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Rockwell Automation Reports First Quarter 2013 Results

January 30, 2013

- Sales up 1 percent; organic sales up 1.5 percent
- Adjusted EPS of \$1.23; Diluted EPS of \$1.14
- Company reaffirms Adjusted EPS guidance for fiscal 2013 of \$5.35 - \$5.75

MILWAUKEE--(BUSINESS WIRE)--Jan. 30, 2013-- Rockwell Automation, Inc. (NYSE: ROK) today reported fiscal 2013 first quarter sales of \$1,489.2 million, up 1 percent from \$1,473.9 million in the first quarter of fiscal 2012. Organic sales increased 1.5 percent and currency translation reduced sales by less than 1 percentage point.

 Rockwell Automation, whose controls make factories run more efficiently, posted a 1 percent sales increase in ...

Rockwell Automation, whose controls make factories run more efficiently, posted a 1 percent sales increase. (Photo: Business Wire)

Adjusted EPS was \$1.23 in the first quarter of fiscal 2013 compared to Adjusted EPS of \$1.31 in the first quarter of fiscal 2012. Diluted EPS was \$1.14 in the first quarter of fiscal 2013 compared to \$1.27 last year. Total segment

operating earnings were \$276.0 million in the first quarter of fiscal 2013 compared to \$291.9 million in the same period of 2012. Total segment operating margin was 18.5 percent compared to an unusually strong margin of 19.8 percent a year ago.

In order to provide transparency into the operating results of its business, effective with this first quarter of fiscal 2013, the Company is providing non-GAAP measures (Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate) that exclude non-operating pension costs and their related tax effects. The Company defines non-operating pension costs as defined benefit plan interest cost, expected return on plan assets, amortization of actuarial gains and losses and the impacts of any plan curtailments or settlements. In addition, the Company has redefined segment operating earnings to exclude non-operating pension costs. Prior year results are provided on a comparable basis.

Commenting on the results, Keith D. Nosbusch, chairman and chief executive officer, said, "Total company sales were in line with our expectations for the quarter, but results by region were mixed. Strong growth in Latin America and the U.S. was mostly offset by declines in the other regions, consistent with underlying market conditions. Solutions order rates picked up in the quarter and we rebuilt backlog. Operating margin and free cash flow were both very good. Overall, I am pleased with the good start to the fiscal year."

Outlook

Commenting on the outlook, Nosbusch added, "Given first quarter results and our current assessment of market conditions, we are reaffirming our outlook for fiscal 2013. We expect sales to be in the range of \$6.35 to \$6.65 billion, with corresponding Adjusted EPS of \$5.35 to \$5.75. Stabilization of macroeconomic indicators and forecasts, coupled with our rebuilt backlog, reinforce our expectations of stronger growth in the second half of the year compared to the first half. We will continue to monitor business conditions closely and pace our investments accordingly."

Following is a discussion of first quarter results for both segments.

Architecture & Software

Architecture & Software fiscal 2013 first quarter sales were \$657.5 million, an increase of 1 percent from \$650.5 million last year. Organic sales increased 2 percent and currency translation reduced sales by 1 percentage point. Segment operating earnings were \$183.2 million in the first quarter of fiscal 2013 compared to \$189.2 million in 2012. Segment operating margin was 27.9 percent in the first quarter of fiscal 2013 compared to 29.1 percent a year ago.

NYSE:ROK**\$257.15**

Change: -12.02 (-4.47)

Volume: 685,489

December 15, 2022
20 minutes delay

Feedback



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operating earnings were \$92.8 million in the first quarter of fiscal 2013 compared to \$102.7 million in 2012. Segment operating margin was 11.2 percent in the first quarter of fiscal 2013 compared to 12.5 percent a year ago.

Other Information

Free cash flow was \$156.3 million in the first quarter of fiscal 2013.

Fiscal 2013 first quarter general corporate net expense decreased to \$18.5 million from \$20.2 million in 2012.

