

# Rockwell Automation

Fiscal Year 2018

Third Quarter Conference Call

July 25, 2018



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Automation**

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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 2018 Third Quarter Results

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## Q3 Results

- Organic sales up 5.7% YOY, above expectations
  - Logix growth of 10%
  - Process growth of 8%
  - Double-digit growth in Information Solutions and Connected Services
  - Growth led by heavy industries
- Segment operating margin of 22.5%, up 140 bps YOY
- Adjusted EPS of \$2.16, up 23%
- YTD free cash flow conversion of 111%

## Macro Environment and Full Year Outlook

- Global IP and other production indicators remain strong
- Increasing backlog
- Organic sales growth now expected to be about 5.5%
- Increasing Adjusted EPS to \$8.00 at mid-point of guidance range

# Key Financial Information: Third Quarter

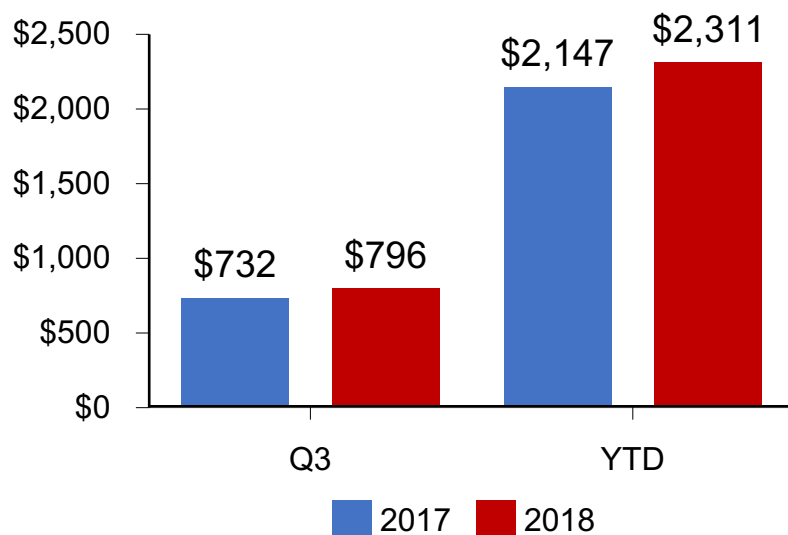
(in millions, except per share amounts)

	<u>Q3 2018</u>	<u>Q3 2017</u>	<u>YOY B/(W)</u>
Sales	\$ 1,699	\$ 1,599	6.2 %
Segment Operating Earnings	\$ 383	\$ 337	13.6 %
Segment Operating Margin	22.5 %	21.1 %	140 bps
General Corporate - Net	\$ 28	\$ 17	\$ (11)
Adjusted EPS	\$ 2.16	\$ 1.76	22.7 %
Adjusted Effective Tax Rate	18.7 %	22.4 %	370 bps
Free Cash Flow	\$ 321	\$ 285	\$ 36
ROIC	43.8 %	38.8 %	500 bps

# Architecture & Software

## Sales

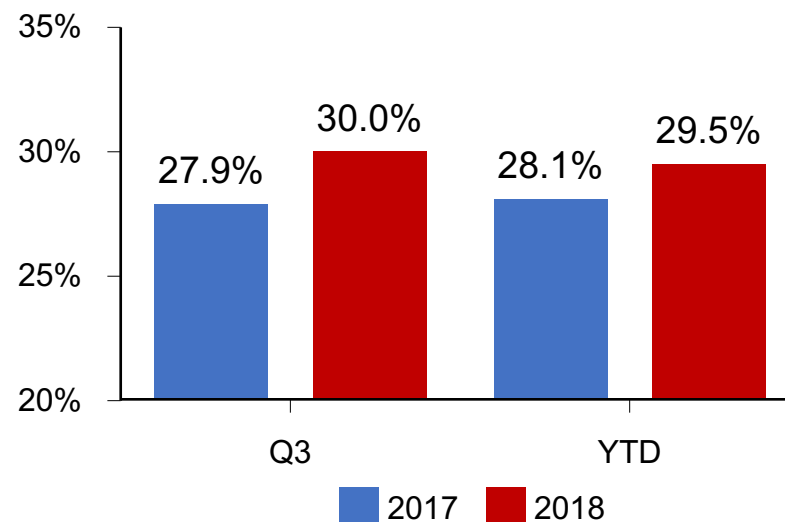
(\$ millions)



