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Rockwell Automation, Inc. (ROK)

Q4 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 fourth quarter and 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 turn to our fourth quarter results on slide three, I'd like to make a few opening comments.

First of all, since we're talking to you from Milwaukee, Wisconsin, it seems only fitting that we congratulate the Milwaukee Brewers on winning the World Series! Fiscal 2026 was a great year for Rockwell, too. We delivered growth at the high end of our long-term framework, drove significant margin expansion, and generated strong double-digit earnings growth, all in a year marked by inflationary pressures, tariff uncertainty, and geopolitical volatility.

Our performance reflects the differentiated value resulting from our strategy, offering, and operating model. We're gaining share in key product areas, and we achieved our long-term enterprise operating margin target of 22% three years after setting the target. I'm especially proud of the unique new products and productivity improvements we've delivered over that time.

We had a very strong Q4, even before the benefit from tariff refunds received from the U.S. Government, and we initiated a tariff refund program for eligible customers. The net impact reduced reported sales by approximately $85 million and increased Adjusted EPS by $0.11. For the clearest picture of our results in the quarter and for the full year, we will detail the impact of the IEEPA tariff refunds on company results. This impact is included in the bridges on slides three and six, and you will find a complete recap on slide eight of the earnings deck. Individual business segment, industry, and regional results do not reflect the impact of tariff refunds.

On slides three and six you see core growth, which does not include the impact of tariff refunds. That core growth reflects the strength and diversity of our end markets. We continue to perform well in our traditional markets, including Automotive, Food and Beverage, Energy, and Life Sciences, while expanding our presence in additional growth areas, including Semiconductor, Data Centers, and Warehouse Automation.

I'm particularly happy with our strong market access across Discrete, Hybrid, and Process industries, positioning us to capitalize on opportunities across a wider range of end markets. Customers continue to turn to Rockwell to improve productivity, resilience, quality, safety, and workforce effectiveness. As industrial operations become more AI-enabled and increasingly autonomous,

customers are looking for ways to orchestrate people, AI agents, workflows, and industrial systems in real time. We believe this represents a significant opportunity for Rockwell and plays directly to our strength.

Let's now turn to our fourth quarter results on slide three. Excluding the impact of the tariff refunds and the Sensia joint venture dissolution, core sales grew 7% in the quarter. Remember that we grew double digits in Q4 of fiscal year 25. Demand remained healthy, with sales in all three business segments coming in largely in line with expectations. Consistent with prior quarters, products outgrew our longer cycle solutions business, with continued strength in Data Center, Semiconductor, and Automotive.

In our Intelligent Devices segment, organic sales were up 5% versus prior year, driven by strong adoption of recent product introductions and year-over-year growth in Food & Beverage, Tire, and Semiconductor. The OTTO AMR business delivered another quarter of double-digit sales growth and reached profitability as planned, marking an important milestone as we scale our physical AI and autonomous operations capabilities. Software & Control organic sales grew 15%. Logix sales had a strong finish in Q4 with 25% year-over-year growth and mid-single-digit sequential growth. Organic sales in Lifecycle Services were up 2% year over year. Book-to-bill in this segment was 0.97, above our historical Q4 seasonality, with new demand for the energy-focused process automation business that returned to Rockwell following the Sensia dissolution.

Organic Annual Recurring Revenue was up 5% year over year, with high-single-digit growth in software and low-single-digit growth in Lifecycle Services. While ARR growth did not meet our expectations, renewals remain strong, and we continue to add new customers across industries and regions. A good example is Booster, a German manufacturer of high-precision automotive components, who selected our cloud-native Plex software to accelerate their digital transformation and improve visibility, traceability, and quality across operations.

Enterprise Operating Margin expanded 320 basis points year over year to 24.5%. This includes over a point of positive impact from tariff refunds. Adjusted EPS was $3.88, up 16% year over year. Price/cost was positive in the quarter and for the full year.

Moving to slide four for Q4 industry highlights. Sales in Discrete were up 20% year over year with strong growth in Semiconductor, Data Center, and Automotive. Automotive sales grew 15% versus prior year and delivered its strongest quarter in two years as customers increasingly standardized on our software, controls, and MES platforms to support next-gen manufacturing programs.

eCommerce and Warehouse Automation sales were up high single digits in the quarter against a difficult comparison, as we grew 70% in the prior year. Importantly, underlying demand remained healthy, driven by continued modernization investments. For the full year, eComm and Warehouse Automation grew nearly 30%, marking another year of exceptional growth and reinforcing our confidence in the long-term opportunity.

