue moved from A&S to CP&S

Interest Income

- Statement of Operations: No change; remains in Other (expense) income
- Segment P&L: Removed from General corporate-net; now included in interest (expense) income, net

Operating vs. Non-Operating Pension/Postretirement

- Adopting FASB definition of operating vs. non-operating; operating includes only service cost
- Statement of Operations: Non-operating amounts reclassified out of COS and SG&A into Other (expense) income
- Non-GAAP Measures: Conforming non-GAAP measures of Adjusted Income, Adjusted EPS and Adjusted ETR to FASB definition; impact immaterial
- Segment P&L: Conforming to FASB definition

Fiscal 2019 Reporting Changes: Statement of Operations Impact on Q1 FY18



(in millions, except per share amounts)

	Fiscal Year 2018 - Quarter 1		
	Originally Reported	Pension/ Postretirement	Recast
Sales	\$ 1,586.6	\$ —	\$ 1,586.6
Cost of sales	(889.5)	3.1	(886.4)
Gross profit	697.1	3.1	700.2
Selling, general and administrative	(389.3)	2.7	(386.6)
Other income (expense)	10.0	(5.8)	4.2
Interest expense	(20.0)	—	(20.0)
Income from continuing operations before income taxes	297.8	—	297.8
Income tax provision	(534.2)	—	(534.2)
Net income	\$ (236.4)	\$ —	\$ (236.4)
Diluted EPS	\$ (1.84)	\$ —	\$ (1.84)
Adjusted EPS⁽¹⁾	\$ 1.96	\$ —	\$ 1.96
Average diluted shares for EPS calculation	128.2		128.2

⁽¹⁾ Adjusted EPS is a non-GAAP measure

Fiscal 2019 Reporting Changes: Segment P&L Impact on Q1 FY18



(in millions, except per share amounts and percentages)

	Fiscal Year 2018 - Quarter 1				
	Originally Reported	Segment Realign.	Pension/ Postretirement	Interest Income	Recast
Sales					
Architecture & Software (a)	\$ 746.9	\$ (11.3)	\$ —	\$ —	\$ 735.6
Control Products & Solutions (b)	839.7	11.3	—	—	851.0
Total sales (c)	<u>\$ 1,586.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,586.6</u>
Segment operating earnings					
Architecture & Software (d)	\$ 224.6	\$ (0.4)	\$ —	\$ —	\$ 224.2
Control Products & Solutions (e)	130.9	0.4	(0.1)	—	131.2
Total segment operating earnings ⁽¹⁾ (f)	<u>355.5</u>	<u>—</u>	<u>(0.1)</u>	<u>—</u>	<u>355.4</u>
Purchase accounting depreciation and amortization	(4.4)	—	—	—	(4.4)
General corporate - net	(16.2)	—	—	(7.8)	(24.0)
Non-operating pension costs	(5.9)	—	0.1	—	(5.8)
Costs related to unsolicited Emerson proposals	(11.2)	—	—	—	(11.2)
Interest (expense) income, net	(20.0)	—	—	7.8	(12.2)
Income before income taxes	<u>297.8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>297.8</u>
Income tax provision	(534.2)	—	—	—	(534.2)
Net income	<u>\$ (236.4)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (236.4)</u>
Diluted EPS	<u>\$ (1.84)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1.84)</u>
Adjusted EPS ⁽²⁾	<u>\$ 1.96</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1.96</u>
Segment operating margin					
Architecture & Software (d/a)	<u>30.1%</u>				<u>30.5%</u>
Control Products & Solutions (e/b)	<u>15.6%</u>				<u>15.4%</u>
Total segment operating margin (f/c)	<u>22.4%</u>				<u>22.4%</u>

⁽¹⁾ Total segment operating earnings and total segment operating margin are non-GAAP measures.

⁽²⁾ Adjusted EPS is a non-GAAP measure.

Appendix

Supplemental Financial Information and Reconciliations to Non-GAAP Measures





First Quarter Results: Summary

(in millions, except per share amounts)	<u>Q1 2019</u>	<u>Q1 2018</u>
Total sales	\$ 1,642.3	\$ 1,586.6
Total segment operating earnings	\$ 374.9	\$ 355.4
Purchase accounting depreciation and amortization	(4.1)	(4.4)
General corporate – net	(21.9)	(24.0)
Non-operating pension and postretirement benefit costs	2.6	(5.8)
Costs related to unsolicited Emerson proposals	—	(11.2)
Loss on investments	(246.4)	—
Valuation adjustments related to the registration of PTC securities Interest (expense) income, net	33.7	—
Income tax provision	(18.0)	(12.2)
Net income	<u>\$ 80.3</u>	<u>\$ (236.4)</u>
<u>Adjustments</u>		
Non-operating pension and postretirement benefit costs, net of tax	\$ (2.3)	\$ 4.0
Costs related to unsolicited Emerson proposal, net of tax	—	8.1
Change in the fair value of investments, net of tax ¹	191.0	—
Effects of the Tax Act	—	479.7
Adjusted Income	<u>\$ 269.0</u>	<u>\$ 255.4</u>
Adjusted EPS	<u>\$ 2.21</u>	<u>\$ 1.96</u>
Average diluted shares	<u>121.5</u>	<u>128.2</u>
Average diluted shares for Adjusted EPS ²	<u>121.5</u>	<u>130.1</u>

¹Includes loss on investments and valuation adjustments related to the registration of PTC securities.

