

Rockwell Automation

Fiscal Year 2018

Fourth Quarter Conference Call

November 7, 2018



Rockwell
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 Fourth Quarter and Full Year Results

Q4 Results

- Organic sales up 7.3% YOY
 - Growth across a very broad range of industries
 - Consumer and heavy industries strong, transportation weaker than expected
 - Logix growth of 7%; Process growth of 11%
- Adjusted EPS of \$2.11, up 25%
- Free cash flow conversion of 121%
- Finished FY18 with healthy backlog in solutions and services

Full Year Results

- Organic sales up 5.5%
- Expanded segment operating margin; Adjusted EPS of \$8.11, up 20%
- Free cash flow conversion of 114%
- Logix growth of 7%; Process grew double digits

A year of strong sales and Adjusted EPS growth

Key Financial Information: Fourth Quarter

(in millions, except per share amounts)

	Q4 2018	Q4 2017	YOY B/(W)
Sales	\$ 1,730	\$ 1,668	3.7 %
Segment Operating Margin	20.8 %	17.0 % ¹	380 bps
General Corporate - Net	\$ 14	\$ 24	\$ 10
Gain on Sale of Business	\$ —	\$ 61	\$ (61)
Adjusted EPS	\$ 2.11	\$ 1.69 ²	24.9 %
Adjusted Effective Tax Rate	19.1 %	25.9 %	680 bps
Free Cash Flow	\$ 316	\$ 63 ³	\$ 253
ROIC	48.1 %	39.0 %	910 bps

¹ Segment operating margin includes \$43 million of restructuring charges recorded in Q4 2017

² Adjusted EPS includes the gain on divestiture of a business (\$0.28 per share) and restructuring charges (\$0.24 per share) recorded in Q4 2017

³ Free cash flow includes a discretionary pre-tax contribution of \$200 million to the Company's U.S. pension trust made in Q4 2017

Key Financial Information: Full Year

(in millions, except per share amounts)

	FY 2018	FY 2017	YOY B/(W)
Sales	\$ 6,666	\$ 6,311	5.6 %
Segment Operating Margin	21.6 %	19.5 % ¹	210 bps
General Corporate - Net	\$ 76	\$ 76	\$ —
Gain on Sale of Business	\$ —	\$ 61	\$ (61)
Adjusted EPS	\$ 8.11	\$ 6.76 ²	20.0 %
Adjusted Effective Tax Rate	19.3 %	21.5 %	220 bps
Free Cash Flow	\$ 1,175	\$ 892 ³	\$ 283
ROIC	48.1 %	39.0 %	910 bps

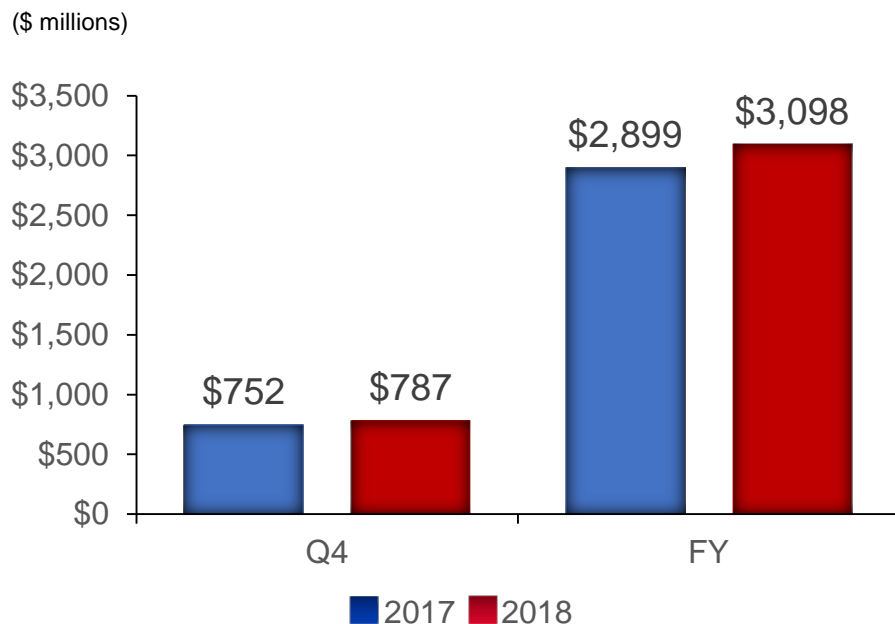
¹ Segment operating margin includes \$43 million of restructuring charges recorded in Q4 2017

