



05 – February – 2026

Rockwell Automation, Inc. (ROK)

Q1 2026 Earnings Call – Prepared Remarks

## Corporate Participants

Blake Moret, *Chairman & Chief Executive Officer, Rockwell Automation, Inc.*

Christian Rothe, *Senior Vice President & Chief Financial Officer, Rockwell Automation, Inc.*

Aijana Zellner, *Head of Investor Relations & Market Strategy, Rockwell Automation, Inc.*

## Operator

Thank you for holding and welcome to Rockwell Automation's Quarterly Conference Call. I need to remind everyone that today's conference call is being recorded. Later in the call, we will open up the lines for questions. If you have a question at that time, please press \*1.

At this time, I would like to turn the call over to Aijana Zellner, Head of Investor Relations and Market Strategy. Ms. Zellner, please go ahead.

---

Aijana Zellner

*Head of Investor Relations & Market Strategy, Rockwell Automation, Inc.*

Thank you, Julianne. Good morning and thank you for joining us for Rockwell Automation's first quarter fiscal 2026 earnings release conference call.

With me today is Blake Moret, our Chairman and CEO, and Christian Rothe, our CFO.

Our results were released earlier this morning, and the press release and charts are available on our website. These materials, as well as our remarks today, will reference non-GAAP measures.

Reconciliations of these non-GAAP measures are included in both the press release and charts. A replay of today's webcast and a transcript of our prepared remarks will be available on our website at the conclusion of today's call.

Before we begin, please note that our comments today include forward-looking statements regarding the expected future results of our Company. Our actual results may differ materially due to a wide range of risks and uncertainties described in our earnings release and SEC filings.

So, with that I'll hand it over to Blake.

---

Blake Moret

*Chairman & Chief Executive Officer, Rockwell Automation, Inc.*

Thanks, Aijana, and good morning, everyone. Before we get into the specific results, I'll start with a few opening comments.

We entered fiscal 2026 with a focus on delivering solid topline performance while continuing to increase productivity and expand margins. This quarter reflects additional progress on these fundamental objectives, with sales, margin, and earnings all exceeding our expectations. Demand across our Core offerings and verticals remained healthy in the first quarter, and our teams executed well. We had double-digit sales growth and sustained momentum in our key product and software businesses.

At the same time, we continue to advance structural productivity actions. These efforts span projects in commercial spend, direct material, and supply chain efficiency, with broad adoption of AI providing additional opportunities. We are well-positioned to expand margins as the year progresses.

The macro environment remains fluid, with heightened geopolitical uncertainty around trade, regional conflict, and supply-chain risk. While these factors add complexity, they reinforce the importance of the disciplined, execution-focused mindset our teams bring every day. And the long-term trends driving automation and digital transformation remain strong. Rockwell is well-positioned to lead as customers accelerate their Factory-of-the-Future initiatives and move toward more autonomous operations.

The strong growth of orders related specifically to projects adding new U.S. production capacity gives us confidence that the combination of our traditional sources of value with digital services, edge computing, and cloud-native software is differentiated. We are the most used technology in American manufacturing.

Let's now turn to our first quarter results on slide 3. Our Q1 sales came in slightly better than expected, with double-digit year-over-year growth in both reported and organic sales. While large capex investments are still on hold for many customers, demand for our Products portfolio remains strong, particularly in Logix and Motion. Customers continue to modernize their operations even as they look for more stable market signals.

Annual Recurring Revenue grew 7% in the quarter and was in line with our expectations, with strong performance in our recurring software across Automotive, Life Sciences, and Energy verticals. Plex delivered its strongest quarter yet, with several significant customer wins.

One notable win was with RH Sheppard, a U.S.-based Tier 1 commercial-vehicle supplier, who will use our cloud-native Plex platform to drive greater operational control, continuous process improvement, and scalable future expansion. Another standout win in our recurring services was with Hindalco Industries, a global leader in aluminum and copper production. Hindalco has chosen to partner with Rockwell to implement OT cybersecurity across six plants in India.

Moving to our business segment performance for the quarter. Intelligent Devices delivered another solid quarter, with organic sales up 16% year over year and in line with our expectations. Growth was broad based, with especially strong performance in Drives and Motion. Within Motion, we secured several strategic wins across Food & Beverage, CPG, and Entertainment. A standout Q1 win here was with PFM Group, a leading Italian packaging OEM, supporting a large Food & Beverage customer's capex expansion. The customer selected our Independent Cart Technology to deliver high-speed, flexible production at scale across multiple key facilities. Another example of our differentiated Production Logistics offering is our win with ATS. This customer is deploying our OTTO AMRs to deliver an autonomous material movement solution for an end user in the U.S. Margins also continue to improve year-over-year in the Intelligent Devices segment.