### YOY Sales % Change

	<u>Q3 2018</u>	<u>YTD</u>
Organic	6.7%	4.6%
FX	2.0%	3.0%
Reported	8.7%	7.6%

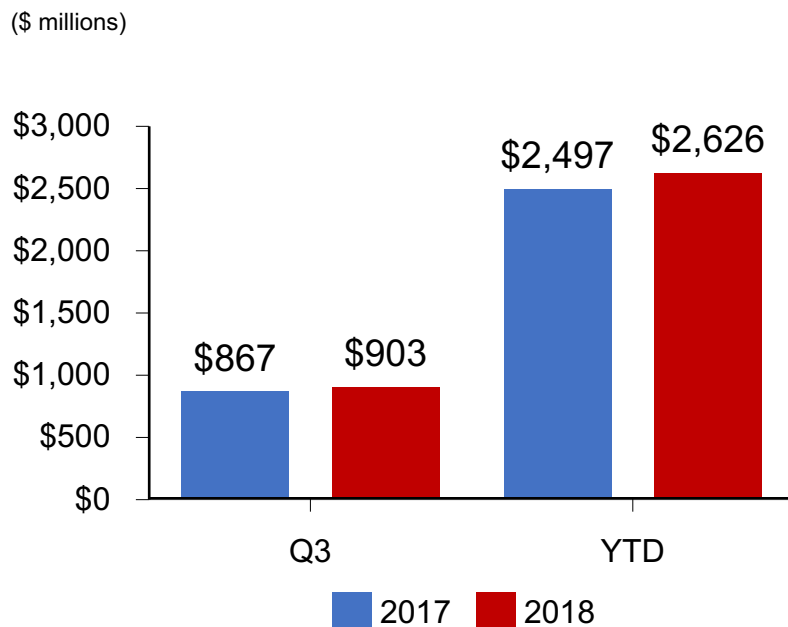
## Segment Operating Margin



- Segment operating margin expanded 210 bps in Q3, primarily due to higher sales

# Control Products & Solutions

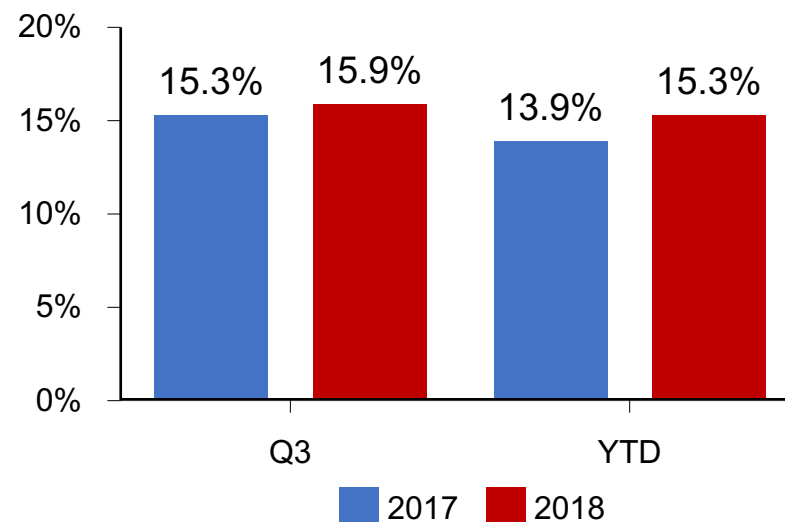
## Sales



### YOY Sales % Change

	<u>Q3 2018</u>	<u>YTD</u>
Organic	4.9%	5.1%
FX	1.6%	2.5%
Divestiture	(2.4)%	(2.4)%
Reported	4.1%	5.2%