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³ Free cash flow includes a discretionary pre-tax contribution of \$200 million to the Company's U.S. pension trust made in Q4 2017

Architecture & Software

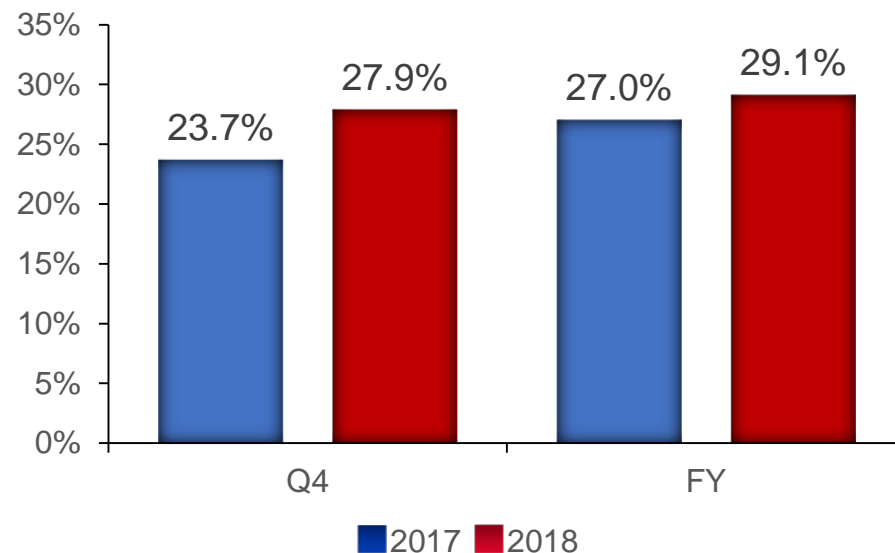
Sales



YOY Sales % Change

	<u>Q4 2018</u>	<u>FY 2018</u>
Organic	7.0%	5.2%
FX	(2.3)%	1.7%
Reported	4.7%	6.9%

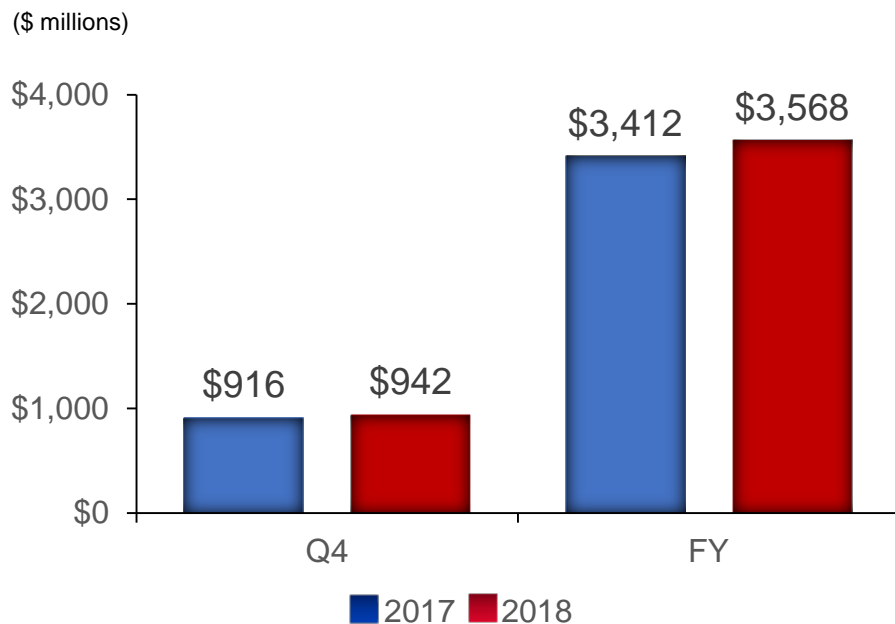
Segment Operating Margin



- Fourth quarter segment operating margin expanded 420 bps, primarily due to higher sales
- Full year segment operating margin expanded 210 bps, primarily due to higher sales