Semiconductor sales were up almost 50% year over year. Semi and Data Center business continues to see strong demand from investments in AI infrastructure and next-generation computing capacity, driving demand for our automation, software, and power management solutions. With Data Center having scaled into a meaningful business for Rockwell, we will begin reporting Semiconductor and Data Center as a combined vertical beginning in fiscal 2027. Together, these markets represent about 10% of our revenue and are supported by powerful long-term growth drivers.

Our Q4 win with QTS, a leading hyperscale data center provider, highlights the expanding role Rockwell is playing in data centers. As QTS scales capacity to support AI-driven demand, the company is standardizing on Rockwell's technologies across automation, cybersecurity, asset management, and digital infrastructure, positioning us to capture a broader share of spend and participate in future buildouts across its global footprint.

Moving to our Hybrid industries, sales in this segment grew mid-single digits, with strong growth in Life Sciences and Tire. Food & Beverage sales were up low-single digits in the quarter and finished the year with mid-single-digit growth. Customer investment remained focused on productivity, cost reduction, and operational resilience. Manufacturers continue to invest in automation and digital transformation initiatives to improve efficiency and operating performance.

We are also seeing capacity investments in areas of strong consumer demand. At Kerry Ingredients, a global nutrition solutions provider, our process control, power, and production optimization capabilities are supporting a significant capacity expansion and future growth.

Life Sciences sales grew high single digits versus prior year. Looking ahead, we see a healthy pipeline of capacity expansion and infrastructure projects, with growing adoption of MES and process automation solutions creating opportunities across our entire portfolio. A great example of this is Stryker, a leading medical device manufacturer, who selected Rockwell's integrated control and motion technologies to create a standardized platform to support future growth.

Moving to Process, our sales here were up low single digits, with continued growth in Energy and Metals partially offset by tougher prior-year comps in Mining and Chemicals. Energy sales were up high single digits in the quarter. While capital deployment remains disciplined, customers continue to invest in projects that enhance reliability and energy security, supporting a healthy pipeline across Oil and Gas, Nuclear, and Renewables. We see a particularly attractive opportunity in LNG, where global investments in new export capacity and infrastructure modernization are closely aligned with Rockwell's growing capabilities in automation, software, and cybersecurity for these applications. One example is Perenco's Cap Lopez LNG development in Gabon, where Rockwell was selected by Dixstone, a global EPC company, to provide an integrated suite of automation, process safety, operator training, and motor control solutions for this large-scale energy project.

Mining sales were down about 10%, due to project timing and prior year comps. Customer investment remains focused on increasing production, improving productivity, and enhancing operational resilience. We continue to see a strong pipeline tied to copper, lithium, iron ore, and other critical minerals, where investments in capacity expansion and autonomous operations are creating an attractive long-term opportunity across our portfolio. A great example of a recent win in mining is with Vale, one of the world's largest mining companies, who chose Rockwell as a strategic modernization partner at its Carajas mining complex to create a scalable blueprint for future infrastructure upgrades, supporting Vale's goals around safety, reliability, and production growth.

Let's turn to slide five for our Q4 organic regional sales. We saw another quarter of strong year-over-year growth across most of our regions.

The U.S. was our strongest geography in the quarter and for the full year, ending fiscal ‘26 with over 12% organic growth. We expect North America to continue to be our fastest-growing region in fiscal 2027.

Moving to slide six for key highlights of full-year fiscal 2026. As you can see, we had a strong fiscal ‘26 with our core sales up 9% versus prior year. Organic ARR grew 5% with high-single-digit growth in our software ARR. We had Enterprise Operating Margin of over 22% for three straight quarters, and we’ll update our long-term margin targets at the upcoming investor day. Adjusted EPS grew over 20% year over year. Free Cash Flow conversion of 113% exceeded our expectations for the year.

Let’s now turn to slide seven to review our fiscal 2027 outlook. We enter fiscal 2027 from a position of strength. Demand across both our traditional and emerging end markets remains healthy, and customers continue to invest in productivity, resilience, and more autonomous operations. We expect our organic sales growth for the year to be in the 6% to 9% range. The midpoint of our guide assumes a seasonal sequential decline in Q1, followed by gradual improvement through the remainder of the year. Christian will provide more detail in his section.

Annual Recurring Revenue is expected to grow 7% next year. We expect our Enterprise Operating margin to increase by about a point, and Adjusted EPS to be $15.00 at the midpoint. We expect Free Cash Flow conversion of 100% in FY27. I’ll now turn it over to Christian for more detail on our Q4 and financial outlook for fiscal ‘27. Christian?

Christian Rothe

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

Thank you, Blake, and good morning, everyone.

