

Rockwell Automation

Fiscal Year 2018

First Quarter Conference Call

January 24, 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 First Quarter Results and Full Year Outlook

Q1 Results

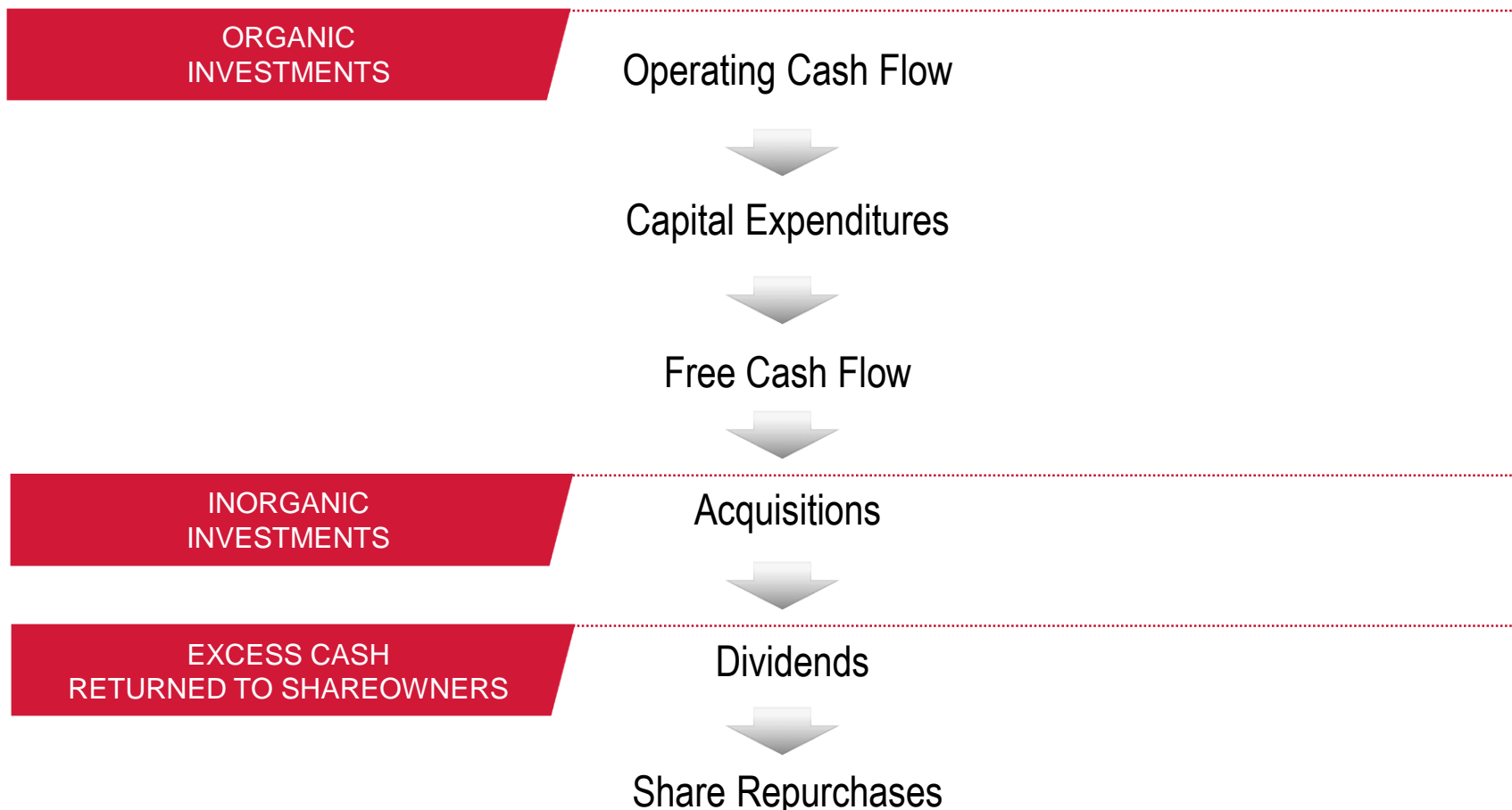
- Organic sales up 5.3% YOY
 - Broad-based growth across all regions
 - Growth led by heavy industries, including oil and gas; transportation weaker than expected
 - Logix growth of 6%; Process growth of 12%
- Strong segment operating margin of 22.4%
- Adjusted EPS of \$1.96, up 12%

