

# Rockwell Automation

## Fiscal Year 2018

### Second Quarter Conference Call

April 25, 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 Second Quarter and First Half Results

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## Q2 Results

- Organic sales up 3.5% YOY, as expected
  - Growth led by heavy industries, including oil and gas, mining, metals, and semiconductor
  - Logix growth of 5%; Process growth of 9%
  - Double-digit growth in Information Solutions and Connected Services
- Segment operating margin of 20.9%, up 190 bps YOY
- Adjusted EPS of \$1.89, up 22%

## First Half

- Organic sales up 4.4% YOY
- Segment operating margin of 21.6%, up 150 bps YOY
- Adjusted EPS of \$3.85, up 17%
- Free cash flow conversion of 108%

***Increasing Adjusted EPS guidance range to \$7.70 - \$8.00 for FY 2018***

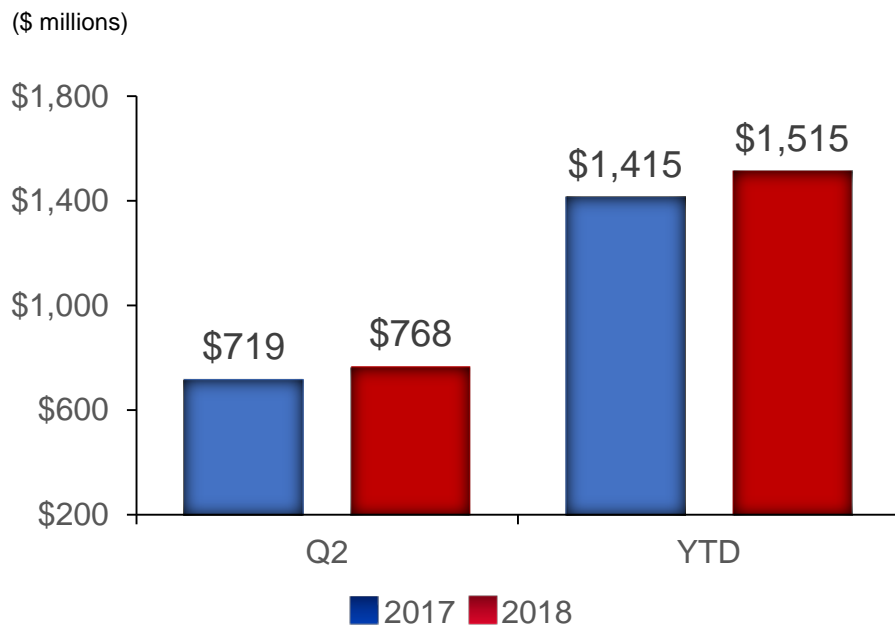
# Key Financial Information: Second Quarter

(in millions, except per share amounts)

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YOY B/(W)</u>
Sales	\$ 1,651	\$ 1,554	6.2 %
Segment Operating Earnings	\$ 345	\$ 296	16.6 %
Segment Operating Margin	20.9 %	19.0 %	190 bps
General Corporate - Net	\$ 18	\$ 21	\$ 3
Adjusted EPS	\$ 1.89	\$ 1.55	21.9 %
Adjusted Effective Tax Rate	20.5 %	19.2 %	(130) bps
Free Cash Flow	\$ 359	\$ 273	\$ 86
ROIC	43.6 %	36.4 %	720 bps

