

Rockwell Automation

Fiscal Year 2017

Third Quarter Conference Call

July 26, 2017



**Rockwell
Automation**

Copyright © 2017 Rockwell Automation, Inc. All rights reserved.



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 2017 Third Quarter Results and Full Year Outlook

Q3 Results

- Organic sales up 8.2% YOY, as expected
 - Double-digit growth in Asia Pacific and Latin America; U.S. up 8%
 - Transportation, food and beverage, semiconductor strong
 - A&S growth of 10.5%; Logix growth of 10%
- Acquisitions contributed 1.2% to growth
- Adjusted EPS of \$1.76, up 14%

Full Year Outlook

- Macro outlook remains solid
- Organic growth still expected to be 6%
- Adjusted EPS growth of 13% at mid-point of guidance

Increasing Adjusted EPS guidance range to \$6.60 - \$6.80 for FY 2017

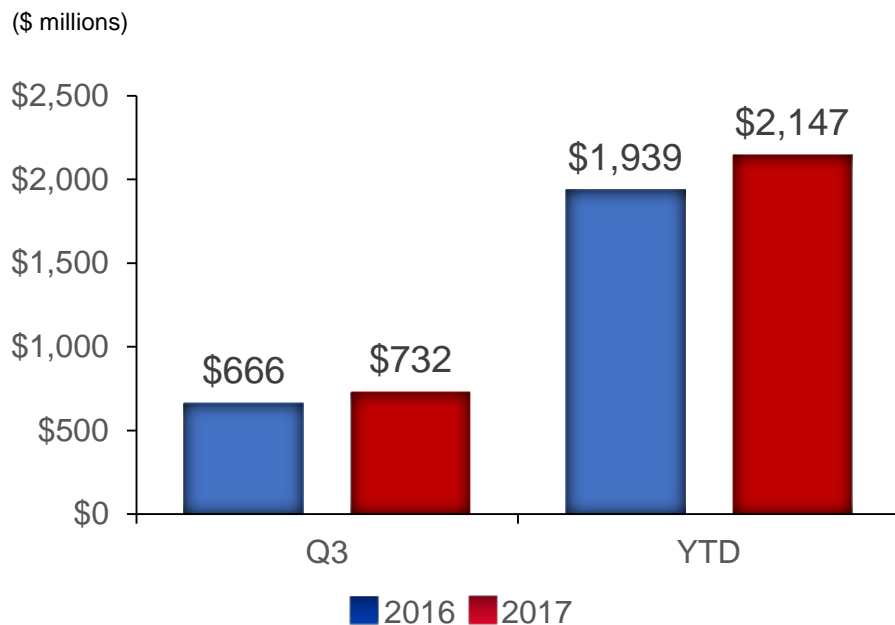
Key Financial Information: Third Quarter

(in millions, except per share amounts)

	<u>Q3 2017</u>	<u>Q3 2016</u>	<u>YOY B/(W)</u>
Sales	\$ 1,599	\$ 1,474	8.5 %
Segment Operating Margin	21.1 %	21.1 %	— bps
General Corporate - Net	\$ 17	\$ 17	\$ —
Adjusted EPS	\$ 1.76	\$ 1.55	13.5 %
Adjusted Effective Tax Rate	22.4 %	25.1 %	270 bps
Free Cash Flow	\$ 285	\$ 250	\$ 35
ROIC	38.8 %	32.6 %	620 bps

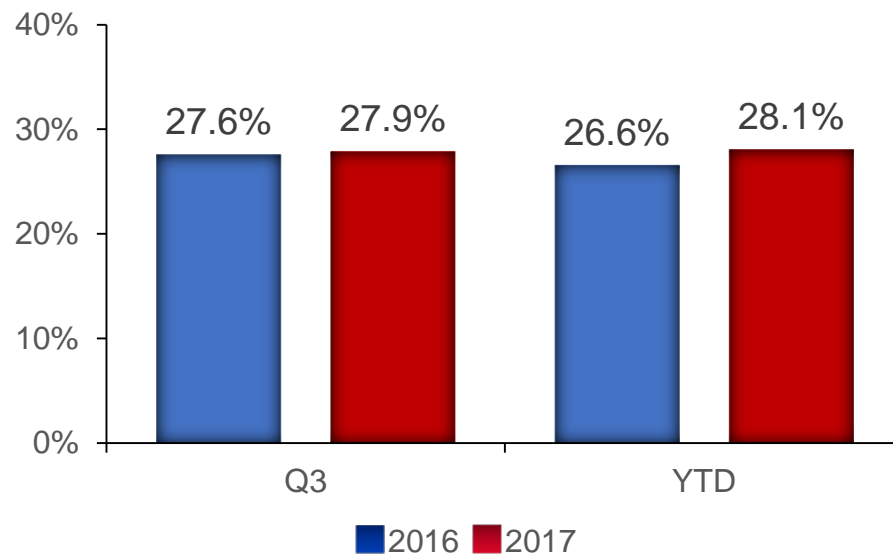
Architecture & Software

Sales



	<u>YOY Sales % Change</u>	
	<u>Q3 2017</u>	<u>YTD</u>
Organic	10.5%	10.6%
FX	(1.0)%	(0.9)%
Acquisitions	0.3%	1.1%
Reported	9.8%	10.8%