## Segment Operating Margin



- Segment operating margin expanded 60 bps in Q3, primarily due to higher sales

# Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q3 2018</u>		<u>YTD</u>		<u>Third Quarter *</u>
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>	
U.S.	\$ 922	6.2%	\$ 2,662	5.1%	<ul style="list-style-type: none"> <li>▪ U.S. growth led by heavy industries and consumer</li> <li>▪ EMEA emerging markets outperformed mature markets</li> <li>▪ In Asia Pacific, China sales grew 10%</li> <li>▪ Broad-based growth in Latin America</li> <li>▪ Emerging markets up high single digits</li> </ul>
Canada	92	13.3%	269	9.0%	
EMEA	322	0.5%	970	1.3%	
Asia Pacific	249	5.6%	682	3.8%	
Latin America	114	10.9%	353	11.7%	
TOTAL	<u>\$ 1,699</u>	5.7%	<u>\$ 4,936</u>	4.8%	

\* All growth comments refer to organic growth

# Revised Fiscal 2018 Guidance

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	July Guidance	April Guidance
Sales	~ \$6.7B	~ \$6.7B
Organic Growth	~ 5.5%	3.5% to 6.5%
Currency Translation	~ 2%	~ 2%
Divestiture	~ (1)%	~ (1)%
Segment Operating Margin	~ 21.5%	~ 21.5%
Adjusted Effective Tax Rate	~ 20.0%	~ 20.5%
Adjusted EPS	\$7.90 - \$8.10	\$7.70 - \$8.00
Free Cash Flow as a % of Adjusted Income	~ 105%	~ 105%

Note: As of July 25, 2018



# Targeting Above-Market Revenue Growth

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**ptc**

48000

4230,0

3772,2

3253,0

**Q3 organic growth**  
Logix 10%  
Process 8%

Gain share in  
core platforms

**Double-digit  
growth in Q3**  
~\$300M in FY18

Grow double-digit  
in Information  
Solutions &  
Connected  
Services

Grow a point or  
more per year  
from acquisitions

# Executing our Capital Allocation Strategy

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## Acquisitions and Partnerships

- Executing on well-defined priorities:
  - Information software
  - Connected services
  - Process expertise
  - Regional share expansion
- Active pipeline of large and small targets

## Increased Cash Returns to Shareowners

- Increased dividend by 10% in November 2017 and by 10% in April 2018
- FY18 share repurchase target is \$1.5B, up \$1.0B from November guidance of \$0.5B

***We retain flexibility to invest in additional value-creating opportunities***

# Appendix

## Supplemental Financial Information and Reconciliations to Non-GAAP Measures



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# Third Quarter Results: Summary

(in millions, except per share amounts)

	<b>Q3 2018</b>	<b>Q3 2017</b>
Total Sales	\$ 1,698.7	\$ 1,599.2
Total Segment Operating Earnings	\$ 382.9	\$ 337.0
Purchase Accounting Depreciation and Amortization	(4.3)	(5.6)
General Corporate - Net	(27.7)	(16.5)
Non-Operating Pension Costs	(5.9)	(19.8)
Loss on PTC investment	(7.3)	—
Valuation adjustment pending registration of PTC securities	(69.5)	—
Interest Expense	(16.5)	(19.1)
Income Tax Provision	(53.1)	(59.1)
Net Income	\$ 198.6	\$ 216.9
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	4.1	12.6
Loss on PTC investment	7.3	—
Valuation adjustment pending registration of PTC securities	69.5	—
Provisional Effect of Deemed Repatriation of Foreign Earnings Due to the Tax Act	(7.5)	—
Adjusted Income	\$ 272.0	\$ 229.5
Adjusted EPS	\$ 2.16	\$ 1.76
Average diluted shares	125.8	129.9