Full Year Outlook

- Macro outlook remains solid
- Organic growth still expected to be ~ 5% at mid-point of guidance
- Adjusted EPS up 15% at mid-point of guidance, including the benefit of a lower U.S. tax rate

Increasing Adjusted EPS guidance range to \$7.60 - \$7.90 for FY 2018

Capital Deployment Post Tax Reform – No Change



Strong balance sheet provides flexibility

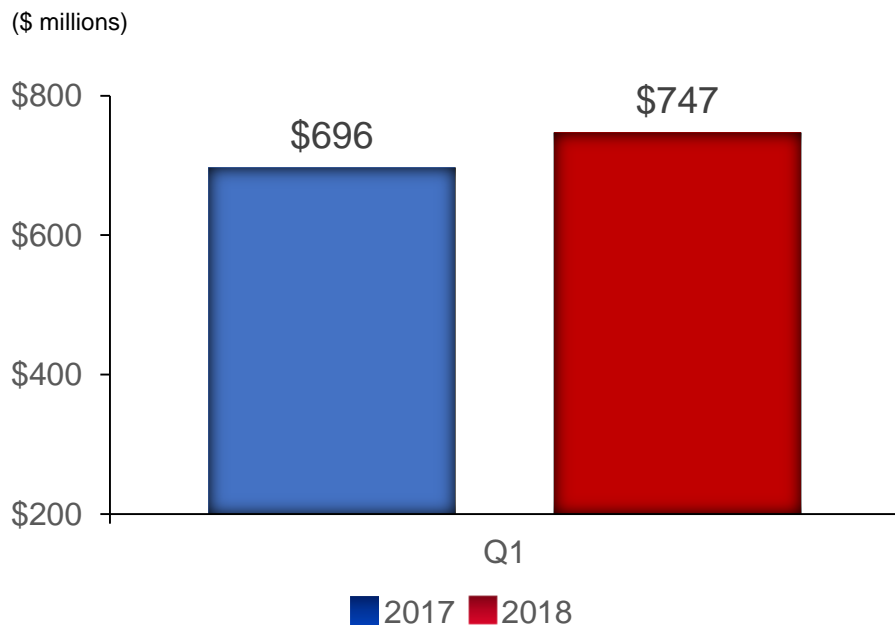
Key Financial Information: First Quarter

(in millions, except per share amounts)

	<u>Q1 2018</u>	<u>Q1 2017</u>	<u>YOY B/(W)</u>
Sales	\$ 1,587	\$ 1,490	6.5 %
Segment Operating Earnings	\$ 356	\$ 317	12.3 %
Segment Operating Margin	22.4 %	21.2 %	120 bps
General Corporate - Net	\$ 16	\$ 15	\$ (1)
Adjusted EPS	\$ 1.96	\$ 1.75	12.0 %
Adjusted Effective Tax Rate	18.9 %	18.1 %	(80) bps
Free Cash Flow	\$ 179	\$ 271	\$ (92)
ROIC	40.8 %	34.6 %	620 bps