²Average diluted shares for Adjusted EPS is a non-GAAP measure that includes 1.9 million of dilutive shares that are excluded from GAAP average diluted shares in the first quarter of fiscal 2018 because we recorded a net loss.

Free Cash Flow

(in millions)	<u>Q1 2019</u>
Net Income	\$ 80.3
Depreciation/Amortization	35.9
Retirement Benefits Expense	17.2
Receivables/Inventory/Payables	(89.7)
Compensation and Benefits	(85.4)
Pension Contributions	(6.1)
Income Taxes	12.2
Change in fair value of investments	212.7
Other	<u>34.9</u>
Cash Flow from Operations	212.0
Capital Expenditures	(42.0)
Free Cash Flow	<u><u>\$ 170.0</u></u>
Adjusted Income	\$ 269.0
Free Cash Flow as a % of Adjusted Income	63%



Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended December 31,									
	2018					2017				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Effect of Divestitures	Sales Excluding Divestitures	Sales Growth (a)/(c)	Organic Growth (b)/(c)
North America	\$ 998.8	\$ 3.8	\$ 1,002.6	\$ —	\$ 1,002.6	\$ 943.9	\$ —	\$ 943.9	5.8%	6.2%
EMEA	294.4	10.8	305.2	—	305.2	307.4	—	307.4	(4.2)%	(0.7)%
Asia Pacific	214.4	9.3	223.7	—	223.7	214.5	—	214.5	—%	4.3%
Latin America	134.7	10.1	144.8	—	144.8	120.8	—	120.8	11.5%	19.9%
Total	\$ 1,642.3	\$ 34.0	\$ 1,676.3	\$ —	\$ 1,676.3	\$ 1,586.6	\$ —	\$ 1,586.6	3.5%	5.7%

	Three Months Ended December 31,									
	2018					2017				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Effect of Divestitures	Sales Excluding Divestitures	Sales Growth (a)/(c)	Organic Growth (b)/(c)
Architecture & Software	\$ 753.1	\$ 16.4	\$ 769.5	\$ —	\$ 769.5	\$ 735.6	\$ —	\$ 735.6	2.4%	4.6%
Control Products & Solutions	889.2	17.6	906.8	—	906.8	851.0	—	851	4.5%	6.6%
Total	\$ 1,642.3	\$ 34.0	\$ 1,676.3	\$ —	\$ 1,676.3	\$ 1,586.6	\$ —	\$ 1,586.6	3.5%	5.7%



Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	<u>Three Months Ended</u> <u>December 31, 2018</u>	<u>Three Months Ended</u> <u>December 31, 2017</u>
Sales		
Architecture & Software (a)	\$ 753.1	\$ 735.6
Control Products & Solutions (b)	889.2	851.0
Total sales (c)	<u>\$ 1,642.3</u>	<u>\$ 1,586.6</u>
Segment operating earnings		
Architecture & Software (d)	\$ 237.0	\$ 224.2
Control Products & Solutions (e)	137.9	131.2
Total segment operating earnings (f)	<u>374.9</u>	<u>355.4</u>
Purchase accounting depreciation and amortization	(4.1)	(4.4)
General corporate - net	(21.9)	(24.0)
Non-operating pension and postretirement benefit (credit) costs	2.6	(5.8)
Costs related to unsolicited Emerson proposals	—	(11.2)
Loss on investments	(246.4)	—
Valuation adjustments related to the registration of PTC securities	33.7	—
Interest (expense) income, net	(18.0)	(12.2)
Income before income taxes (g)	<u>\$ 120.8</u>	<u>\$ 297.8</u>
Segment operating margin:		
Architecture & Software (d/a)	31.5 %	30.5 %
Control Products & Solutions (e/b)	15.5 %	15.4 %
Total segment operating margin (f/c)	22.8 %	22.4 %
Pretax margin (g/c)	7.4 %	18.8 %



