

Rockwell Automation

Fiscal Year 2017

Second Quarter Conference Call

April 26, 2017



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 2017 Second Quarter Results and Full Year Outlook

Q2 Results

- Organic sales up 6.8% YOY
 - Broad-based growth across most regions and industries
 - Transportation was particularly strong
 - Signs of improvement in certain heavy industries
 - A&S growth of 14%; Logix growth of 13%
- Acquisitions contributed 1.7% to growth
- Adjusted EPS of \$1.55, up 13%

Full Year Outlook

- Improving macro outlook
- Increasing sales guidance to ~ \$6.25B at midpoint

Increasing Adjusted EPS guidance range to \$6.45 - \$6.75 for FY 2017

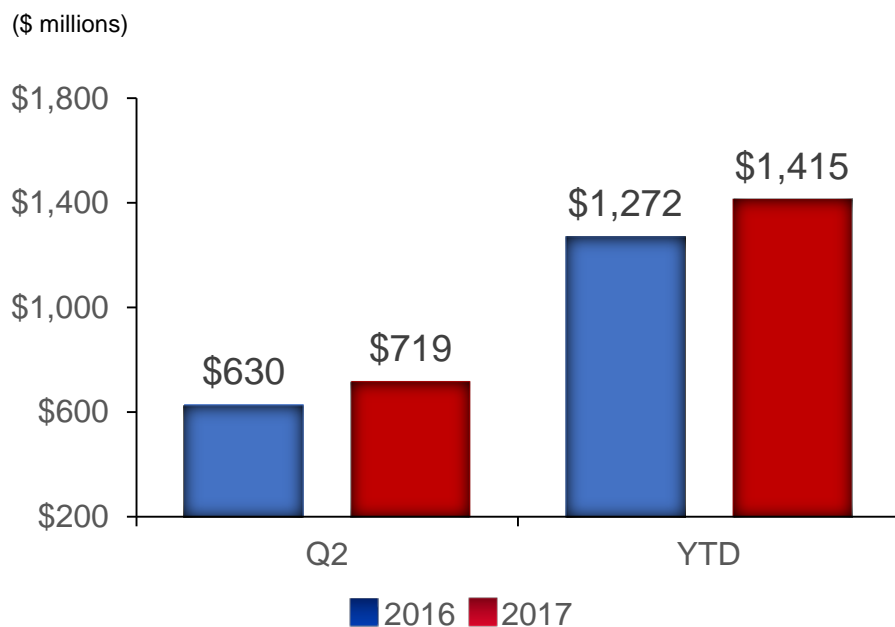
Key Financial Information: Second Quarter

(in millions, except per share amounts)

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YOY B/(W)</u>
Sales	\$ 1,554	\$ 1,440	7.9 %
Segment Operating Margin	19.0 %	19.3 %	(30) bps
General Corporate - Net	\$ 21	\$ 20	\$ (1)
Adjusted EPS	\$ 1.55	\$ 1.37	13.1 %
Adjusted Effective Tax Rate	19.2 %	23.7 %	450 bps
Free Cash Flow	\$ 273	\$ 203	\$ 70
ROIC	36.4 %	32.0 %	440 bps

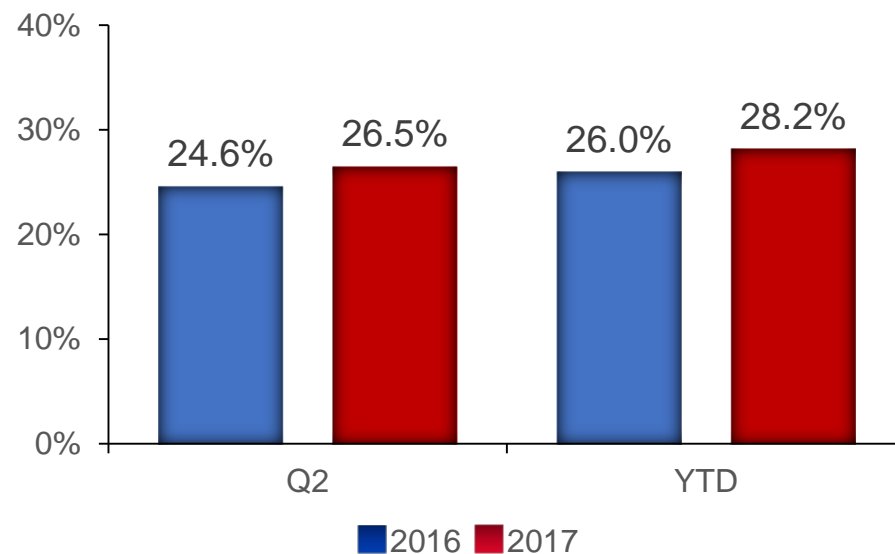
Architecture & Software

Sales



	<u>YOY Sales % Change</u>	
	<u>Q2 2017</u>	<u>YTD</u>
Organic	13.7%	10.6%
FX	(0.7)%	(0.9)%
Acquisitions	1.2%	1.5%
Reported	<u>14.2%</u>	<u>11.2%</u>