The Adjusted Effective Tax Rate for the first quarter of fiscal 2013 was 26.6 percent compared to 24.9 percent a year ago. The Company now expects the full-year Adjusted Effective Tax Rate for fiscal 2013 to be in the range of 25 to 26 percent, which includes the impact of the extension of the research and development credit for years 2012 and 2013 under the American Taxpayer Relief Act of 2012.

During the first quarter of fiscal 2013, the Company repurchased 1.2 million shares of its common stock at a cost of \$87.8 million. At December 31, 2012, \$848.9 million remained available under the \$1.0 billion share repurchase authorization.

Organic sales, total segment operating earnings, total segment operating margin, Adjusted Income, Adjusted EPS, Adjusted Effective Tax Rate, free cash flow and return on invested capital are non-GAAP measures that are reconciled to GAAP measures in the attachments to this release.

Conference Call

A conference call to discuss our financial results will take place at 8:30 A.M. Eastern Time on January 30, 2013. The call and related financial charts will be webcast and accessible via the Rockwell Automation website (<http://www.rockwellautomation.com/investors/>).

This news release contains statements (including certain projections and business trends) that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Words such as “believe”, “estimate”, “project”, “plan”, “expect”, “anticipate”, “will”, “intend” and other similar expressions may identify forward-looking statements. Actual results may differ materially from those projected as a result of certain risks and uncertainties, many of which are beyond our control, including but not limited to:

- macroeconomic factors, including global and regional business conditions, the availability and cost of capital, the cyclical nature of our customers’ capital spending, sovereign debt concerns and currency exchange rates;
- laws, regulations and governmental policies affecting our activities in the countries where we do business;
- the successful development of advanced technologies and demand for and market acceptance of new and existing products;
- the availability, effectiveness and security of our information technology systems;
- competitive products, services and solutions and pricing pressures, and our ability to provide high quality products, services and solutions;
- a disruption of our operations and supply chain due to natural disasters, acts of war, strikes, terrorism, social unrest or other causes;
- our ability to protect confidential information and enforce our intellectual property rights;
- our ability to successfully address claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract and retain qualified personnel;
- our ability to manage costs related to employee retirement and health care benefits;
- the uncertainties of litigation, including liabilities related to the safety and security of the products, services and solutions we sell or to alleged intellectual property infringements;
- our ability to manage and mitigate the risks associated with our solutions business;
- a disruption of our distribution channels;
- the availability and price of components and materials;
- the successful integration and management of acquired businesses;



These forward-looking statements reflect our beliefs as of the date of filing this release. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Rockwell Automation, Inc. (NYSE: ROK), the world's largest company dedicated to industrial automation and information, makes its customers more productive and the world more sustainable. Headquartered in Milwaukee, Wis., Rockwell Automation employs over 22,000 people serving customers in more than 80 countries.

ROCKWELL AUTOMATION, INC.
SALES AND EARNINGS INFORMATION
(in millions, except per share amounts)

	Three Months Ended December 31,	
	2012	2011
Sales		
Architecture & Software (a)	\$ 657.5	\$ 650.5
Control Products & Solutions (b)	831.7	823.4
Total sales (c)	<u>\$ 1,489.2</u>	<u>\$ 1,473.9</u>
Segment operating earnings		
Architecture & Software (d)	\$ 183.2	\$ 189.2
Control Products & Solutions (e)	92.8	102.7
Total segment operating earnings ¹ (f)	276.0	291.9
Purchase accounting depreciation and amortization	(5.2)	(5.0)
General corporate—net	(18.5)	(20.2)
Non-operating pension costs ²	(19.7)	(8.8)
Interest expense	(15.4)	(15.0)
Income before income taxes	217.2	242.9
Income tax provision	(55.8)	(59.6)
Net income	<u>\$ 161.4</u>	<u>\$ 183.3</u>
Diluted EPS	<u>\$ 1.14</u>	<u>\$ 1.27</u>
Adjusted EPS ²	<u>\$ 1.23</u>	<u>\$ 1.31</u>
Average diluted shares	<u>141.2</u>	<u>143.9</u>
Segment operating margin		
Architecture & Software (d/a)	27.9%	29.1%
Control Products & Solutions (e/b)	11.2%	12.5%
Total segment operating margin ¹ (f/c)	18.5%	19.8%

¹ Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We believe that these measures are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our Company. Our measures of total segment operating earnings and total segment operating margin may be different from those used by other companies.