Control Products & Solutions

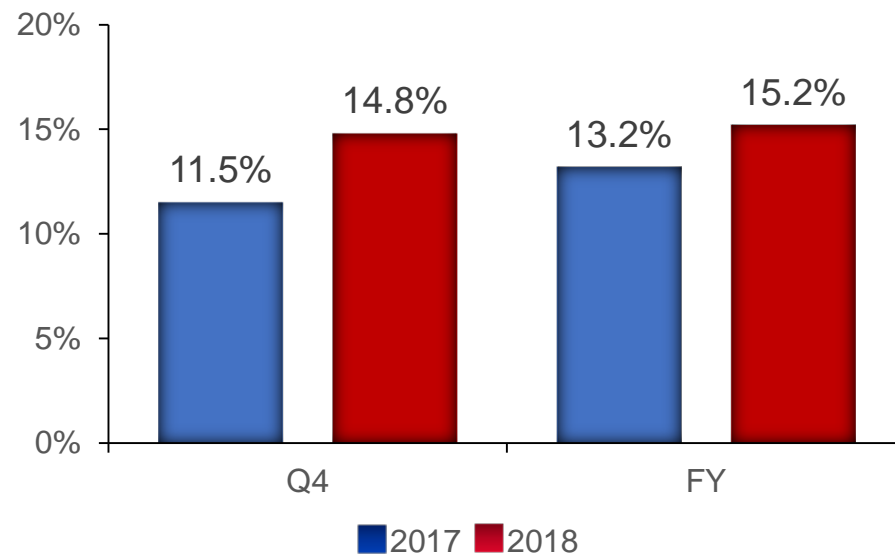
Sales



YOY Sales % Change

	<u>Q4 2018</u>	<u>FY 2018</u>
Organic	7.5%	5.7%
FX	(2.1)%	1.3%
Divestiture	(2.5)%	(2.4)%
Reported	<u>2.9%</u>	<u>4.6%</u>

Segment Operating Margin



- Fourth quarter segment operating margin expanded 330 bps, primarily due to higher sales and lower restructuring charges, partially offset by higher investment spending
- Full year segment operating margin expanded 200 bps, primarily due to higher sales

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q4 2018</u>		<u>FY 2018</u>		<u>Fourth Quarter *</u>
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>	
U.S.	\$ 941	7.5%	\$ 3,603	5.7%	<ul style="list-style-type: none"> ▪ U.S. grew across a wide range of industries ▪ EMEA soft; growth in consumer offset by weakness in automotive ▪ In Asia Pacific, China up double digits ▪ Latin America growth in most countries ▪ Emerging markets up double digits
Canada	92	8.7%	361	8.9%	
EMEA	317	(0.6)%	1,287	0.8%	
Asia Pacific	251	9.7%	933	5.4%	
Latin America	129	21.2%	482	14.3%	
TOTAL	<u>\$ 1,730</u>	7.3%	<u>\$ 6,666</u>	5.5%	