Segment Operating Margin



- Segment operating margin expanded 190 bps in Q2, primarily due to higher sales, partially offset by higher incentive compensation

Control Products & Solutions

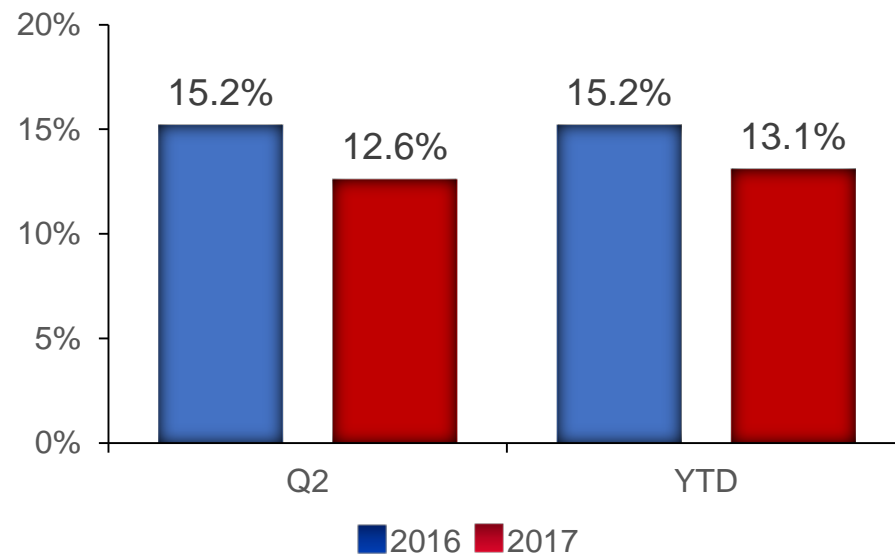
Sales



YOY Sales % Change

	<u>Q2 2017</u>	<u>YTD</u>
Organic	1.4%	1.1%
FX	(0.4)%	(0.8)%
Acquisitions	2.0%	1.9%
Reported	<u>3.0%</u>	<u>2.2%</u>

Segment Operating Margin



- Segment operating margin contracted 260 bps in Q2, primarily due to higher incentive compensation

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q2 2017</u>		<u>YTD</u>	
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>
U.S.	\$ 869	5.2%	\$ 1,689	3.5%
Canada	85	7.9%	168	6.6%
EMEA	301	12.4%	572	5.3%
Asia Pacific	198	11.1%	404	15.4%
Latin America	101	(3.3)%	212	1.5%
TOTAL	<u>\$ 1,554</u>	6.8%	<u>\$ 3,045</u>	5.3%

Second Quarter *

- U.S. and Canada growth led by transportation
- EMEA returned to growth, as expected
- Broad-based growth in Asia Pacific; China up double digits
- Latin America decline; growth in Mexico offset by Brazil and rest of region
- Emerging markets up high single digits

* All growth comments refer to organic growth

Revised Fiscal 2017 Guidance

	April Guidance	January Guidance
Sales Midpoint	~ \$6.25B	~ \$6B
Organic Growth Range	4.5% to 7.5%	1% to 5%
Currency Translation	~ (1.5)%	~ (2.0)%
Acquisitions	~ 1.5%	~ 1.5%
Segment Operating Margin	~ 20.5%	~ 20%
Adjusted Effective Tax Rate	~ 22%	~ 23.5%
Adjusted EPS	\$6.45 - \$6.75	\$5.95 - \$6.35
Free Cash Flow as a % of Adjusted Income	105%+	100%+

Note: As of April 26, 2017

Appendix

Supplemental Financial Information and Reconciliations to Non-GAAP Measures



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Second Quarter Results: Summary

(in millions, except per share amounts)

	<u>Q2 2017</u>	<u>Q2 2016</u>
Total Sales	\$ 1,554.3	\$ 1,440.3
Total Segment Operating Earnings	\$ 296.0	\$ 277.5
Purchase Accounting Depreciation and Amortization	(5.6)	(4.5)
General Corporate - Net	(21.4)	(19.5)
Non-Operating Pension Costs	(19.8)	(18.9)
Interest Expense	(18.9)	(17.6)
Income Tax Provision	(40.8)	(49.0)
Net Income	<u>\$ 189.5</u>	<u>\$ 168.0</u>
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	12.5	12.0
Adjusted Income	<u>\$ 202.0</u>	<u>\$ 180.0</u>
Adjusted EPS	<u>\$ 1.55</u>	<u>\$ 1.37</u>
Average Diluted Shares	<u>130.3</u>	<u>131.3</u>