² Beginning in fiscal 2013, we reclassified for all periods presented non-operating pension costs to a separate line item within the above table. Previously, these costs were included in segment operating earnings and general corporate, net. Adjusted EPS is a non-GAAP earnings measure that excludes the non-operating pension costs and their related income tax effects. See "Other Supplemental Information - Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate" section on page 11 for more information regarding non-operating pension costs and a reconciliation to GAAP measures.

ROCKWELL AUTOMATION, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in millions)

	Three Months Ended December 31,	
	2012	2011

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Selling, general and administrative expenses	(373.5)	(362.4)
Other (expense) income	(1.2)	1.6
Interest expense	(15.4)	(15.0)
Income before income taxes	217.2	242.9
Income tax provision	(55.8)	(59.6)
Net income	\$ 161.4	\$ 183.3

ROCKWELL AUTOMATION, INC.
CONDENSED BALANCE SHEET INFORMATION
(in millions)

	December 31, 2012	September 30, 2012
Assets		
Cash and cash equivalents	\$ 954.3	\$ 903.9
Short-term investments	350.0	350.0
Receivables	1,125.7	1,187.3
Inventories	646.6	619.0
Property, net	579.5	587.1
Goodwill and intangibles	1,242.1	1,158.3
Other assets	812.9	830.9
Total	<u>\$ 5,711.1</u>	<u>\$ 5,636.5</u>
Liabilities and Shareowners' Equity		
Short-term debt	\$ 253.0	\$ 157.0
Accounts payable	481.2	547.6
Long-term debt	905.0	905.0
Other liabilities	2,104.1	2,175.2
Shareowners' equity	1,967.8	1,851.7
Total	<u>\$ 5,711.1</u>	<u>\$ 5,636.5</u>

ROCKWELL AUTOMATION, INC.
CONDENSED CASH FLOW INFORMATION
(in millions)

	Three Months Ended December 31,	
	2012	2011
Continuing operations:		
Operating activities:		
Income from continuing operations	\$ 161.4	\$ 183.3
Depreciation and amortization	35.2	32.6
Retirement benefits expense	42.8	26.2
Pension trust contributions	(9.3)	(309.2)
Receivables/inventories/payables	(13.8)	(40.5)
Compensation and benefits	(90.4)	(150.8)
Income taxes	33.6	57.0
Other	7.8	12.4
Cash provided by (used for) operating activities	<u>167.3</u>	<u>(189.0)</u>
Investing activities:		
Capital expenditures	(21.6)	(31.6)
Acquisition of businesses, net of cash acquired	(84.4)	(10.9)
Purchases of short-term investments	(87.5)	(150.0)
Proceeds from maturities of short-term investments	87.5	—
Proceeds from sale of property and investments	0.2	1.8
Cash used for investing activities	<u>(105.8)</u>	<u>(190.7)</u>
Financing activities:		
Net issuance of short-term debt	96.0	350.0
Cash dividends	(65.5)	(60.3)
Purchases of treasury stock	(92.9)	(9.7)
Proceeds from the exercise of stock options	38.1	5.2
Excess income tax benefit from share-based compensation	10.6	9.8
Other financing activities	—	(0.1)

Cash used for discontinued operations

(7.0) (0.2)

Increase (decrease) in cash and cash equivalents

\$ 50.4 \$ (104.9)

ROCKWELL AUTOMATION, INC.
OTHER SUPPLEMENTAL INFORMATION
(in millions)