* All growth comments refer to organic growth

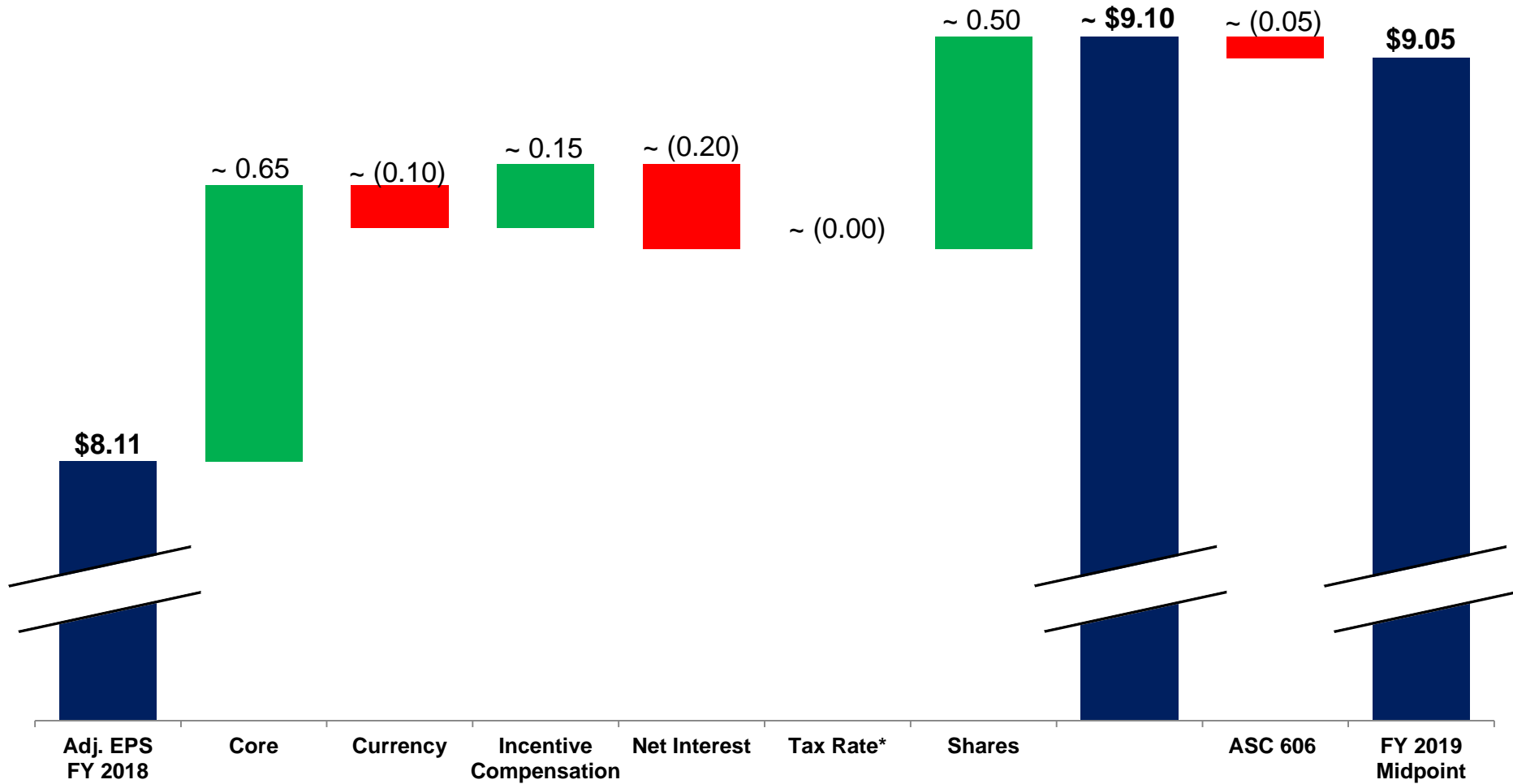
Fiscal 2019 Guidance

	<u>Full Year Outlook</u>
Sales Midpoint	~ \$7.0B
Organic Growth Range ¹	3.7% - 6.7%
Currency Translation	~ (1)%
Segment Operating Margin	~ 22%
Adjusted Effective Tax Rate	~ 19.5%
Adjusted EPS ¹	\$8.85 - \$9.25
Free Cash Flow as a % of Adjusted Income	~ 100%

Note: As of November 7, 2018

¹Includes the estimated impact of adopting ASC 606 (new revenue recognition standard), which is expected to reduce fiscal 2019 sales growth by approximately 0.3% and EPS by approximately \$0.05.