Architecture & Software

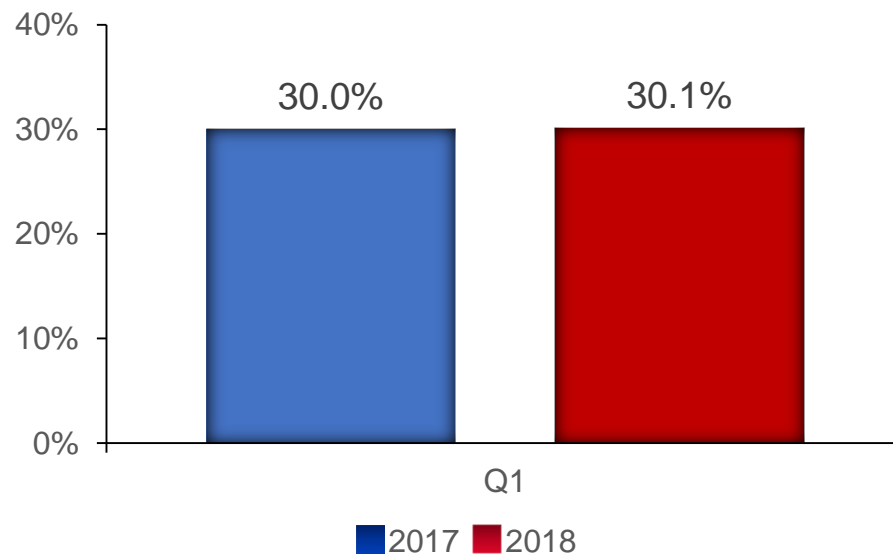
Sales



YOY Sales % Change

	Q1 2018
Organic	4.6%
FX	2.7%
Reported	7.3%

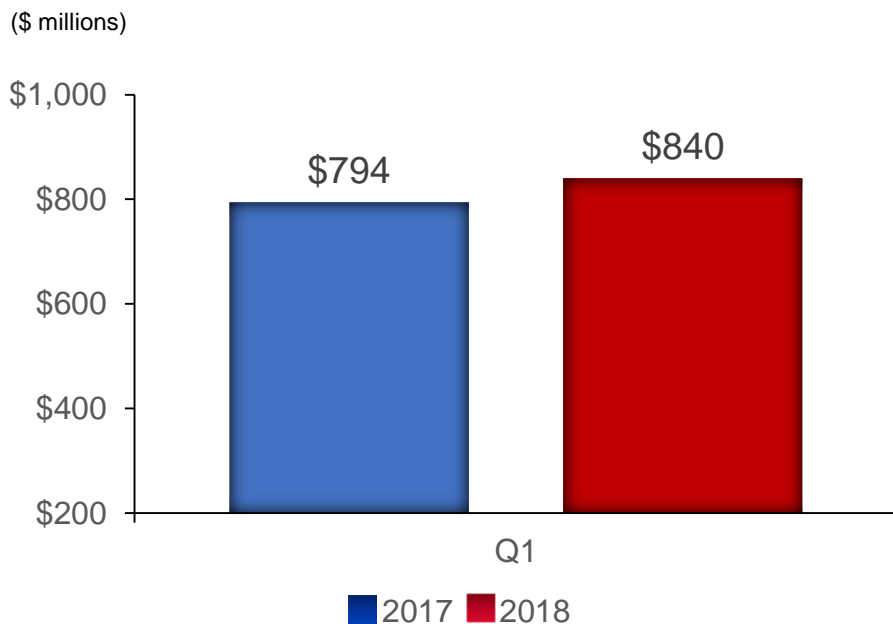
Segment Operating Margin



- Segment operating margin expanded 10 bps in Q1, primarily due to higher sales, partially offset by higher investment spending