# Architecture & Software

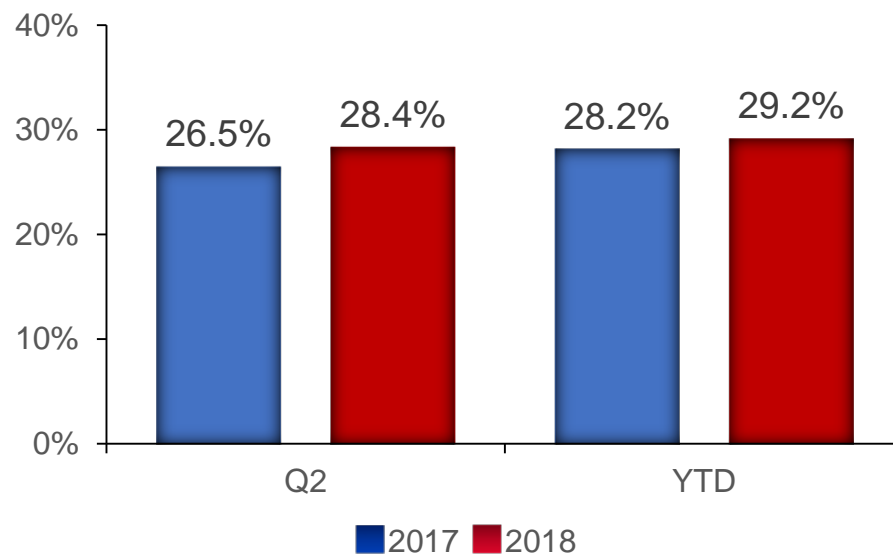
## Sales



### YOY Sales % Change

	<u>Q2 2018</u>	<u>YTD</u>
Organic	2.5%	3.5%
FX	4.4%	3.6%
Reported	6.9%	7.1%

## Segment Operating Margin

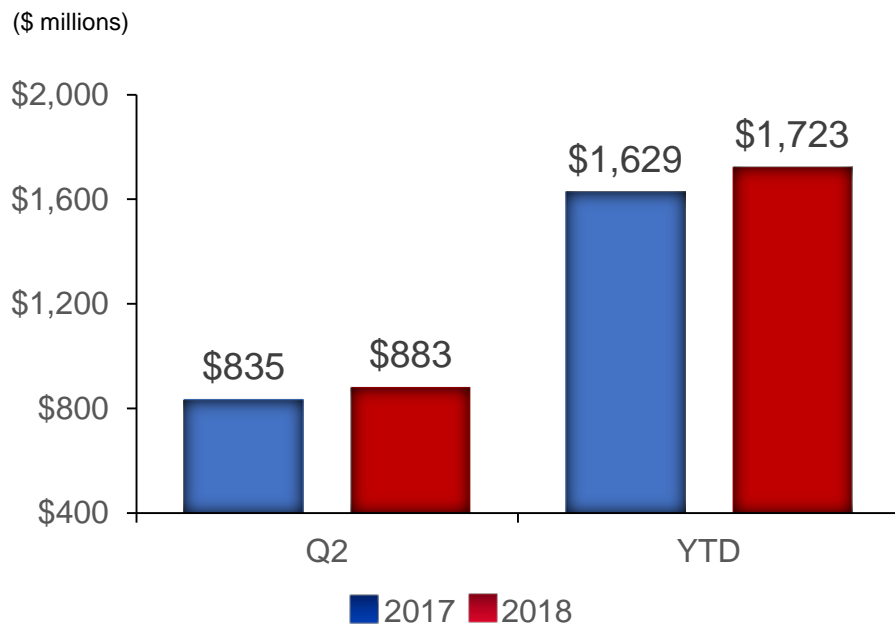


- Segment operating margin expanded 190 bps in Q2, primarily due to higher sales



# Control Products & Solutions

## Sales



### YOY Sales % Change

	<u>Q2 2018</u>	<u>YTD</u>
Organic	4.4%	5.1%
FX	3.6%	2.9%
Divestiture	(2.3)%	(2.3)%
Reported	<u>5.7%</u>	<u>5.7%</u>

## Segment Operating Margin



- Segment operating margin expanded 180 bps in Q2, primarily due to higher sales

# Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q2 2018</u>		<u>YTD</u>		<u>Second Quarter *</u>
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>	
U.S.	\$ 888	3.6%	\$ 1,740	4.5%	<ul style="list-style-type: none"> <li>▪ U.S. growth led by heavy industries; oil and gas up double digits</li> <li>▪ EMEA decline due to project timing</li> <li>▪ China sales grew at the company average; orders up double digits</li> <li>▪ Latin America growth led by Mexico and Brazil</li> <li>▪ Emerging markets up high single digits</li> </ul>
Canada	86	2.4%	178	6.9%	
EMEA	341	(1.1)%	648	1.8%	
Asia Pacific	219	4.2%	433	2.8%	
Latin America	<u>117</u>	16.2%	<u>239</u>	12.2%	
TOTAL	<u>\$ 1,651</u>	3.5%	<u>\$ 3,238</u>	4.4%	