# Free Cash Flow

(in millions)	<b>Q3 2018</b>	<b>YTD</b>
Net Income	\$ 198.6	\$ 189.6
Depreciation/Amortization	42.1	124.9
Retirement Benefits Expense	28.2	84.9
Receivables/Inventory/Payables	(34.6)	(45.1)
Compensation and Benefits	59.4	(8.3)
Pension Contributions	(19.7)	(43.2)
Income Taxes	(13.4)	495.2
Change in fair value of investments	76.8	76.8
Other	5.7	62.4
Cash Flow from Operations	343.1	937.2
Capital Expenditures	(22.4)	(78.6)
Free Cash Flow	<u>\$ 320.7</u>	<u>\$ 858.6</u>
Adjusted Income	\$ 272.0	\$ 770.4
Free Cash Flow as a % of Adjusted Income	118%	111%

# Reconciliation to Non-GAAP Measures

## Organic Sales

(in millions, except percentages)

	Three Months Ended June 30,									
	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)
United States	\$ 922.1	\$ (0.4)	\$ 921.7	\$ —	\$ 921.7	\$ 881.0	\$ (13.1)	\$ 867.9	4.7%	6.2%
Canada	91.6	(3.8)	87.8	—	87.8	82.2	(4.7)	77.5	11.4%	13.3%
EMEA	322.2	(23.5)	298.7	—	298.7	297.3	—	297.3	8.4%	0.5%
Asia Pacific	248.5	(9.5)	239.0	—	239.0	226.3	—	226.3	9.8%	5.6%
Latin America	114.3	8.1	122.4	—	122.4	112.4	(2.0)	110.4	1.7%	10.9%
Total	\$ 1,698.7	\$ (29.1)	\$ 1,669.6	\$ —	\$ 1,669.6	\$ 1,599.2	\$ (19.8)	\$ 1,579.4	6.2%	5.7%

	Nine Months Ended June 30,									
	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)
United States	\$ 2,662.0	\$ (1.7)	\$ 2,660.3	\$ —	\$ 2,660.3	\$ 2,569.8	\$ (37.5)	\$ 2,532.3	3.6%	5.1%
Canada	269.4	(12.0)	257.4	—	257.4	249.9	(13.7)	236.2	7.8%	9.0%
EMEA	970.2	(89.7)	880.5	—	880.5	869.0	—	869.0	11.6%	1.3%
Asia Pacific	681.9	(27.4)	654.5	—	654.5	630.4	—	630.4	8.2%	3.8%
Latin America	353.0	3.5	356.5	—	356.5	324.7	(5.6)	319.1	8.7%	11.7%
Total	\$ 4,936.5	\$ (127.3)	\$ 4,809.2	\$ —	\$ 4,809.2	\$ 4,643.8	\$ (56.8)	\$ 4,587.0	6.3%	4.8%

# Reconciliation to Non-GAAP Measures

## Organic Sales

(in millions, except percentages)

		Three Months Ended June 30,									
		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	\$ 795.7	\$ (15.1)	\$ 780.6	\$ —	\$ 780.6	\$ 731.9	\$ —	\$ 731.9	8.7%	6.7%	
Control Products & Solutions	903.0	(14.0)	889.0	—	889.0	867.3	(19.8)	847.5	4.1%	4.9%	
Total	\$ 1,698.7	\$ (29.1)	\$ 1,669.6	\$ —	\$ 1,669.6	\$ 1,599.2	\$ (19.8)	\$ 1,579.4	6.2%	5.7%	

		Nine Months Ended June 30,									
		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	\$ 2,311.0	\$ (64.9)	\$ 2,246.1	\$ —	\$ 2,246.1	\$ 2,147.3	\$ —	\$ 2,147.3	7.6%	4.6%	
Control Products & Solutions	2,625.5	(62.4)	2,563.1	—	2,563.1	2,496.5	(56.8)	2,439.7	5.2%	5.1%	
Total	\$ 4,936.5	\$ (127.3)	\$ 4,809.2	\$ —	\$ 4,809.2	\$ 4,643.8	\$ (56.8)	\$ 4,587.0	6.3%	4.8%	