In Software & Control, organic sales grew 17% versus prior year, ahead of our expectations. Logix continued its strong momentum, with North America sales up over 25% year over year. Our new L9 controller is off to a great start, with early adopters seeing clear benefits from higher performance, simplified architecture, and faster data throughput. Beyond hardware, we are seeing growing adoption of our next-generation software offerings. Customers continue to expand their use of Emulate3D to create digital twins, and we are seeing building momentum with the Co-pilot functionality of our FactoryTalk Design Studio.

This quarter, Thermo Fisher selected Rockwell to deliver an AI-enabled troubleshooting agent to accelerate issue resolution and reduce downtime. A great proof point of how our AI strategy is

delivering real customer value. You heard directly at Investor Day in November about how Rockwell is broadly contributing to this important customer's success.

Lifecycle Services organic sales declined 6% versus prior year, largely in line with expectations. Book-to-bill in this segment was 1.16. As in prior quarters, customers continue to delay and narrow the scope of larger projects until there is more clarity on potential trade policy impacts. Our plans to end the Sensia joint venture are on track for an April 1st close, with the return of the profitable Process Automation business to full Rockwell control. We continue to work well with SLB through this transition, and we look forward to updating you once the transaction is complete.

Total company segment margin was 20.7% and Adjusted EPS was \$2.75. These both exceeded our expectations and were driven by higher volume, favorable mix, and strong productivity. Tariffs did not have a meaningful impact on our total company earnings in Q1. Christian will talk more about tariffs and the fiscal '26 impact in a few moments.

Turning to slide 4 for key highlights of our Q1 industry performance. Our Discrete sales were up low-double-digits year over year led by continued strength in eCommerce and Warehouse Automation. Within Discrete, Automotive sales grew mid-single digits, consistent with our outlook. Although the capex environment remains subdued, brand owners and Tier 1s are continuing to advance MES, digital twin, and AI-enabled modernization across their global manufacturing footprints. eCommerce and Warehouse Automation sales grew over 60% in the quarter, led by strong year-over-year growth in North America. Customer investment continues to be driven by labor shortages, network modernization needs, and increasing focus on sustainability and cybersecurity.

Business related to Data Centers again contributed strong double-digit growth in the quarter. AI-driven power constraints are accelerating hyperscaler and colo adoption of gas-powered microgrids, driving increased demand for our industrial-grade controls in power and advanced cooling. This is deepening our engagement with leading power and process OEMs and driving continued momentum in this end market.

Moving to Hybrid, sales in this industry segment were up high single digits, led by double-digit growth in Food & Beverage and Home & Personal Care. Consistent with what we saw last quarter,

customers in Food & Beverage and the broader CPG sector continue to focus on operational efficiency. While the majority of our business here is driven by brownfield modernizations and productivity, we did see some greenfield projects across the U.S., Eastern Europe, Southeast Asia, and India. One example of orders resulting from new capacity being built in the U.S., is our Q1 win with CAMA, an Italian packaging OEM, that selected Rockwell's advanced motion platform to run complex, high-speed operations with emerging sustainable materials. This gives CAMA a clear advantage in throughput, reliability, and flexible changeovers as the industry accelerated its shift toward sustainable and highly robotized packaging.

Sales in Life Sciences declined low single digits year over year, driven by several project delays in North America. Despite these temporary pushouts, our pipeline continues to expand across strategic areas, including GLP-1, radiopharma, and med devices. We continue to expect growth in Life Sciences for the full year.

Turning to Process industries. Sales in this segment were up 10% versus prior year with strong growth in Chemicals, Water, and Energy. Our Chemicals business is in the specialty chemicals sector, which remains relatively resilient. We also continue to gain share at key customers with our Plant PAX control platform. This quarter, Corteva Agriscience completed the modernization of its iPark infrastructure, using our process control and networking capabilities to improve operator visibility and reduce downtime across critical chemical utilities.

Within Energy, we saw good activity in Oil & Gas, Power, and Renewables supported by an important greenfield win with FS Bioenergia, a leading Brazilian corn-ethanol producer with strategic emphasis on carbon capture and decarbonization. The customer will be deploying our full suite of automation offerings to build their next facility in Brazil and for their carbon capture and storage project.