Segment Operating Margin



- Segment operating margin expanded 30 bps in Q3, primarily due to higher sales, partially offset by higher incentive compensation

Control Products & Solutions

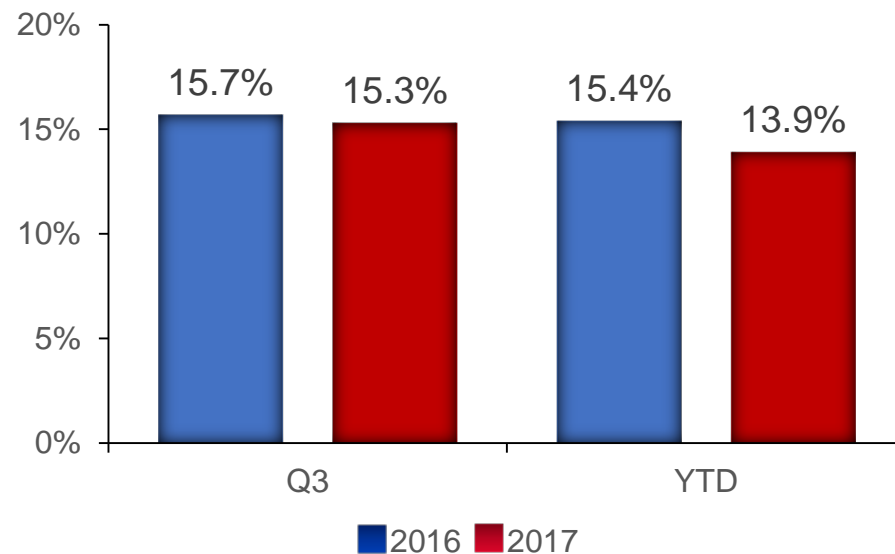
Sales



YOY Sales % Change

	<u>Q3 2017</u>	<u>YTD</u>
Organic	6.3%	2.8%
FX	(0.8)%	(0.8)%
Acquisitions	1.9%	1.9%
Reported	<u>7.4%</u>	<u>3.9%</u>

Segment Operating Margin



- Segment operating margin contracted 40 bps in Q3, primarily due to higher incentive compensation, partially offset by higher sales

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q3 2017</u>		<u>YTD</u>		<u>Third Quarter *</u>
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>	
U.S.	\$ 881	8.1%	\$ 2,570	5.0%	▪ U.S. and Canada growth led by transportation
Canada	82	4.3%	250	5.8%	▪ EMEA flat, as expected
EMEA	297	(0.1)%	869	3.4%	▪ Broad-based growth in Asia Pacific; China up double digits
Asia Pacific	226	21.8%	630	17.6%	
Latin America	113	11.9%	325	4.7%	▪ Latin America growth led by Mexico
TOTAL	\$ 1,599	8.2%	\$ 4,644	6.3%	

* All growth comments refer to organic growth

Revised Fiscal 2017 Guidance

	July Guidance	April Guidance
Sales	~ \$6.3B	~ \$6.25B
Organic Growth	~ 6%	4.5% to 7.5%
Currency Translation	~ (0.5)%	~ (1.5)%
Acquisitions	~ 1.5%	~ 1.5%
Segment Operating Margin	~ 20.5%	~ 20.5%
Adjusted Effective Tax Rate	~ 21%	~ 22%
Adjusted EPS	\$6.60 - \$6.80	\$6.45 - \$6.75
Free Cash Flow as a % of Adjusted Income	115%+	105%+

Note: As of July 26, 2017

Appendix

Supplemental Financial Information and Reconciliations to Non-GAAP Measures



**Rockwell
Automation**

Third Quarter Results: Summary

(in millions, except per share amounts)

	<u>Q3 2017</u>	<u>Q3 2016</u>
Total Sales	\$ 1,599.2	\$ 1,474
Total Segment Operating Earnings	\$ 337.0	\$ 311.0
Purchase Accounting Depreciation and Amortization	(5.6)	(4.7)
General Corporate - Net	(16.5)	(17.0)
Non-Operating Pension Costs	(19.8)	(18.9)
Interest Expense	(19.1)	(18.1)
Income Tax Provision	(59.1)	(61.3)
Net Income	<u>\$ 216.9</u>	<u>\$ 191.0</u>
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	12.6	12.1
Adjusted Income	<u>\$ 229.5</u>	<u>\$ 203.1</u>
Adjusted EPS	<u>\$ 1.76</u>	<u>\$ 1.55</u>
Average Diluted Shares	<u>129.9</u>	<u>130.8</u>