# Reconciliation to Non-GAAP Measures

## Segment Operating Margin

(in millions, except percentages)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2018	Nine Months Ended June 30, 2017
Sales				
Architecture & Software (a)	\$ 795.7	\$ 731.9	\$ 2,311.0	\$ 2,147.3
Control Products & Solutions (b)	903.0	867.3	2,625.5	2,496.5
Total sales (c)	<u>\$ 1,698.7</u>	<u>\$ 1,599.2</u>	<u>\$ 4,936.5</u>	<u>\$ 4,643.8</u>
Segment operating earnings				
Architecture & Software (d)	\$ 239.0	\$ 204.3	\$ 681.8	\$ 603.5
Control Products & Solutions (e)	143.9	132.7	401.7	346.1
Total segment operating earnings (f)	<u>382.9</u>	<u>337.0</u>	<u>1,083.5</u>	<u>949.6</u>
Purchase accounting depreciation and amortization	(4.3)	(5.6)	(13.2)	(16.8)
General corporate - net	(27.7)	(16.5)	(61.7)	(52.8)
Non-operating pension costs	(5.9)	(19.8)	(17.7)	(59.4)
Costs related to unsolicited Emerson proposals	—	—	(11.2)	—
Loss on investments	(7.3)	—	(7.3)	—
Valuation adjustment pending registration of PTC securities	(69.5)	—	(69.5)	—
Interest expense	(16.5)	(19.1)	(53.8)	(56.7)
Income before income taxes (g)	<u>\$ 251.7</u>	<u>\$ 276.0</u>	<u>\$ 849.1</u>	<u>\$ 763.9</u>
Segment operating margin:				
Architecture & Software (d/a)	30.0 %	27.9 %	29.5%	28.1%
Control Products & Solutions (e/b)	15.9 %	15.3 %	15.3%	13.9%
Total segment operating margin (f/c)	22.5 %	21.1 %	21.9%	20.4%
Pretax margin (g/c)	14.8 %	17.3 %	17.2%	16.4%



# Reconciliation to Non-GAAP Measures

## Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

(in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Income from continuing operations	\$ 198.6	\$ 216.9	\$ 189.6	\$ 621.1
Non-operating pension costs	5.9	19.8	17.7	59.4
Tax effect of non-operating pension costs	(1.8)	(7.2)	(5.5)	(21.7)
Change in fair value of investments	76.8	—	76.8	—
Costs related to unsolicited Emerson proposals	—	—	11.2	—
Tax effect of costs related to unsolicited Emerson proposals	—	—	(3.1)	—
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	(7.5)	—	389.5	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	—	—	94.2	—
<b>Adjusted Income</b>	<b>\$ 272.0</b>	<b>\$ 229.5</b>	<b>\$ 770.4</b>	<b>\$ 658.8</b>
Diluted EPS from continuing operations	\$ 1.58	\$ 1.67	\$ 1.48	\$ 4.77
Non-operating pension costs	0.04	0.15	0.13	0.46
Tax effect of non-operating pension costs	(0.01)	(0.06)	(0.04)	(0.17)
Change in fair value of investments	0.61	—	0.60	—
Costs related to unsolicited Emerson proposals	—	—	0.09	—
Tax effect of costs related to unsolicited Emerson proposals	—	—	(0.03)	—
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	(0.06)	—	3.04	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	—	—	0.74	—
<b>Adjusted EPS</b>	<b>\$ 2.16</b>	<b>\$ 1.76</b>	<b>\$ 6.01</b>	<b>\$ 5.06</b>
Effective tax rate	21.1 %	21.4 %	77.7 %	18.7 %
Tax effect of non-operating pension costs	0.3 %	1.0 %	0.2 %	1.3 %
Tax effect of costs related to unsolicited Emerson proposals	— %	— %	0.1 %	— %
Tax effect of change in fair value of investments	(5.7) %	— %	(1.7) %	— %
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	3.0 %	— %	(45.9) %	— %
Provisional effect of net deferred tax asset revaluation due to the Tax Act	— %	— %	(11.1) %	— %
<b>Adjusted Effective Tax Rate</b>	<b>18.7 %</b>	<b>22.4 %</b>	<b>19.3 %</b>	<b>20.0 %</b>