Before I walk through our fourth-quarter results, I want to direct your attention to slide eight and address the impact of the IEEPA tariff refunds. First, we received $103 million of tariff refunds from the U.S. Government, representing the vast majority of IEEPA tariffs we previously paid, along with

$5 million of related interest. Second, we initiated a customer refund program for price increases we previously implemented to recover those tariff costs. Based on our estimated redemption rate, we recorded $85 million of refunds to customers, reflected as a reduction to unallocated sales on our P&L.

Slide eight provides additional detail on these items, including the interest benefit. All of these impacts are reflected in Adjusted EPS and net of a related $8 million non-recurring charge and the tax effect; the net tariff refund impact is $0.11 in the quarter and for the full year fiscal '26. For presentation purposes and clarity, all tariff refund activity is being reported in Other unallocated items on the P&L. This preserves the presentation of our segment results. With that context, let's turn to our fourth quarter results on slide nine.

Fourth quarter reported sales were up 1% versus prior year, with organic sales up 3%. As Blake mentioned earlier, our core sales growth in the quarter was 7%. The currency impact was neutral. Price contributed about 2.5 points to organic growth, with minimal incremental tariff-related pricing as we lapped prior year actions. Full year price realization was similar to fourth quarter. Price/cost was positive in the quarter, and tariff price/cost has remained EPS neutral since we implemented tariff-related pricing.

Enterprise operating margin, as reported, expanded by 320 basis points year-over-year in Q4. Strong operating performance drove 140 basis points of margin expansion. Additionally, 130 basis points came from tariff refund items and about 50 basis points came from the Sensia dissolution.

The Adjusted Effective Tax Rate for the fourth quarter was 20.9%, up from 17.8% last year. This year-over-year increase primarily reflects BEPS Pillar Two, partially offset by higher discrete tax benefits. For the full year fiscal '26, our Adjusted ETR was 19.6%, in line with our guide.

Free Cash Flow was $602 million in the fourth quarter, up $197 million year-over-year, and free cash flow conversion in the quarter was 139%. Tariff refunds contributed approximately 21 points to conversion.

Slide 10 provides an overview of sales and margin performance across our operating segments. As a reminder, segment results do not reflect the impact from the tariff refunds.

Intelligent Devices margin of 21.6%, up 180 basis points year-over-year was, driven by higher sales volume, favorable currency, positive price/cost, and mix, partially offset by higher compensation. Organic incremental margins were in the mid-40's. Software & Control margin of 34% was up 280 basis points versus prior year, driven by 15% organic sales growth. This segment saw year-over-year incrementals right around 50% on an organic basis. Lifecycle Services margin was 16.4%, was better than our expectations, down 110 basis points year-over-year, primarily reflecting tough prior-year comps and project mix. Overall, excluding the impact of the tariff refunds, Rockwell delivered incremental organic margins in the high 30's, reflecting strong operating leverage on underlying growth.

Let's move to the next slide, 11, for the Adjusted EPS walk from Q4 fiscal '25 to Q4 fiscal '26. Core performance contributed $0.40 of year-over-year EPS growth, primarily driven by higher volume, followed by favorable mix and positive price/cost, partially offset by higher compensation. Net tariff refund related items were an $0.11 tailwind. Currency was a $0.10 benefit. Lower share count from our opportunistic share repurchase program contributed a $0.05 benefit. Tax was a $0.15 headwind. All other items were a $0.03 tailwind to EPS.

Turning to slide 12, I'll cover a few highlights from our full year '26. We entered the year with a strong productivity goal and exceeded it, with productivity contributing meaningfully to our solid margin performance. Our teams continue to execute thousands of actions across the company to simplify how we operate, improve efficiency, and create capacity for growth.

In Intelligent Devices, full-year incremental margins were in the high 30's, and the 20% segment operating margin was an expansion of 200 basis points year-over-year, on both a reported and organic basis. This improvement was driven by volume growth with good leverage, and positive price/cost.

Software & Control delivered incremental margins in the high 50's, with segment margins expanding by more than 400 basis points year over year to 33.8%. This was all about volume growth for Software & Control and it flowed through nicely.

In Lifecycle Services, sales, earnings, and segment margins were essentially flat year-over-year after adjusting for the Sensia dissolution.

At the total company level, Enterprise Operating Margin for the full year was 22.2% an increase of 330 basis points. Operating performance drove about 270 basis points of margin expansion and we received a slight full-year benefit from tariff refund items and the Sensia dissolution. Underlying conversion was particularly strong. Excluding the impact of tariff refunds, full-year incremental margins were around 50% on an organic basis. Engineering and Development Investment remained at about 8% of sales, supporting continued innovation and our long-term growth priorities.