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, 2018	December 31, 2017
Net Income	\$ 80.3	\$ (236.4)
Non-operating pension and postretirement benefit (credit) cost	(2.6)	5.8
Tax effect of non-operating pension and postretirement benefit (credit) cost	0.3	(1.8)
Costs related to unsolicited Emerson proposals	—	11.2
Tax effect of costs related to unsolicited Emerson proposals	—	(3.1)
Change in fair value of investments	212.7	—
Tax effect of the change in fair value of investments	(21.7)	—
Effects of the Tax Act	—	479.7
Adjusted Income	<u>\$ 269.0</u>	<u>\$ 255.4</u>
Diluted EPS	\$ 0.66	\$ (1.84)
Non-operating pension and postretirement benefit (credit) cost	(0.02)	0.06
Tax effect of non-operating pension and postretirement benefit (credit) cost	—	(0.01)
Costs related to unsolicited Emerson proposals	—	0.09
Tax effect of costs related to unsolicited Emerson proposals	—	(0.02)
Change in fair value of investments	1.75	—
Tax effect of the change in fair value of investments	(0.18)	—
Effects of the Tax Act	—	3.68
Adjusted EPS	<u>\$ 2.21</u>	<u>\$ 1.96</u>
Effective tax rate	33.5 %	179.4 %
Tax effect of non-operating pension and postretirement benefit (credit) cost	— %	0.3 %
Tax effect of costs related to unsolicited Emerson proposals	— %	0.3 %
Tax effect of the change in fair value of investments	(14.8) %	— %
Effects of the Tax Act	— %	(161.1) %
Adjusted Effective Tax Rate	<u>18.7 %</u>	<u>18.9 %</u>

Non-operating pension and postretirement benefit costs

(in millions)

	Three Months Ended	
	December 31, 2018	December 31, 2017
Interest cost	\$ 40.2	\$ 39.4
Expected return on plan assets	(61.2)	(61.2)
Amortization of prior service credit	(1.1)	(1.1)
Amortization of net actuarial loss	19.7	28.7
Settlements	(0.2)	—
Non-operating pension and postretirement benefit (credit) costs	<u>\$ (2.6)</u>	<u>\$ 5.8</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended	
	December 31,	
	2018	2017
(a) Return		
Net income	\$ 852.2	\$ 374.6
Interest expense	73.7	77.5
Income tax provision	301.6	703.0
Purchase accounting depreciation and amortization	17.1	20.2
Return	<u>1,244.6</u>	<u>1,175.3</u>
(b) Average invested capital		
Short-term debt	466.3	664.2
Long-term debt	1,231.4	1,241.5
Shareowners' equity	1,687.9	2,249.1
Accumulated amortization of goodwill and intangibles	870.2	842.3
Cash and cash equivalents	(1,034.4)	(1,508.5)
Short-term and long-term investments	(717.8)	(1,206.1)
Average invested capital	<u>2,503.6</u>	<u>2,282.5</u>
(c) Effective tax rate		
Income tax provision ¹	243.0	223.3
Income before income taxes	\$ 1,153.8	\$ 1,077.6
Effective tax rate	<u>21.1%</u>	<u>20.7%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>39.2%</u>	<u>40.8%</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.

Reconciliation to Non-GAAP Measures

Logix and Process Sales Growth

**Three Months Ended
December 31, 2018**

Logix

Logix reported growth	4%
Effect of currency translation	3%
Logix organic growth	7%

Process

Process reported growth	2%
Effect of currency translation	3%
Process organic growth	5%



Reconciliation to Non-GAAP Measures

Fiscal 2019 Guidance

(in billions, except percentages and per share amounts)

Organic Sales

Organic sales growth
Foreign currency impact
Reported sales growth

<u>January Guidance</u>	<u>November Guidance</u>
3.7% to 6.7%	3.7% to 6.7%
~ (1.5)%	~ (1)%
2.2% to 5.2%	2.7% to 5.7%

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)

<u>January Guidance</u>	<u>November Guidance</u>
\$ ~ 6.9	\$ ~ 7.0
~ 1.5	~ 1.5
~ 0.2	~ 0.2
\$ ~ 1.3	\$ ~ 1.3
~ 22 %	~ 22 %
~ 20 %	~ 20 %

Adjusted Effective Tax Rate

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

~ 21.0 %	~ 19.5 %
~ — %	~ — %
~ (1.5) %	~ — %
~ 19.5 %	~ 19.5 %

Adjusted EPS

Diluted EPS from continuing operations
Non-operating pension and postretirement benefit credit
Tax effect of non-operating pension and postretirement benefit credit
Change in fair value of investments
Tax effect of change in fair value of investments
Adjusted EPS

\$7.33 - \$7.73	\$8.92 - \$9.32
(0.09)	(0.08)
0.01	0.01
1.78	—
(0.18)	—
\$8.85 - \$9.25	\$8.85 - \$9.25