Organic Sales

Our press release contains information regarding organic sales, which we define as sales excluding the effect of changes in currency exchange rates and acquisitions. We believe this non-GAAP measure provides useful information to investors because it reflects regional and operating segment performance from our activities without the effect of changes in currency exchange rates and/or acquisitions. We use organic sales as one measure to monitor and evaluate our regional and operating segment performance. We determine the effect of changes in currency exchange rates by translating the respective period's sales using the currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current year for which there are no comparable sales in the prior period. Organic sales growth is calculated by comparing organic sales to reported sales in the prior year. Sales are attributed to the geographic regions based on the country of destination.

The following is a reconciliation of reported sales to organic sales for the three months ended December 31, 2012 compared to sales for the three months ended December 31, 2011:

	Three Months Ended December 31,					
	2012			2011		
	Sales					
	Excluding					
	Effect of					
	Changes in					
	Currency					
	Effect of					
	Acquisitions					
	Organic					
	Sales					
	Sales	Effect of Changes in Currency	Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
United States	\$ 761.1	\$ (0.9)	\$ 760.2	\$ (1.5)	\$ 758.7	\$ 717.6
Canada	106.3	(3.2)	103.1	—	103.1	105.2
Europe, Middle East, Africa	296.1	12.8	308.9	—	308.9	315.0
Asia-Pacific	197.4	(2.2)	195.2	(1.7)	193.5	213.2
Latin America	128.3	3.4	131.7	—	131.7	122.9
Total	\$ 1,489.2	\$ 9.9	\$ 1,499.1	\$ (3.2)	\$ 1,495.9	\$ 1,473.9

The following is a reconciliation of reported sales to organic sales for our reporting segments for the three months ended December 31, 2012 compared to sales for the three months ended December 31, 2011:

	Three Months Ended December 31,					
	2012			2011		
	Sales					
	Excluding					
	Effect of					
	Changes in					
	Currency					
	Effect of					
	Acquisitions					
	Organic					
	Sales					
	Sales	Effect of Changes in Currency	Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
Architecture & Software	\$ 657.5	\$ 6.6	\$ 664.1	\$ —	\$ 664.1	\$ 650.5
Control Products & Solutions	831.7	3.3	835.0	(3.2)	831.8	823.4
Total	\$ 1,489.2	\$ 9.9	\$ 1,499.1	\$ (3.2)	\$ 1,495.9	\$ 1,473.9

ROCKWELL AUTOMATION, INC.
OTHER SUPPLEMENTAL INFORMATION
(in millions, except per share amounts and percentages)

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

Our press release contains financial information and earnings guidance regarding Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate, which are non-GAAP earnings measures that exclude non-operating pension costs and their related income tax effects. We define non-operating pension costs as defined benefit plan interest cost, expected return on plan assets, amortization of actuarial gains and losses and the impacts of any plan curtailments or settlements. These components of net periodic benefit cost primarily relate to changes in pension assets and liabilities that are a result of market performance; we consider these costs to be unrelated to the operating performance of our business. We believe that Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate provide useful information to our investors about our operating performance and allow management and investors to compare our operating performance period over period. Our measures of Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate may be different from measures used by other companies. These non-GAAP measures should not be considered a substitute for income from continuing operations, diluted EPS and effective tax rate.

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Three Months Ended
December 31,

	2012	2011
Income from continuing operations	\$ 161.4	\$ 183.3
Non-operating pension costs	19.7	8.8
Tax effect of non-operating pension costs	(7.2)	(3.1)
Adjusted Income	\$ 173.9	\$ 189.0
Diluted EPS from continuing operations	\$ 1.14	\$ 1.27
Non-operating pension costs per diluted share, before tax	0.14	0.06
Tax effect of non-operating pension costs per diluted share	(0.05)	(0.02)
Adjusted EPS	\$ 1.23	\$ 1.31
Effective tax rate	25.7%	24.5%
Tax effect of non-operating pension costs	0.9%	0.4%
Adjusted Effective Tax Rate	26.6%	24.9%