Fiscal 2018 to Fiscal 2019 Midpoint Adjusted EPS Walk



*Adjusted Effective Tax Rate

Appendix

Supplemental Financial Information and Reconciliations to Non-GAAP Measures



**Rockwell
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Fourth Quarter Results: Summary

(in millions, except per share amounts)	Q4 2018	Q4 2017
Total Sales	\$ 1,729.5	\$ 1,667.5
Total Segment Operating Earnings	\$ 359.1	\$ 283.5
Purchase Accounting Depreciation and Amortization	(4.2)	(4.6)
General Corporate - Net	(13.9)	(23.5)
Non-Operating Pension Costs	(6.9)	(23.2)
Change in fair value of investments	166.8	—
Gain on Sale of Business	—	60.8
Interest Expense	(19.2)	(19.5)
Income Tax Provision	(135.8)	(68.9)
Net Income	\$ 345.9	\$ 204.6
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	4.8	15.3
Change in fair value of investments	(166.8)	—
Tax effect of change in fair value of investments	21.7	—
Effects of the Tax Act	54.6	—
Adjusted Income	\$ 260.2	\$ 219.9
Adjusted EPS	\$ 2.11	\$ 1.69
Average Diluted Shares	123.5	129.8

Free Cash Flow

(in millions)	<u>Q4 2018</u>	<u>FY 2018</u>
Net Income	\$ 345.9	\$ 535.5
Depreciation/Amortization	39.7	164.6
Retirement Benefits Expense	29.1	114.0
Receivables/Inventory/Payables	(16.8)	(61.9)
Compensation and Benefits	30.7	22.4
Pension Contributions	(7.1)	(50.3)
Income Taxes	102.0	597.2
Change in fair value of investments	(166.8)	(90.0)
Other	6.1	68.5
Cash Flow From Operations	362.8	1,300.0
Capital Expenditures	(46.9)	(125.5)
Free Cash Flow	<u>\$ 315.9</u>	<u>\$ 1,174.5</u>
Adjusted Income	\$ 260.2	\$ 1,030.6
Free Cash Flow as a % of Adjusted Income	121%	114%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended September 30,								Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(d)
	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 (d)		
United States	\$ 940.6	\$ 0.3	\$ 940.9	\$ —	\$ 940.9	\$ 888.6	\$ (13.3)	\$ 875.3	5.9%	7.5%
Canada	92.1	3.8	95.9	—	95.9	93.5	(5.3)	88.2	(1.5)%	8.7%
EMEA	316.6	6.0	322.6	—	322.6	324.7	—	324.7	(2.5)%	(0.6)%
Asia Pacific	251.4	7.6	259.0	—	259.0	236.0	—	236.0	6.5%	9.7%
Latin America	128.8	19.4	148.2	—	148.2	124.7	(2.4)	122.3	3.3%	21.2%
Total	\$ 1,729.5	\$ 37.1	\$ 1,766.6	\$ —	\$ 1,766.6	\$ 1,667.5	\$ (21.0)	\$ 1,646.5	3.7%	7.3%

	Twelve Months Ended September 30,								Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(d)
	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 (d)		
United States	\$ 3,602.6	\$ (1.4)	\$ 3,601.2	\$ —	\$ 3,601.2	\$ 3,458.4	\$ (50.8)	\$ 3,407.6	4.2%	5.7%
Canada	361.5	(8.2)	353.3	—	353.3	343.4	(19.0)	324.4	5.3%	8.9%
EMEA	1,286.8	(83.7)	1,203.1	—	1,203.1	1,193.7	—	1,193.7	7.8%	0.8%
Asia Pacific	933.3	(19.8)	913.5	—	913.5	866.4	—	866.4	7.7%	5.4%
Latin America	481.8	22.9	504.7	—	504.7	449.4	(8.0)	441.4	7.2%	14.3%
Total	\$ 6,666.0	\$ (90.2)	\$ 6,575.8	\$ —	\$ 6,575.8	\$ 6,311.3	\$ (77.8)	\$ 6,233.5	5.6%	5.5%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended September 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 (d)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(d)
Architecture & Software	\$ 787.2	\$ 17.4	\$ 804.6	\$ —	\$ 804.6	\$ 752.0	\$ —	\$ 752.0	4.7%	7.0%
Control Products & Solutions	942.3	19.7	962.0	—	962.0	915.5	(21.0)	894.5	2.9%	7.5%
Total	<u>\$ 1,729.5</u>	<u>\$ 37.1</u>	<u>\$ 1,766.6</u>	<u>\$ —</u>	<u>\$ 1,766.6</u>	<u>\$ 1,667.5</u>	<u>\$ (21.0)</u>	<u>\$ 1,646.5</u>	3.7%	7.3%