\* All growth comments refer to organic growth

# Revised Fiscal 2018 Guidance

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	April Guidance	January Guidance
Sales	~ \$6.7B	~ \$6.7B
Organic Growth Range	3.5% to 6.5%	3.5% to 6.5%
Currency Translation	~ 2%	~ 2%
Divestiture	~ (1)%	~ (1)%
Segment Operating Margin	~ 21.5%	~ 21.5%
Adjusted Effective Tax Rate	~ 20.5%	~ 21%
Adjusted EPS	\$7.70 - \$8.00	\$7.60 - \$7.90
Free Cash Flow as a % of Adjusted Income	~ 105%	~ 100%

Note: As of April 25, 2018



# Appendix

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



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# Second Quarter Results: Summary

(in millions, except per share amounts)

	<b>Q2 2018</b>	<b>Q2 2017</b>
Total Sales	\$ 1,651.2	\$ 1,554.3
Total Segment Operating Earnings	\$ 345.1	\$ 296.0
Purchase Accounting Depreciation and Amortization	(4.5)	(5.6)
General Corporate - Net	(17.8)	(21.4)
Non-Operating Pension Costs	(5.9)	(19.8)
Interest Expense	(17.3)	(18.9)
Income Tax Provision	(72.2)	(40.8)
Net Income	\$ 227.4	\$ 189.5
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	4.0	12.5
Provisional Effect of Deemed Repatriation of Foreign Earnings Due to the Tax Act	11.5	—
Adjusted Income	\$ 242.9	\$ 202.0
Adjusted EPS	\$ 1.89	\$ 1.55
Average diluted shares	128.5	130.3

# Free Cash Flow

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(in millions)	<b>Q2 2018</b>	<b>YTD</b>
Net Income	\$ 227.4	\$ (9.0)
Depreciation/Amortization	43.2	82.8
Retirement Benefits Expense	28.4	56.7
Receivables/Inventory/Payables	63.9	(10.5)
Compensation and Benefits	9.3	(67.7)
Pension Contributions	(11.9)	(23.5)
Income Taxes	0.6	508.6
Other	20.5	56.7
Cash Flow from Operations	381.4	594.1
Capital Expenditures	(22.1)	(56.2)
Free Cash Flow	<u>\$ 359.3</u>	<u>\$ 537.9</u>
Adjusted Income	\$ 242.9	\$ 498.4
Free Cash Flow as a % of Adjusted Income	148%	108%

# Reconciliation to Non-GAAP Measures

## Organic Sales

(in millions, except percentages)

	Three Months Ended March 31,								Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	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		
United States	\$ 888.0	\$ (0.6)	\$ 887.4	\$ —	\$ 887.4	\$ 868.7	\$ (12.1)	\$ 856.6	2.2%	3.6%
Canada	85.8	(3.8)	82.0	—	82.0	85.0	(4.9)	80.1	0.9%	2.4%
EMEA	340.6	(42.8)	297.8	—	297.8	301.0	—	301.0	13.2%	(1.1)%
Asia Pacific	218.9	(12.1)	206.8	—	206.8	198.5	—	198.5	10.3%	4.2%
Latin America	117.9	(2.5)	115.4	—	115.4	101.1	(1.8)	99.3	16.6%	16.2%
Total	\$ 1,651.2	\$ (61.8)	\$ 1,589.4	\$ —	\$ 1,589.4	\$ 1,554.3	\$ (18.8)	\$ 1,535.5	6.2%	3.5%

	Six Months Ended March 31,								Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	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		
United States	\$ 1,739.9	\$ (1.3)	\$ 1,738.6	\$ —	\$ 1,738.6	\$ 1,688.8	\$ (24.4)	\$ 1,664.4	3.0%	4.5%
Canada	177.8	(8.2)	169.6	—	169.6	167.7	(9.0)	158.7	6.0%	6.9%
EMEA	648.0	(66.2)	581.8	—	581.8	571.7	—	571.7	13.3%	1.8%
Asia Pacific	433.4	(17.9)	415.5	—	415.5	404.1	—	404.1	7.3%	2.8%
Latin America	238.7	(4.6)	234.1	—	234.1	212.3	(3.6)	208.7	12.4%	12.2%
Total	\$ 3,237.8	\$ (98.2)	\$ 3,139.6	\$ —	\$ 3,139.6	\$ 3,044.6	\$ (37.0)	\$ 3,007.6	6.3%	4.4%