Control Products & Solutions

Sales



YOY Sales % Change

Q1 2018

Organic
FX
Divestiture
Reported

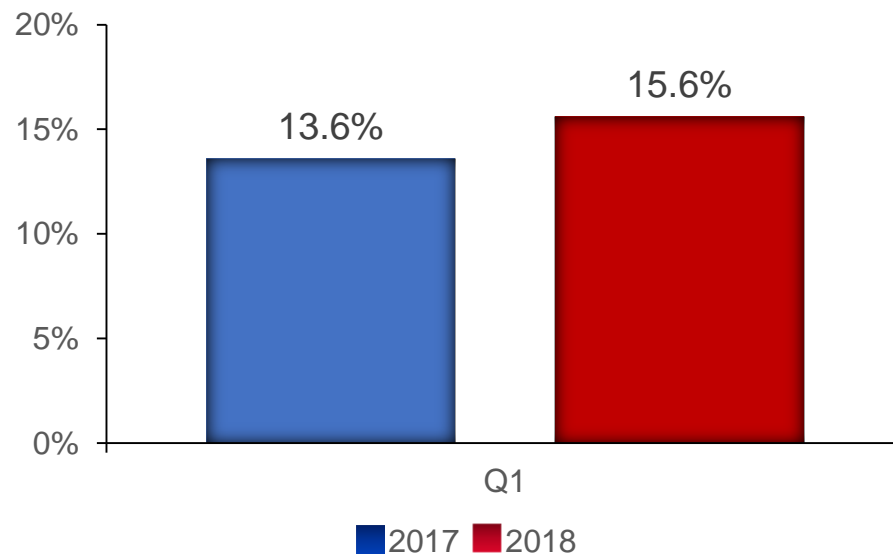
5.9%

2.3%

(2.4)%

5.8%

Segment Operating Margin



- Segment operating margin expanded 200 bps in Q1, primarily due to higher sales

Regional Sales

(in millions, except percentages)

<u>Region</u>	Q1 2018		<u>First Quarter</u> *
	<u>Sales</u>	<u>Organic % Change</u>	
U.S.	\$ 852	5.4%	▪ U.S. and Canada growth led by heavy industries; oil and gas up double digits
Canada	92	11.5%	▪ Continued growth with OEM machine builders in EMEA
EMEA	307	4.9%	▪ In Asia Pacific, China was up double digits; India flat; declines in Japan and Korea
Asia Pacific	215	1.5%	
Latin America	121	8.5%	▪ Latin America growth led by heavy industries and consumer
TOTAL	\$ 1,587	5.3%	▪ Emerging markets up high single digits

* All growth comments refer to organic growth

Revised Fiscal 2018 Guidance

	January Guidance	November Guidance
Sales	~ \$6.7B	~ \$6.7B
Organic Growth Range	3.5% to 6.5%	3.5% to 6.5%
Currency Translation	~ 2.0%	~ 2.5%
Divestiture	~ (1)%	~ (1)%
Segment Operating Margin	~ 21.5%	~ 21.5%
Adjusted Effective Tax Rate	~ 21%	~ 24.5%
Adjusted EPS	\$7.60 - \$7.90	\$7.20 - \$7.50
Free Cash Flow as a % of Adjusted Income	~ 100%	~ 100%

Note: As of January 24, 2018

Appendix

Supplemental Financial Information and Reconciliations to Non-GAAP Measures



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First Quarter Results: Summary

(in millions, except per share amounts)

	Q1 2018	Q1 2017
Total Sales	\$ 1,586.6	\$ 1,490.3
Total Segment Operating Earnings	\$ 355.5	\$ 316.6
Purchase Accounting Depreciation and Amortization	(4.4)	(5.6)
General Corporate - Net	(16.2)	(14.9)
Non-Operating Pension Costs	(5.9)	(19.8)
Costs Related to Unsolicited Emerson Proposals	(11.2)	—
Interest Expense	(20.0)	(18.7)
Income Tax Provision	(534.2)	(42.9)
Net Income	\$ (236.4)	\$ 214.7
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	4.1	12.6
Costs Related to Unsolicited Emerson Proposal, Net of Tax	8.1	—
Provisional Effect of Deemed Repatriation of Foreign Earnings Due to the Tax Act	385.5	—
Provisional Effect of Net Deferred Tax Asset Revaluation Due to the Tax Act	94.2	—
Adjusted Income	\$ 255.5	\$ 227.3
Adjusted EPS	\$ 1.96	\$ 1.75
Average diluted shares for diluted EPS	128.2	129.7
Average diluted shares for adjusted EPS ¹	130.1	129.7

¹Average diluted shares for adjusted EPS is a non-GAAP measure that includes 1.9 million of dilutive shares that are excluded from GAAP average diluted shares in the first quarter of fiscal 2018 because we recorded a net loss.