	Twelve Months Ended September 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 (d)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(d)
Architecture & Software	\$ 3,098.2	\$ (47.5)	\$ 3,050.7	\$ —	\$ 3,050.7	\$ 2,899.3	\$ —	\$ 2,899.3	6.9%	5.2%
Control Products & Solutions	3,567.8	(42.7)	3,525.1	—	3,525.1	3,412.0	(77.8)	3,334.2	4.6%	5.7%
Total	<u>\$ 6,666.0</u>	<u>\$ (90.2)</u>	<u>\$ 6,575.8</u>	<u>\$ —</u>	<u>\$ 6,575.8</u>	<u>\$ 6,311.3</u>	<u>\$ (77.8)</u>	<u>\$ 6,233.5</u>	5.6%	5.5%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended		Twelve Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Sales				
Architecture & Software (a)	\$ 787.2	\$ 752.0	\$ 3,098.2	\$ 2,899.3
Control Products & Solutions (b)	942.3	915.5	3,567.8	3,412.0
Total sales (c)	<u>\$ 1,729.5</u>	<u>\$ 1,667.5</u>	<u>\$ 6,666.0</u>	<u>\$ 6,311.3</u>
Segment operating earnings				
Architecture & Software (d)	\$ 219.5	\$ 178.0	\$ 901.3	\$ 781.5
Control Products & Solutions (e)	139.6	105.5	541.3	451.6
Total segment operating earnings (f)	<u>359.1</u>	<u>283.5</u>	<u>1,442.6</u>	<u>1,233.1</u>
Purchase accounting depreciation and amortization	(4.2)	(4.6)	(17.4)	(21.4)
General corporate - net	(13.9)	(23.5)	(75.6)	(76.3)
Non-operating pension costs	(6.9)	(23.2)	(24.6)	(82.6)
Costs related to unsolicited Emerson proposals	—	—	(11.2)	—
Gain on investments	131.0	—	123.7	—
Valuation adjustment pending registration of PTC shares	35.8	—	(33.7)	—
Gain on sale of business	—	60.8	—	60.8
Interest expense	(19.2)	(19.5)	(73.0)	(76.2)
Income before income taxes (g)	<u>\$ 481.7</u>	<u>\$ 273.5</u>	<u>\$ 1,330.8</u>	<u>\$ 1,037.4</u>
Segment operating margin:				
Architecture & Software (d/a)	27.9%	23.7%	29.1%	27.0%
Control Products & Solutions (e/b)	14.8%	11.5%	15.2%	13.2%
Total segment operating margin (f/c)	20.8%	17.0%	21.6%	19.5%
Pretax margin (g/c)	27.9%	16.4%	20.0%	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		Twelve Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Income from continuing operations	\$ 345.9	\$ 204.6	\$ 535.5	\$ 825.7
Non-operating pension costs	6.9	23.2	24.6	82.6
Tax effect of non-operating pension costs	(2.1)	(7.9)	(7.6)	(29.6)
Change in fair value of investments	(166.8)	—	(90.0)	—
Tax effect of change in fair value of investments	21.7	—	21.7	—
Costs related to unsolicited Emerson proposals	—	—	11.2	—
Tax effect of costs related to unsolicited Emerson proposals	—	—	(3.1)	—
Effects of the Tax Act	54.6	—	538.3	—
Adjusted Income	\$ 260.2	\$ 219.9	\$ 1,030.6	\$ 878.7
Diluted EPS from continuing operations	\$ 2.80	\$ 1.57	\$ 4.21	\$ 6.35
Non-operating pension costs	0.06	0.18	0.19	0.64
Tax effect of non-operating pension costs	(0.02)	(0.06)	(0.06)	(0.23)
Change in fair value of investments	(1.35)	—	(0.71)	—
Tax effect of change in fair value of investments	0.18	—	0.17	—
Costs related to unsolicited Emerson proposals	—	—	0.09	—
Tax effect of costs related to unsolicited Emerson proposals	—	—	(0.02)	—
Effects of the Tax Act	0.44	—	4.24	—
Adjusted EPS	\$ 2.11	\$ 1.69	\$ 8.11	\$ 6.76
Effective tax rate	28.2%	25.2%	59.8%	20.4%
Tax effect of non-operating pension costs	0.2%	0.7%	0.3%	1.1%
Tax effect of change in fair value of investments	2.0%	—%	(0.4)%	—%
Tax effect of costs related to unsolicited Emerson proposals	—%	—%	0.1%	—%
Effects of the Tax Act	(11.3)%	—%	(40.5)%	—%
Adj. Effective Tax Rate	19.1%	25.9%	19.3%	21.5%