# Reconciliation to Non-GAAP Measures

## Organic Sales

(in millions, except percentages)

		Three Months Ended March 31,									
		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 (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)	
Architecture & Software	\$ 768.4	\$ (31.6)	\$ 736.8	\$ —	\$ 736.8	\$ 719.0	\$ —	\$ 719	6.9%	2.5%	
Control Products & Solutions	882.8	(30.2)	852.6	—	852.6	835.3	(18.8)	816.5	5.7%	4.4%	
Total	<u>\$ 1,651.2</u>	<u>\$ (61.8)</u>	<u>\$ 1,589.4</u>	<u>\$ —</u>	<u>\$ 1,589.4</u>	<u>\$ 1,554.3</u>	<u>\$ (18.8)</u>	<u>\$ 1,535.5</u>	6.2%	3.5%	

		Six Months Ended March 31,									
		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 (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)	
Architecture & Software	\$ 1,515.3	\$ (49.8)	\$ 1,465.5	\$ —	\$ 1,465.5	\$ 1,415.4	\$ —	\$ 1,415.4	7.1%	3.5%	
Control Products & Solutions	1,722.5	(48.4)	1,674.1	—	1,674.1	1,629.2	(37.0)	1,592.2	5.7%	5.1%	
Total	<u>\$ 3,237.8</u>	<u>\$ (98.2)</u>	<u>\$ 3,139.6</u>	<u>\$ —</u>	<u>\$ 3,139.6</u>	<u>\$ 3,044.6</u>	<u>\$ (37.0)</u>	<u>\$ 3,007.6</u>	6.3%	4.4%	

# Reconciliation to Non-GAAP Measures

## Segment Operating Margin

(in millions, except percentages)

	<b>Three Months Ended March 31, 2018</b>	<b>Three Months Ended March 31, 2017</b>	<b>Six Months Ended March 31, 2018</b>	<b>Six Months Ended March 31, 2017</b>
Sales				
Architecture & Software (a)	\$ 768.4	\$ 719.0	\$ 1,515.3	\$ 1,415.4
Control Products & Solutions (b)	882.8	835.3	1,722.5	1,629.2
Total sales (c)	<u>\$ 1,651.2</u>	<u>\$ 1,554.3</u>	<u>\$ 3,237.8</u>	<u>\$ 3,044.6</u>
Segment operating earnings				
Architecture & Software (d)	\$ 218.2	\$ 190.6	\$ 442.8	\$ 399.2
Control Products & Solutions (e)	126.9	105.4	257.8	213.4
Total segment operating earnings (f)	<u>345.1</u>	<u>296.0</u>	<u>700.6</u>	<u>612.6</u>
Purchase accounting depreciation and amortization	(4.5)	(5.6)	(8.9)	(11.2)
General corporate - net	(17.8)	(21.4)	(34.0)	(36.3)
Non-operating pension costs	(5.9)	(19.8)	(11.8)	(39.6)
Costs related to unsolicited Emerson proposals			(11.2)	—
Interest expense	(17.3)	(18.9)	(37.3)	(37.6)
Income before income taxes (g)	<u>\$ 299.6</u>	<u>\$ 230.3</u>	<u>\$ 597.4</u>	<u>\$ 487.9</u>
Segment operating margin:				
Architecture & Software (d/a)	28.4 %	26.5 %	29.2%	28.2%
Control Products & Solutions (e/b)	14.4 %	12.6 %	15.0%	13.1%
Total segment operating margin (f/c)	20.9 %	19.0 %	21.6%	20.1%
Pretax margin (g/c)	18.1 %	14.8 %	18.5%	16.0%