Free Cash Flow

(in millions)	<u>Q3 2017</u>	<u>YTD</u>
Net Income	\$ 216.9	\$ 621.1
Depreciation/Amortization	43.0	124.0
Retirement Benefits Expense	43.1	129.2
Receivables/Inventory/Payables	(13.0)	(26.0)
Compensation and Benefits	54.5	105.7
Pension Contributions	(12.3)	(40.8)
Income Taxes	(14.7)	(22.4)
Other	(2.2)	36.3
Cash Flow from Operations	315.3	927.1
Capital Expenditures	(30.1)	(97.5)
Free Cash Flow	<u>\$ 285.2</u>	<u>\$ 829.6</u>

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2017			2016				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
United States	\$ 881.0	\$ 0.3	\$ 881.3	\$ (17.2)	\$ 864.1	\$ 799.6	10.2%	8.1%
Canada	82.2	3.5	85.7	—	85.7	82.2	—%	4.3%
Europe, Middle East, Africa	297.3	6.5	303.8	(0.4)	303.4	303.7	(2.1)%	(0.1)%
Asia Pacific	226.3	3.0	229.3	—	229.3	188.3	20.2%	21.8%
Latin America	112.4	(0.3)	112.1	—	112.1	100.2	12.2%	11.9%
Total	<u>\$ 1,599.2</u>	<u>\$ 13.0</u>	<u>\$ 1,612.2</u>	<u>\$ (17.6)</u>	<u>\$ 1,594.6</u>	<u>\$ 1,474.0</u>	8.5%	8.2%

	Nine Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2017			2016				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
United States	\$ 2,569.8	\$ 0.7	\$ 2,570.5	\$ (58.3)	\$ 2,512.2	\$ 2,391.7	7.4%	5.0%
Canada	249.9	1.0	250.9	(0.1)	250.8	237.1	5.4%	5.8%
Europe, Middle East, Africa	869.0	18.8	887.8	(6.4)	881.4	852.5	1.9%	3.4%
Asia Pacific	630.4	7.9	638.3	(2.4)	635.9	540.7	16.6%	17.6%
Latin America	324.7	9.4	334.1	(0.1)	334.0	318.9	1.8%	4.7%
Total	<u>\$ 4,643.8</u>	<u>\$ 37.8</u>	<u>\$ 4,681.6</u>	<u>\$ (67.3)</u>	<u>\$ 4,614.3</u>	<u>\$ 4,340.9</u>	7.0%	6.3%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2017			2016				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
Architecture & Software	\$ 731.9	\$ 6.5	\$ 738.4	\$ (2.1)	\$ 736.3	\$ 666.4	9.8%	10.5%
Control Products & Solutions	867.3	6.5	873.8	(15.5)	858.3	807.6	7.4%	6.3%
Total	\$ 1,599.2	\$ 13.0	\$ 1,612.2	\$ (17.6)	\$ 1,594.6	\$ 1,474.0	8.5%	8.2%

	Nine Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2017			2016				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
Architecture & Software	\$ 2,147.3	\$ 17.7	\$ 2,165.0	\$ (20.8)	\$ 2,144.2	\$ 1,938.8	10.8%	10.6%
Control Products & Solutions	2,496.5	20.1	2,516.6	(46.5)	2,470.1	2,402.1	3.9%	2.8%
Total	\$ 4,643.8	\$ 37.8	\$ 4,681.6	\$ (67.3)	\$ 4,614.3	\$ 4,340.9	7.0%	6.3%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Sales				
Architecture & Software (a)	\$ 731.9	\$ 666.4	\$ 2,147.3	\$ 1,938.8
Control Products & Solutions (b)	867.3	807.6	2,496.5	2,402.1
Total sales (c)	\$ 1,599.2	\$ 1,474.0	\$ 4,643.8	\$ 4,340.9
Segment operating earnings				
Architecture & Software (d)	\$ 204.3	\$ 184.2	\$ 603.5	\$ 515.0
Control Products & Solutions (e)	132.7	126.8	346.1	369.4
Total segment operating earnings (f)	337.0	311.0	949.6	884.4
Purchase accounting depreciation and amortization	(5.6)	(4.7)	(16.8)	(13.9)
General corporate - net	(16.5)	(17.0)	(52.8)	(54.5)
Non-operating pension costs	(19.8)	(18.9)	(59.4)	(56.7)
Interest expense	(19.1)	(18.1)	(56.7)	(53.1)
Income before income taxes (g)	\$ 276.0	\$ 252.3	\$ 763.9	\$ 706.2
Segment operating margin:				
Architecture & Software (d/a)	27.9 %	27.6 %	28.1%	26.6%
Control Products & Solutions (e/b)	15.3 %	15.7 %	13.9%	15.4%
Total segment operating margin (f/c)	21.1 %	21.1 %	20.4%	20.4%
Pretax margin (g/c)	17.3 %	17.1 %	16.4%	16.3%