Free Cash Flow

(in millions)	<u>Q1 2018</u>
Net Income	\$ (236.4)
Depreciation/Amortization	39.6
Retirement Benefits Expense	28.3
Receivables/Inventory/Payables	(74.4)
Compensation and Benefits	(77.0)
Pension Contributions	(11.6)
Income Taxes	508.0
Other	<u>36.2</u>
Cash Flow from Operations	212.7
Capital Expenditures	(34.1)
Free Cash Flow	<u><u>\$ 178.6</u></u>

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended December 31,									
	2017					2016				
	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 (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
United States	\$ 851.9	\$ (0.7)	\$ 851.2	\$ —	\$ 851.2	\$ 820.1	\$ (12.3)	\$ 807.8	3.9%	5.4%
Canada	92.0	(4.4)	87.6	—	87.6	82.7	(4.1)	78.6	11.2%	11.5%
EMEA	307.4	(23.4)	284.0	—	284.0	270.7	—	270.7	13.6%	4.9%
Asia Pacific	214.5	(5.8)	208.7	—	208.7	205.6	—	205.6	4.3%	1.5%
Latin America	120.8	(2.1)	118.7	—	118.7	111.2	(1.8)	109.4	8.6%	8.5%
Total	\$ 1,586.6	\$ (36.4)	\$ 1,550.2	\$ —	\$ 1,550.2	\$ 1,490.3	\$ (18.2)	\$ 1,472.1	6.5%	5.3%

	Three Months Ended December 31,									
	2017					2016				
	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 (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
Architecture & Software	\$ 746.9	\$ (18.2)	\$ 728.7	\$ —	\$ 728.7	\$ 696.4	\$ —	\$ 696.4	7.3%	4.6%
Control Products & Solutions	839.7	(18.2)	821.5	—	821.5	793.9	(18.2)	775.7	5.8%	5.9%
Total	\$ 1,586.6	\$ (36.4)	\$ 1,550.2	\$ —	\$ 1,550.2	\$ 1,490.3	\$ (18.2)	\$ 1,472.1	6.5%	5.3%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
Sales		
Architecture & Software (a)	\$ 746.9	\$ 696.4
Control Products & Solutions (b)	839.7	793.9
Total sales (c)	<u>\$ 1,586.6</u>	<u>\$ 1,490.3</u>
Segment operating earnings		
Architecture & Software (d)	\$ 224.6	\$ 208.6
Control Products & Solutions (e)	130.9	108.0
Total segment operating earnings (f)	<u>355.5</u>	<u>316.6</u>
Purchase accounting depreciation and amortization	(4.4)	(5.6)
General corporate - net	(16.2)	(14.9)
Non-operating pension costs	(5.9)	(19.8)
Costs related to unsolicited Emerson proposals	(11.2)	—
Interest expense	(20.0)	(18.7)
Income before income taxes (g)	<u>\$ 297.8</u>	<u>\$ 257.6</u>
Segment operating margin:		
Architecture & Software (d/a)	30.1%	30.0%
Control Products & Solutions (e/b)	15.6%	13.6%
Total segment operating margin (f/c)	22.4%	21.2%
Pretax margin (g/c)	18.8%	17.3%

Reconciliation to Non-GAAP Measures

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

(in millions, except per share amounts)

	<u>Three Months Ended December 31, 2017</u>	<u>Three Months Ended December 31, 2016</u>
Income from continuing operations	\$ (236.4)	\$ 214.7
Non-operating pension costs	5.9	19.8
Tax effect of non-operating pension costs	(1.8)	(7.2)
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	385.5	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	94.2	—
Adjusted Income	<u>\$ 255.5</u>	<u>\$ 227.3</u>
Diluted EPS from continuing operations	\$ (1.84)	\$ 1.65
Non-operating pension costs per diluted share	0.06	0.15
Tax effect of non-operating pension costs per diluted share	(0.01)	(0.05)
Costs related to unsolicited Emerson proposals	0.09	—
Tax effect of costs related to unsolicited Emerson proposals	(0.02)	—
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	2.96	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	0.72	—
Adjusted EPS	<u>\$ 1.96</u>	<u>\$ 1.75</u>
Effective tax rate	179.4 %	16.7 %
Tax effect of non-operating pension costs	0.3 %	1.4 %
Tax effect of costs related to unsolicited Emerson proposals	0.3 %	— %
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	(129.5) %	— %
Provisional effect of net deferred tax asset revaluation due to the Tax Act	(31.6) %	— %
Adjusted Effective Tax Rate	<u>18.9 %</u>	<u>18.1 %</u>