# Reconciliation to Non-GAAP Measures

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

(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Income from continuing operations	\$ 227.4	\$ 189.5	\$ (9.0)	\$ 404.2
Non-operating pension costs	5.9	19.8	11.8	39.6
Tax effect of non-operating pension costs	(1.9)	(7.3)	(3.7)	(14.5)
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	11.5	—	397.0	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	—	—	94.2	—
<b>Adjusted Income</b>	<b>\$ 242.9</b>	<b>\$ 202.0</b>	<b>\$ 498.4</b>	<b>\$ 429.3</b>
Diluted EPS from continuing operations	\$ 1.77	\$ 1.45	\$ (0.07)	\$ 3.11
Non-operating pension costs	0.04	0.15	0.08	0.30
Tax effect of non-operating pension costs	(0.01)	(0.05)	(0.03)	(0.11)
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	0.09	—	3.07	—
Provisional effect of net deferred tax asset revaluation due to the Tax Act	—	—	0.73	—
<b>Adjusted EPS</b>	<b>\$ 1.89</b>	<b>\$ 1.55</b>	<b>\$ 3.85</b>	<b>\$ 3.30</b>
Effective tax rate	24.1 %	17.7 %	101.5 %	17.2 %
Tax effect of non-operating pension costs	0.2 %	1.5 %	0.3 %	1.4 %
Tax effect of costs related to unsolicited Emerson proposals	— %	— %	0.1 %	— %
Provisional effect of deemed repatriation of foreign earnings due to the Tax Act	(3.8) %	— %	(66.4) %	— %
Provisional effect of net deferred tax asset revaluation due to the Tax Act	— %	— %	(15.8) %	— %
<b>Adjusted Effective Tax Rate</b>	<b>20.5 %</b>	<b>19.2 %</b>	<b>19.7 %</b>	<b>18.6 %</b>

## Non-Operating Pension Costs

(in millions)

	Three Months Ended		Six Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Interest cost	\$ 39.0	\$ 37.8	\$ 77.8	\$ 75.6
Expected return on plan assets	(61.5)	(56.2)	(122.7)	(112.4)
Amortization of net actuarial loss	28.4	38.2	56.7	76.2
Settlements	—	—	—	0.2
<b>Non-operating pension costs</b>	<b>\$ 5.9</b>	<b>\$ 19.8</b>	<b>\$ 11.8</b>	<b>\$ 39.6</b>

# Reconciliation to Non-GAAP Measures

## Return On Invested Capital

(in millions, except percentages)

	<b>Twelve Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>(a) Return</b>		
Income from continuing operations	\$ 412.5	\$ 780.4
Interest expense	75.9	73.9
Income tax provision	734.4	196.7
Purchase accounting depreciation and amortization	19.1	20.4
Return	<u>1,241.9</u>	<u>1,071.4</u>
<b>(b) Average invested capital</b>		
Short-term debt	594.1	472.4
Long-term debt	1,239.3	1,406.4
Shareowners' equity	2,228.6	2,114.9
Accumulated amortization of goodwill and intangibles	853.1	820.4
Cash and cash equivalents	(1,476.4)	(1,493.5)
Short-term and long-term investments	(1,193.7)	(966.4)
Average invested capital	<u>2,245.0</u>	<u>2,354.2</u>
<b>(c) Effective tax rate</b>		
Income tax provision <sup>1</sup>	243.2	196.7
Income from continuing operations before income taxes	\$ 1,146.9	\$ 977.1
Effective tax rate	<u>21.2%</u>	<u>20.1%</u>
<b>(a) / (b) * (1-c) Return On Invested Capital</b>	<u>43.6%</u>	<u>36.4%</u>

<sup>1</sup>The income tax provision used to calculate the effective tax rate is adjusted to remove the provisional effects of the \$397.0 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 two 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

<u>April Guidance</u>	<u>January Guidance</u>
3.5% to 6.5%	3.5% to 6.5%
~ 2%	~ 2%
~ (1)%	~ (1)%
<u>4.5% to 7.5%</u>	<u>4.5% to 7.5%</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>April Guidance</u>	<u>January Guidance</u>
\$ ~ 6.7	\$ ~ 6.7
~ 1.4	~ 1.4
~ 0.2	~ 0.2
<u>\$ ~ 1.2</u>	<u>\$ ~ 1.2</u>
~ 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  
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

~ 60.5% %	~ 59 %
~ — %	~ — %
~ — %	~ — %
~ (32) %	~ (31) %
~ (8) %	~ (7) %
<u>~ 20.5% %</u>	<u>~ 21 %</u>

### 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  
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

\$3.65 - \$3.95	\$3.67 - \$3.97
0.19	0.18
(0.06)	(0.06)
0.09	0.09
(0.02)	(0.02)
3.12	3.00
0.73	0.74
<u>\$7.70 - \$8.00</u>	<u>\$7.60 - \$7.90</u>