	Fiscal 2013 Guidance	Year Ended September 30, 2012
Diluted EPS from continuing operations	\$5.00 - \$5.40	\$ 5.13
Non-operating pension costs per diluted share, before tax	0.56	0.25
Tax effect of non-operating pension costs per diluted share	(0.21)	(0.09)
Adjusted EPS	\$5.35 - \$5.75	\$ 5.29

ROCKWELL AUTOMATION, INC.
OTHER SUPPLEMENTAL INFORMATION
(in millions)

Free Cash Flow

Our definition of free cash flow, which is a non-GAAP financial measure, takes into consideration capital investments required to maintain the operations of our businesses and execute our strategy. We account for share-based compensation under U.S. GAAP, which requires that we report the excess income tax benefit from share-based compensation as a financing cash flow rather than as an operating cash flow. We have added this benefit back to our calculation of free cash flow in order to generally classify cash flows arising from income taxes as operating cash flows.

In our opinion, free cash flow provides useful information to investors regarding our ability to generate cash from business operations that is available for acquisitions and other investments, service of debt principal, dividends and share repurchases. We use free cash flow, as defined, as one measure to monitor and evaluate performance. Our definition of free cash flow may be different from definitions used by other companies.

The following table summarizes free cash flow by quarter:

	Quarter Ended				
	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Dec. 31, 2012
Cash provided by (used for) continuing operating activities	\$ (189.0)	\$ 253.5	\$ 264.1	\$ 390.1	\$ 167.3
Capital expenditures of continuing operations	(31.6)	(30.9)	(32.4)	(44.7)	(21.6)
Excess income tax benefit from share-based compensation	9.8	7.0	0.5	1.2	10.6
Free cash flow ¹	\$ (210.8)	\$ 229.6	\$ 232.2	\$ 346.6	\$ 156.3

¹ Free cash flow for the first quarter of fiscal 2012 includes a discretionary pre-tax contribution to the Company's U.S. pension trust of \$300 million.

Return On Invested Capital

Our press release contains information regarding Return On Invested Capital (ROIC), which is a non-GAAP financial measure. We believe that ROIC is useful to investors as a measure of performance and of the effectiveness of the use of capital in our operations. We use ROIC as one measure to monitor and evaluate performance. Our measure of ROIC may be different from that used by other companies. We define ROIC as the percentage resulting from the following calculation:

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short-term debt, long-term debt, shareowners' equity, and accumulated amortization of goodwill and other intangible assets, minus cash and cash equivalents and short-term investments, multiplied by;

(c) one minus the effective tax rate for the twelve-month period.

ROIC is calculated as follows:

	Twelve Months Ended	
	December 31,	
	2012	2011
(a) Return		
Income from continuing operations	\$ 715.1	\$ 730.3
Interest expense	60.5	59.7
Income tax provision	225.1	193.5
Purchase accounting depreciation and amortization	20.0	20.0
Return	<u>1,020.7</u>	<u>1,003.5</u>
(b) Average invested capital		
Short-term debt	257.8	70.0
Long-term debt	905.0	905.0
Shareowners' equity	1,925.5	1,788.6
Accumulated amortization of goodwill and intangibles	760.0	725.5
Cash and cash equivalents	(871.9)	(936.9)
Short-term investments	(302.5)	(30.0)
Average invested capital	<u>2,673.9</u>	<u>2,522.2</u>
(c) Effective tax rate		
Income tax provision	225.1	193.5
Income from continuing operations before income taxes	\$ <u>940.2</u>	\$ <u>923.8</u>
Effective tax rate	<u>23.9%</u>	<u>20.9%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u><u>29.0%</u></u>	<u><u>31.5%</u></u>

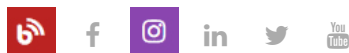
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