Let's move to slide 5, and our Q1 organic regional sales. As expected, North America remains our strongest region. At our Automation Fair in November, we announced plans for our new manufacturing facility in Southeastern Wisconsin, and I'm pleased to share that this factory of the future will be located in New Berlin. Additionally, we have completed the purchase of our Mequon, Wisconsin facility, which we previously leased. These two projects are aligned with our announced

investments in our plants, talent, and digital infrastructure and underscore our commitment to, and confidence in, the U.S. market.

Let's move to slide 6 to review our fiscal 2026 outlook. We are maintaining our organic sales growth outlook of 2% to 6%, with the midpoint assuming a gradual sequential improvement through the year. We will need to see some additional evidence of accelerating capital spend across additional verticals to move higher in our full-year outlook. Additional Recurring Revenue remains on track for high-single-digit growth. We continue to expect full-year segment margin expansion of over 100 basis points. Given some discrete tax benefits in Q1, we are increasing the midpoint of our Adjusted EPS to \$11.80. Christian will cover this in more detail in a few moments. Free Cash Flow conversion is still expected to be approximately 100%.

I'll now turn it over to Christian for more detail on our Q1 results and our fiscal 26 outlook. Christian?

---

Christian Rothe

*Senior Vice President & Chief Financial Officer, Rockwell Automation, Inc.*

Thank you, Blake, and good morning, everyone.

Turning to our financial results, let's go to slide 7, first quarter key financial information. First quarter reported sales were up 12% versus prior year. About two points of growth came from currency. Three points of our organic growth came from price, with about half coming from underlying price realization and half from tariff-based pricing. Some of the details I'll reference are not shown on this slide and can be found on page 9 of our press release.

Gross margins expanded year over year, driven by positive price/cost and productivity, and favorable mix. SG&A spend was flat year over year in the first quarter, reflecting strong cost discipline and productivity across our global teams. Engineering and Development spend, a new metric we started sharing last quarter, was up 10% year over year and in line with our organic sales growth, keeping our innovation spend at about 8% of sales. Our gross margin expansion and SG&A leverage drove solid flow-through, resulting in 360 basis points of segment margin expansion.

As Blake mentioned earlier, the impact of tariffs on our first quarter earnings was neutral, but it was a drag of about 30 basis points on segment margins year over year. While this quarter represents our easiest comparable of the year, I'm pleased with the strong performance up and down the P&L and across our segments. Q1 Adjusted EPS of \$2.75 was above our expectations.

As Blake mentioned, we also got some help from our tax rate in the quarter. The Adjusted Effective Tax Rate for the first quarter was about 17%, slightly lower than last year. The first quarter tax rate was lower than the 20% we expected due to discrete tax items, primarily the tax benefit of stock option exercises. This contributed about \$0.09 to our Adjusted EPS compared to our Q1 guide. With the tax rate coming in lower than expected in Q1, we now anticipate an ETR of about 19.5% for the full year, better than our prior guide of 20%.

Free Cash Flow in Q1 of \$170 million was generally in line with our expectations. It was \$123 million lower than the prior year, primarily due to changes in working capital and incentive comp payments in Q1 of fiscal 2026. We had zero incentive comp payments last year.

Slide 8 provides the sales and margin performance overview of our three operating segments. Intelligent Devices margin of 17.3% increased by 240 basis points year over year due to higher sales and price/cost and productivity, with a slight offset from FX and compensation, resulting in incrementals in the low 30's.

Software & Control margin of 31.2% was up 610 basis points versus prior year and higher than our expectations, driven by strong sales volume, particularly in Logix, partially offset by compensation. This segment saw year-over-year incrementals in the low 60's.

Lifecycle Services margin of 14.1% was up 160 basis points year over year, better than our expectations as the team executed well against their projects and continued to drive productivity. This was despite a revenue decline year over year. Overall, for Rockwell, the incremental margin on the year-over-year sales growth was about 50% in Q1. A solid start to the year.

A couple of other data points regarding Q1. First, our balance sheet as of December 31 does reflect some Sensia dissolution items. We have now classified certain Sensia assets and liabilities as held for

sale. These are the assets and liabilities that will go to SLB in the final closing. There is also a tax gain on the GAAP P&L related to the Sensia dissolution, stemming from a recapture of tax losses that will be usable to Rockwell post-dissolution. Like all non-operating adjustments related to the dissolution of Sensia, these are removed from our Adjusted EPS for reporting purposes.