Free Cash Flow

(in millions)	<u>Q2 2017</u>	<u>YTD</u>
Net Income	\$ 189.5	\$ 404.2
Depreciation/Amortization	40.6	81.0
Retirement Benefits Expense	43.1	86.1
Receivables/Inventory/Payables	19.3	(13.0)
Compensation and Benefits	28.8	51.2
Pension Contributions	(15.0)	(28.5)
Income Taxes	(30.0)	(7.7)
Other	24.7	38.5
Cash Flow from Operations	301.0	611.8
Capital Expenditures	(28.0)	(67.4)
Free Cash Flow	<u>\$ 273.0</u>	<u>\$ 544.4</u>

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended March 31,							
	2017				2016			
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
United States	\$ 868.7	\$ 0.2	\$ 868.9	\$ (22.4)	\$ 846.5	\$ 804.8	7.9%	5.2%
Canada	85.0	(2.8)	82.2	—	82.2	76.2	11.5%	7.9%
Europe, Middle East, Africa	301.0	8.2	309.2	(0.6)	308.6	274.6	9.6%	12.4%
Asia Pacific	198.5	1.7	200.2	(0.9)	199.3	179.4	10.6%	11.1%
Latin America	101.1	0.7	101.8	—	101.8	105.3	(4.0)%	(3.3)%
Total	<u>\$ 1,554.3</u>	<u>\$ 8.0</u>	<u>\$ 1,562.3</u>	<u>\$ (23.9)</u>	<u>\$ 1,538.4</u>	<u>\$ 1,440.3</u>	7.9%	6.8%

	Six Months Ended March 31,							
	2017				2016			
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
United States	\$ 1,688.8	\$ 0.4	\$ 1,689.2	\$ (41.1)	\$ 1,648.1	\$ 1,592.1	6.1%	3.5%
Canada	167.7	(2.5)	165.2	(0.1)	165.1	154.9	8.3%	6.6%
Europe, Middle East, Africa	571.7	12.3	584.0	(6.0)	578.0	548.8	4.2%	5.3%
Asia Pacific	404.1	4.9	409.0	(2.4)	406.6	352.4	14.7%	15.4%
Latin America	212.3	9.7	222.0	(0.1)	221.9	218.7	(2.9)%	1.5%
Total	<u>\$ 3,044.6</u>	<u>\$ 24.8</u>	<u>\$ 3,069.4</u>	<u>\$ (49.7)</u>	<u>\$ 3,019.7</u>	<u>\$ 2,866.9</u>	6.2%	5.3%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended March 31,							
	2017				2016			
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
Architecture & Software	\$ 719.0	\$ 4.6	\$ 723.6	\$ (7.6)	\$ 716.0	\$ 629.5	14.2%	13.7%
Control Products & Solutions	835.3	3.4	838.7	(16.3)	822.4	810.8	3.0%	1.4%
Total	\$ 1,554.3	\$ 8.0	\$ 1,562.3	\$ (23.9)	\$ 1,538.4	\$ 1,440.3	7.9%	6.8%

	Six Months Ended March 31,							
	2017				2016			
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)	Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
Architecture & Software	\$ 1,415.4	\$ 11.2	\$ 1,426.6	\$ (18.7)	\$ 1,407.9	\$ 1,272.4	11.2%	10.6%
Control Products & Solutions	1,629.2	13.6	1,642.8	(31.0)	1,611.8	1,594.5	2.2%	1.1%
Total	\$ 3,044.6	\$ 24.8	\$ 3,069.4	\$ (49.7)	\$ 3,019.7	\$ 2,866.9	6.2%	5.3%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Sales				
Architecture & Software (a)	\$ 719.0	\$ 629.5	\$ 1,415.4	\$ 1,272.4
Control Products & Solutions (b)	835.3	810.8	1,629.2	1,594.5
Total sales (c)	\$ 1,554.3	\$ 1,440.3	\$ 3,044.6	\$ 2,866.9
Segment operating earnings				
Architecture & Software (d)	\$ 190.6	\$ 154.6	\$ 399.2	\$ 330.8
Control Products & Solutions (e)	105.4	122.9	213.4	242.6
Total segment operating earnings (f)	296.0	277.5	612.6	573.4
Purchase accounting depreciation and amortization	(5.6)	(4.5)	(11.2)	(9.2)
General corporate - net	(21.4)	(19.5)	(36.3)	(37.5)
Non-operating pension costs	(19.8)	(18.9)	(39.6)	(37.8)
Interest expense	(18.9)	(17.6)	(37.6)	(35.0)
Income before income taxes (g)	\$ 230.3	\$ 217.0	\$ 487.9	\$ 453.9
Segment operating margin:				
Architecture & Software (d/a)	26.5 %	24.6 %	28.2%	26.0%
Control Products & Solutions (e/b)	12.6 %	15.2 %	13.1%	15.2%
Total segment operating margin (f/c)	19.0 %	19.3 %	20.1%	20.0%
Pretax margin (g/c)	14.8 %	15.1 %	16.0%	15.8%