Non-Operating Pension Costs

(in millions)

	<u>Three Months Ended December 31, 2017</u>	<u>Three Months Ended December 31, 2016</u>
Interest cost	\$ 38.8	\$ 37.8
Expected return on plan assets	(61.2)	(56.2)
Amortization of net actuarial loss	28.3	38.0
Settlements	—	0.2
Non-operating pension costs	<u>\$ 5.9</u>	<u>\$ 19.8</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended	
	December 31,	
	2017	2016
(a) Return		
Income from continuing operations	\$ 374.6	\$ 758.9
Interest expense	77.5	72.6
Income tax provision	703.0	204.9
Purchase accounting depreciation and amortization	20.2	19.3
Return	1,175.3	1,055.7
(b) Average invested capital		
Short-term debt	664.2	380.0
Long-term debt	1,241.5	1,457.0
Shareowners' equity	2,249.1	2,122.6
Accumulated amortization of goodwill and intangibles	842.3	815.5
Cash and cash equivalents	(1,508.5)	(1,495.2)
Short-term and long-term investments	(1,206.1)	(879.7)
Average invested capital	2,282.5	2,400.2
(c) Effective tax rate		
Income tax provision ¹	223.3	204.9
Income from continuing operations before income taxes	\$ 1,077.6	\$ 963.8
Effective tax rate	20.7%	21.3%
(a) / (b) * (1-c) Return On Invested Capital	40.8%	34.6%

¹The income tax provision used to calculate the effective tax rate is adjusted to remove the provisional effect of the \$385.5 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 quarter 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

<u>January Guidance</u>	<u>November Guidance</u>
3.5% to 6.5%	3.5% to 6.5%
~ 2%	~ 2.5%
~ (1)%	~ (1)%
<u>4.5% to 7.5%</u>	<u>5% to 8%</u>

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)

	<u>January Guidance</u>	<u>November Guidance</u>
Total sales (a)	\$ ~ 6.7	\$ ~ 6.7
Total segment operating earnings (b)	~ 1.4	~ 1.4
Costs not allocated to segments	~ 0.2	~ 0.2
Income before income taxes (c)	<u>\$ ~ 1.2</u>	<u>\$ ~ 1.2</u>
Total segment operating margin (b/a)	~ 21.5 %	~ 21.5 %
Pretax margin (c/a)	~ 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
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

Effective tax rate	~ 59 %	~ 24.5 %
Tax effect of non-operating pension costs	~ — %	~ — %
Tax effect of costs related to unsolicited Emerson proposals	~ — %	~ — %
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	~ (31) %	~ — %
Provisional effect of net deferred tax asset revaluation due to the Tax Act	~ (7) %	~ — %
Adjusted Effective Tax Rate	<u>~ 21 %</u>	<u>~ 24.5 %</u>

Adjusted EPS

Diluted EPS from continuing operations
Non-operating pension costs per diluted share
Tax effect of non-operating pension costs per diluted share
Costs related to unsolicited Emerson proposals
Tax effect of costs related to unsolicited Emerson proposals
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

Diluted EPS from continuing operations	\$3.67 - \$3.97	\$7.09 - \$7.39
Non-operating pension costs per diluted share	0.18	0.18
Tax effect of non-operating pension costs per diluted share	(0.06)	(0.07)
Costs related to unsolicited Emerson proposals	0.09	—
Tax effect of costs related to unsolicited Emerson proposals	(0.02)	—
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	3.00	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	0.74	—
Adjusted EPS	<u>\$7.60 - \$7.90</u>	<u>\$7.20 - \$7.50</u>