Reconciliation to Non-GAAP Measures

Non-Operating Pension Costs

(in millions)

	Three Months Ended		Twelve Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest cost	\$ 38.7	\$ 38.2	\$ 155.3	\$ 151.6
Expected return on plan assets	(60.9)	(56.6)	(244.8)	(225.2)
Amortization of net actuarial loss	28.4	38.5	113.4	152.9
Special termination benefit	—	0.5	—	0.5
Settlements	0.7	2.6	0.7	2.8
Non-operating pension costs	<u>\$ 6.9</u>	<u>\$ 23.2</u>	<u>\$ 24.6</u>	<u>\$ 82.6</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended	
	September 30,	
	2018	2017
(a) Return		
Income from continuing operations	\$ 535.5	\$ 825.7
Interest expense	73.0	76.2
Income tax provision	795.3	211.7
Purchase accounting depreciation and amortization	17.4	21.4
Return	<u>1,421.2</u>	<u>1,135.0</u>
(b) Average invested capital		
Short-term debt	460.1	585.9
Long-term debt	1,233.0	1,296.9
Shareowners' equity	1,965.7	2,215.8
Accumulated amortization of goodwill and intangibles	866.2	834.1
Cash and cash equivalents	(1,190.1)	(1,504.4)
Short-term and long-term investments	(948.3)	(1,111.7)
Average invested capital	<u>2,386.6</u>	<u>2,316.6</u>
(c) Effective tax rate		
Income tax provision ¹	257.0	211.7
Income from continuing operations before income taxes	\$ 1,330.8	\$ 1,037.4
Effective tax rate	<u>19.3%</u>	<u>20.4%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>48.1%</u>	<u>39.0%</u>

¹The income tax provision used to calculate the effective tax rate is adjusted to remove \$538.3 million related to the provisional effects of the Tax Act.

Reconciliation to Non-GAAP Measures

Logix and Process Sales Growth

	<u>Three Months Ended September 30, 2018</u>	<u>Twelve Months Ended September 30, 2018</u>
<u>Logix</u>		
Logix reported growth	4 %	8 %
Effect of currency translation	3 %	(1) %
Logix organic growth	<u>7 %</u>	<u>7 %</u>
<u>Process</u>		
Process reported growth	8 %	10 %
Effect of currency translation	3 %	— %
Process organic growth	<u>11 %</u>	<u>10 %</u>

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

Fiscal 2019 Guidance

3.7% - 6.7%

~ (1)%

2.7% - 5.7%

Segment Operating Margin

Total sales (a)

\$ ~ 7.0

Total segment operating earnings (b)

~ 1.5

Costs not allocated to segments

~ 0.2

Income before income taxes (c)

\$ ~ 1.3

Total segment operating margin (b/a)

~ 22 %

Pretax margin (c/a)

~ 20 %

Adjusted Effective Tax Rate

Effective tax rate

~ 19.5 %

Tax effect of non-operating pension and postretirement credit

~ — %

Adjusted Effective Tax Rate

~ 19.5 %

Adjusted EPS

Diluted EPS from continuing operations

\$8.92 - \$9.32

Non-operating pension and postretirement credit

(0.08)

Tax effect of non-operating pension and postretirement credit

0.01

Adjusted EPS

\$8.85 - \$9.25