Reconciliation to Non-GAAP Measures

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

(in millions, except per share amounts)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Income from continuing operations	\$ 189.5	\$ 168.0	\$ 404.2	\$ 353.5
Non-operating pension costs	19.8	18.9	39.6	37.8
Tax effect of non-operating pension costs	(7.3)	(6.9)	(14.5)	(13.7)
Adjusted Income	<u>\$ 202.0</u>	<u>\$ 180.0</u>	<u>\$ 429.3</u>	<u>\$ 377.6</u>
Diluted EPS from continuing operations	\$ 1.45	\$ 1.28	\$ 3.11	\$ 2.68
Non-operating pension costs per diluted share	0.15	0.14	0.30	0.29
Tax effect of non-operating pension costs per diluted share	(0.05)	(0.05)	(0.11)	(0.11)
Adjusted EPS	<u>\$ 1.55</u>	<u>\$ 1.37</u>	<u>\$ 3.30</u>	<u>\$ 2.86</u>
Effective tax rate	17.7 %	22.6 %	17.2 %	22.1 %
Tax effect of non-operating pension costs	1.5 %	1.1 %	1.4 %	1.1 %
Adjusted Effective Tax Rate	<u>19.2 %</u>	<u>23.7 %</u>	<u>18.6 %</u>	<u>23.2 %</u>

Non-Operating Pension Costs

(in millions)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Interest cost	\$ 37.8	\$ 42.2	\$ 75.6	\$ 84.7
Expected return on plan assets	(56.2)	(54.4)	(112.4)	(109.1)
Amortization of net actuarial loss	38.2	31.1	76.2	62.2
Settlements	—	—	0.2	—
Non-operating pension costs	<u>\$ 19.8</u>	<u>\$ 18.9</u>	<u>\$ 39.6</u>	<u>\$ 37.8</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended March 31,	
	2017	2016
(a) Return		
Income from continuing operations	\$ 780.4	\$ 760.9
Interest expense	73.9	68.1
Income tax provision	196.7	256.5
Purchase accounting depreciation and amortization	20.4	19.6
Return	<u>1,071.4</u>	<u>1,105.1</u>
(b) Average invested capital		
Short-term debt	472.4	87.7
Long-term debt	1,406.4	1,500.9
Shareowners' equity	2,114.9	2,366.3
Accumulated amortization of goodwill and intangibles	820.4	802.2
Cash and cash equivalents	(1,493.5)	(1,448.6)
Short-term and long-term investments	(966.4)	(726.3)
Average invested capital	<u>2,354.2</u>	<u>2,582.2</u>
(c) Effective tax rate		
Income tax provision	196.7	256.5
Income from continuing operations before income taxes	\$ 977.1	\$ 1,017.4
Effective tax rate	<u>20.1%</u>	<u>25.2%</u>
(a) / (b) * (1-c) Return On Invested Capital	<u>36.4%</u>	<u>32.0%</u>

Reconciliation to Non-GAAP Measures

Fiscal 2017 Guidance

(in billions, except percentages and per share amounts)

Organic Sales

	<u>April Guidance</u>	<u>January Guidance</u>
Organic sales growth	4.5% to 7.5%	1% to 5%
Foreign currency impact	~ (1.5)%	~ (2.0)%
Acquisition impact	~ 1.5%	~ 1.5%
Reported sales growth	<u>4.5% to 7.5%</u>	<u>1% to 5%</u>

Segment Operating Margin

Total sales (a)	\$ ~ 6.25	\$ ~ 6
Total segment operating earnings (b)	~ 1.3	~ 1.2
Costs not allocated to segments	~ (0.3)	~ (0.2)
Income before income taxes (c)	<u>\$ ~ 1.0</u>	<u>\$ ~ 1.0</u>
Total segment operating margin (b/a)	~ 20.5 %	~ 20 %
Pretax margin (c/a)	~ 16 %	~ 16 %

Adjusted Effective Tax Rate

Effective tax rate	~ 21 %	~ 22.5 %
Tax effect of non-operating pension costs	~ 1 %	~ 1.0 %
Adjusted Effective Tax Rate	<u>~ 22 %</u>	<u>~ 23.5 %</u>

Adjusted EPS

Diluted EPS from continuing operations	\$6.06 - \$6.36	\$5.56 - \$5.96
Non-operating pension costs per diluted share	0.61	0.61
Tax effect of non-operating pension costs per diluted share	(0.22)	(0.22)
Adjusted EPS	<u>\$6.45 - \$6.75</u>	<u>\$5.95 - \$6.35</u>