Adjusted EPS of $13.42 was up 27% and $1.72 better than the mid-point of our initial guide for the year, including the $0.11 benefit from tariff refunds. Free Cash Flow conversion was 113% for the year, including a 6-point benefit from tariff refunds. ROIC was strong, reaching 20.4% on a trailing 12-month basis. Finally, we returned about $1.9 billion to shareowners through dividends and share repurchases during the year, while still ending fiscal '26 at less than two times leverage. Our capital structure and liquidity remain strong.

Moving on to the next slide, 13, and our fiscal '27 outlook. We expect organic sales growth of 6% to 9%, or 7.5% at the midpoint. Reported and organic sales include a 100-basis point benefit from the fiscal year '26 customer tariff refund program accrual, with strong growth at the midpoint of the guide at 6.5%. The Sensia divestiture represents about a point-and-a-half headwind to reported growth, resulting in expected reported sales growth of about 6% at the midpoint.

Our Enterprise Operating Margin guidance is 23%, up almost 100 basis points year-over-year. We expect to achieve about 300 basis points of underlying price in fiscal '27 and these pricing actions, along with productivity, will help to offset ongoing inflationary pressures. The Sensia dissolution will also give us a slight margin tailwind for the year. Our Adjusted EPS guidance is a range of $14.50 to

$15.50, or $15.00 at the midpoint. At the midpoint of our organic sales growth, we expect incremental margins in the high-30's, excluding tariff refunds.

We are also stepping up investments in our advanced manufacturing and digital infrastructure, including construction of our U.S. greenfield facility. We are targeting capex spending of about 4% of sales in fiscal '27. We don't expect a significant impact to depreciation in 2027 as the largest investments won't be put into service until after the fiscal year ends. In terms of the calendarization, as Blake mentioned, we expect a typical sequential decline in Q1, followed by a sequential improvement in subsequent quarters. This is true for both sales and margins as we progress through the year.

Now, let me share some additional color on our first quarter. In Q1, we expect total company sales to be up mid-single digits organically year-over-year, or up low-single digits on a reported basis, with organic incrementals in the mid-30s and Adjusted EPS of around $3.00 per share.

From a business segment standpoint, Intelligent Devices organic and reported sales in Q1 are expected to be up mid-single digits year-over-year, with segment margin up slightly year-over-year. Software & Control organic sales are expected to grow 10%, with margin in the low 30's and incremental margins in the low 40's. Lifecycle Services organic sales are expected to be up slightly year over year, while reported sales will be down high-single digits, with segment margin in the mid-teens, above the prior year.

For the full year, Intelligent Devices sales are expected to grow mid-single digits, on an organic and reported basis, with segment margin expanding about 100 basis points year-over-year. Software & Control sales growth is expected to be high single digits on an organic and reported basis, with margins up slightly year-over-year as we lap some tough comps and absorb inflationary pressures. Lifecycle Services organic sales growth is expected to be up low-single digits, with segment margin up about 100 basis points year over year. As a reminder, the Sensia dissolution is a $100 million headwind to revenue, split evenly between Q1 and Q2.

Let's turn to slide 14 for our full-year fiscal '27 Adjusted EPS walk. We expect core performance to contribute $1.60 of EPS growth, reflecting the organic growth and margin expansion in our outlook.

A lower share count is expected to provide a $0.20 tailwind while net tariff refund related items are expected to be an $0.11 headwind. All other items combined are expected to be an $0.11 headwind. We expect our Adjusted Effective Tax Rate to be 20% for the year.

A few additional comments on fiscal '27 guidance for your models. "Corporate and Other" expense is expected to be around $120 million. Net interest expense for fiscal '27 is also expected to be about $120 million. We expect average diluted shares outstanding of about 110.4 million, including approximately $600 million of planned share repurchases during the year.

We like the momentum we brought into the year. This team has shown the ability to adjust to the changing environment and continues to drive performance. We're planning to do that again in fiscal '27.

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

Blake Moret

Chairman & Chief Executive Officer, Rockwell Automation, Inc.

Thanks, Christian. We had a great year, and we see continued growth and expanded profitability in fiscal year27. Rockwell has a very strong leadership team in place, with seasoned executives who understand both our traditional sources of value as well as the new ways to win. We are leading a committed team of worldwide employees focused exclusively on industrial automation and digital transformation, complemented by the best partners in the business.

Automation Fair and Investor Day are less than two short weeks away in Boston. There has never been an Automation Fair that will showcase more new ground-breaking technology than this one, so I hope to see you there.

Aijana will now begin the Q&A session.

Aijana Zellner

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

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.