## Non-Operating Pension Costs

(in millions)

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest cost	\$ 38.8	\$ 37.8	\$ 116.6	\$ 113.4
Expected return on plan assets	(61.2)	(56.2)	(183.9)	(168.6)
Amortization of net actuarial loss	28.3	38.2	85.0	114.4
Settlements	—	—	—	0.2
<b>Non-operating pension costs</b>	<b>\$ 5.9</b>	<b>\$ 19.8</b>	<b>\$ 17.7</b>	<b>\$ 59.4</b>

# Reconciliation to Non-GAAP Measures

## Return On Invested Capital

(in millions, except percentages)

	<b>Twelve Months Ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>(a) Return</b>		
Income from continuing operations	\$ 394.2	\$ 806.3
Interest expense	73.3	74.9
Income tax provision	728.4	194.5
Purchase accounting depreciation and amortization	17.8	21.3
Return	<u>1,213.7</u>	<u>1,097.0</u>
<b>(b) Average invested capital</b>		
Short-term debt	469.6	536.6
Long-term debt	1,236.7	1,352.6
Shareowners' equity	2,077.8	2,107.4
Accumulated amortization of goodwill and intangibles	859.9	826.4
Cash and cash equivalents	(1,376.3)	(1,524.1)
Short-term and long-term investments	(1,099.7)	(1,018.9)
Average invested capital	<u>2,168.0</u>	<u>2,280.0</u>
<b>(c) Effective tax rate</b>		
Income tax provision <sup>1</sup>	244.7	194.5
Income from continuing operations before income taxes	\$ 1,122.6	\$ 1,000.8
Effective tax rate	<u>21.8%</u>	<u>19.4%</u>
<b>(a) / (b) * (1-c) Return On Invested Capital</b>	<u>43.8%</u>	<u>38.8%</u>

<sup>1</sup>The income tax provision used to calculate the effective tax rate is adjusted to remove the provisional effects of the \$389.5 million tax on deemed repatriation of foreign earnings and the \$94.2 million revaluation of net deferred tax assets due to the enactment of the Tax Cuts and Jobs Act of 2017 in the first three quarters of fiscal 2018.

# Reconciliation to Non-GAAP Measures

## Fiscal 2018 Guidance

(in billions, except percentages and per share amounts)

### Organic Sales

Organic sales growth  
Foreign currency impact  
Divestiture impact  
Reported sales growth

July Guidance	April Guidance
~ 5.5%	3.5% to 6.5%
~ 2%	~ 2%
~ (1)%	~ (1)%
~ 6%	4.7% to 7.6%

### 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)

\$ ~ 6.7	\$ ~ 6.7
~ 1.4	~ 1.4
~ 0.2	~ 0.2
\$ ~ 1.2	\$ ~ 1.2
~ 21.5 %	~ 21.5 %
~ 18 %	~ 18 %

### Adjusted Effective Tax Rate

Effective tax rate  
Tax effect of non-operating pension costs  
Tax effect of costs related to unsolicited Emerson proposals  
Tax effect of change in fair value of investments  
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act  
Provisional effect of net deferred tax asset revaluation due to the Tax Act  
Adjusted Effective Tax Rate

~ 60% %	~ 60.5% %
~ — %	~ — %
~ — %	~ — %
~ (1) %	~ — %
~ (31) %	~ (32) %
~ (8) %	~ (8) %
~ 20.0% %	~ 20.5% %

### Adjusted EPS

Diluted EPS from continuing operations  
Non-operating pension costs  
Tax effect of non-operating pension costs  
Costs related to unsolicited Emerson proposals  
Tax effect of costs related to unsolicited Emerson proposals  
Change in fair value of investments  
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act  
Provisional effect of net deferred tax asset revaluation due to the Tax Act  
Adjusted EPS

\$3.29 - \$3.49	\$3.65 - \$3.95
0.19	0.19
(0.06)	(0.06)
0.09	0.09
(0.02)	(0.02)
0.61	—
3.07	3.12
0.73	0.73
\$7.90 - \$8.10	\$7.70 - \$8.00