Second, Blake mentioned that we purchased our facility in Mequon, Wisconsin. That transaction closed in the second quarter at a value of about \$60 million. Because it is recorded on our December balance sheet as a finance lease, the transaction will be accounted for in financing cash flows and is excluded from our operating capex.

Let's move to the next slide, 9, for the Adjusted EPS walk from Q1 fiscal 2025 to Q1 fiscal 2026. This is a more streamlined waterfall than what we have shown in the past, as we transition our cost reduction and margin expansion actions into our ongoing productivity, now embedded within Core. Year over year, Core performance had a \$1.00 impact on Q1. Volume drove about half of that impact, with Intelligent Devices and Software & Control sales up mid-to-high teens year over year. Productivity was the next largest driver. Price and mix were also solid contributors, but we did see some inflationary costs partially offset these benefits. Our strong Q1 performance resulted in \$0.10 of year-over-year increase in compensation spend. All other items had a neutral impact on Adjusted EPS.

Moving on to the next slide, 10, to discuss our guidance for the full year. Blake mentioned ongoing uncertainties in the broader environment. Between that and being only one quarter into the year, we aren't seeing enough to change our sales and margin guide right now.

We are updating our Adjusted EPS guidance by raising the lower end of the range to \$11.40, which increases the midpoint by \$0.10 to \$11.80. This reflects discrete tax benefits that came in better than expected in Q1, and we are rolling that outperformance into our full-year Adjusted EPS.

As a reminder, our guidance does not include the impact from the anticipated Sensia dissolution, which we expect to close on April 1. We still expect no significant impact on Adjusted EPS, an annualized reduction in sales of approximately \$250 million, and an annualized improvement of

approximately 50 basis points for total company segment margin. We will provide an update once the transaction closes.

We continue to expect two points of total price for fiscal 2026 with one point coming from underlying price and one point from tariff-based price. We continue to expect our full year 2026 incremental margins to be about 40%, inclusive of tariff-based pricing. And, for your models, capex for fiscal 2026 remains targeted at about 3% of sales.

Now let me share some additional color on our outlook for the second quarter. In Q2 we expect overall company sales to be slightly up sequentially. From a total segment operating margin perspective, we are also looking for modest sequential improvement each quarter this year. Given the solid start to the year, that sequential margin expansion is going to be in the tens of basis points, not the hundreds of basis points. On a year-over-year basis, this implies mid-single-digit sales growth in the second quarter with margin expansion of less than a hundred basis points.

At the total company level, we expect second quarter Adjusted EPS to grow low single digits sequentially. That outlook includes about \$0.10 of sequential headwind from the tax rate, as we move from about 17% in Q1 to approximately 20% in Q2. Our outlook by segment included in our full year guide for fiscal 2026 remains unchanged.

A few additional comments on fiscal 2026 guidance for your models. Corporate & Other expense is expected to be around \$105 million. Net interest expense for fiscal 2026 is expected to be about \$115 million. We're assuming average diluted shares outstanding of about 112.7 million shares, and we are targeting approximately \$500 million of shares repurchased during the year.

With that, I'll turn it back to Blake for some closing remarks before we start Q&A. Blake?

---

Blake Moret

*Chairman & Chief Executive Officer, Rockwell Automation, Inc.*

Thanks, Christian. As we've said, trade volatility and geopolitical tensions continue to suppress some capital spending. I've been very proud of team Rockwell's resilience and agility as we navigate this environment, including the efforts of our employees and partners around the world.

It's a lot of work on the part of thousands of people, but the success of our efforts was on full display at our Automation Fair in November. I've been to a lot of these, but the breadth of our portfolio and the enthusiasm of our people has never been more vibrant. We are building on this strength to grow share and expand margins, near-term and for years to come.

Aijana will now begin the Q&A session.

---

Aijana Zellner

*Head of Investor Relations & Market Strategy, Rockwell Automation, Inc.*

Thanks, Blake. We would like to get to as many of you as possible, so please limit yourself to one question and a quick follow up. Julianne, let's take our first question.

---

Q&A Session

---

Aijana Zellner

*Head of Investor Relations & Market Strategy, Rockwell Automation, Inc.*

That concludes today's conference call. Thank you for joining us today.