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, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Income from continuing operations	\$ 216.9	\$ 191.0	\$ 621.1	\$ 544.5
Non-operating pension costs	19.8	18.9	59.4	56.7
Tax effect of non-operating pension costs	(7.2)	(6.8)	(21.7)	(20.5)
Adjusted Income	<u>\$ 229.5</u>	<u>\$ 203.1</u>	<u>\$ 658.8</u>	<u>\$ 580.7</u>
Diluted EPS from continuing operations	\$ 1.67	\$ 1.46	\$ 4.77	\$ 4.13
Non-operating pension costs per diluted share	0.15	0.14	0.46	0.43
Tax effect of non-operating pension costs per diluted share	(0.06)	(0.05)	(0.17)	(0.15)
Adjusted EPS	<u>\$ 1.76</u>	<u>\$ 1.55</u>	<u>\$ 5.06</u>	<u>\$ 4.41</u>
Effective tax rate	21.4 %	24.3 %	18.7 %	22.9 %
Tax effect of non-operating pension costs	1.0 %	0.8 %	1.3 %	1.0 %
Adjusted Effective Tax Rate	<u>22.4 %</u>	<u>25.1 %</u>	<u>20.0 %</u>	<u>23.9 %</u>

Non-Operating Pension Costs

(in millions)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Interest cost	\$ 37.8	\$ 42.5	\$ 113.4	\$ 127.2
Expected return on plan assets	(56.2)	(54.8)	(168.6)	(163.9)
Amortization of net actuarial loss	38.2	31.2	114.4	93.4
Settlements	—	—	0.2	—
Non-operating pension costs	<u>\$ 19.8</u>	<u>\$ 18.9</u>	<u>\$ 59.4</u>	<u>\$ 56.7</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended	
	June 30,	
	2017	2016
(a) Return		
Income from continuing operations	\$ 806.3	\$ 745.8
Interest expense	74.9	69.8
Income tax provision	194.5	239.3
Purchase accounting depreciation and amortization	21.3	19.1
Return	<u>1,097.0</u>	<u>1,074.0</u>
(b) Average invested capital		
Short-term debt	536.6	158.5
Long-term debt	1,352.6	1,504.2
Shareowners' equity	2,107.4	2,277.2
Accumulated amortization of goodwill and intangibles	826.4	807.9
Cash and cash equivalents	(1,524.1)	(1,469.9)
Short-term and long-term investments	(1,018.9)	(784.0)
Average invested capital	<u>2,280.0</u>	<u>2,493.9</u>
(c) Effective tax rate		
Income tax provision	194.5	239.3
Income from continuing operations before income taxes	\$ 1,000.8	\$ 985.1
Effective tax rate	<u>19.4%</u>	<u>24.3%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>38.8%</u>	<u>32.6%</u>

Reconciliation to Non-GAAP Measures

Fiscal 2017 Guidance

(in billions, except percentages and per share amounts)

Organic Sales

	<u>July Guidance</u>	<u>April Guidance</u>
Organic sales growth	~ 6%	4.5% to 7.5%
Foreign currency impact	~ (0.5)%	~ (1.5)%
Acquisition impact	~ 1.5%	~ 1.5%
Reported sales growth	<u>~ 7%</u>	<u>4.5% to 7.5%</u>

Segment Operating Margin

Total sales (a)	\$ ~ 6.3	\$ ~ 6.25
Total segment operating earnings (b)	~ 1.3	~ 1.3
Costs not allocated to segments	~ (0.3)	~ (0.3)
Income before income taxes (c)	<u>\$ ~ 1.0</u>	<u>\$ ~ 1.0</u>
Total segment operating margin (b/a)	~ 20.5 %	~ 20.5 %
Pretax margin (c/a)	~ 16 %	~ 16 %

Adjusted Effective Tax Rate

Effective tax rate	~ 20 %	~ 21 %
Tax effect of non-operating pension costs	~ 1 %	~ 1 %
Adjusted Effective Tax Rate	<u>~ 21 %</u>	<u>~ 22 %</u>

Adjusted EPS

Diluted EPS from continuing operations	\$6.21 - \$6.41	\$6.06 - \$6.36
Non-operating pension costs per diluted share	0.61	0.61
Tax effect of non-operating pension costs per diluted share	(0.22)	(0.22)
Adjusted EPS	<u>\$6.60 - \$6.80</u>	<u>\$6.45 - \$6.75</u>