# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Quarterly Period Ended December 31, 2019**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Transition Period from _______ to _______**

**Commission file number 1-12383**

# Rockwell Automation, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **25-1797617** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **1201 South Second Street** | |
| **Milwaukee, Wisconsin** | **53204** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**+1 (414) 382-2000**
**Registrant's telephone number, including area code**

**Not Applicable**
**(Former Name or Former Address, if Changed Since Last Report)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock ($1.00 par value) | ROK | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☑ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| | | Emerging Growth Company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

116,183,650 shares of registrant's Common Stock were outstanding on December 31, 2019.

Table of Contents

INDEX

**PART I. FINANCIAL INFORMATION**
**Item 1.** ***Consolidated Financial Statements***

**ROCKWELL AUTOMATION, INC.**

**CONSOLIDATED BALANCE SHEET**
**(Unaudited)**
**(in millions, except per share amounts)**

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 926.2 | $ 1,018.4 |
| Receivables | 1,298.1 | 1,178.7 |
| Inventories | 625.3 | 575.7 |
| Other current assets | 157.9 | 212.9 |
| Total current assets | 3,007.5 | 2,985.7 |
| Property, net of accumulated depreciation of $1,609.4 and $1,566.0, respectively | 574.0 | 571.9 |
| Operating lease right-of-use assets | 331.1 | — |
| Goodwill | 1,395.8 | 1,071.1 |
| Other intangible assets, net | 441.8 | 194.1 |
| Deferred income taxes | 368.5 | 364.1 |
| Long-term investments | 860.7 | 793.9 |
| Other assets | 128.5 | 132.2 |
| Total | $ 7,107.9 | $ 6,113.0 |
| **LIABILITIES AND SHAREOWNERS' EQUITY** | | |
| Current liabilities: | | |
| Short-term debt | $ 23.5 | $ — |
| Current portion of long-term debt | 301.0 | 300.5 |
| Accounts payable | 708.3 | 694.6 |
| Compensation and benefits | 201.9 | 239.0 |
| Contract liabilities | 319.2 | 275.6 |
| Customer returns, rebates and incentives | 195.3 | 199.2 |
| Other current liabilities | 318.3 | 227.9 |
| Total current liabilities | 2,067.5 | 1,936.8 |
| Long-term debt | 1,953.0 | 1,956.4 |
| Retirement benefits | 1,227.9 | 1,231.9 |
| Operating lease liabilities | 257.8 | — |
| Other liabilities | 565.2 | 583.7 |
| Commitments and contingent liabilities (Note 12) | | |
| Shareowners' equity: | | |
| Common stock ($1.00 par value, shares issued: 181.4) | 181.4 | 181.4 |
| Additional paid-in capital | 1,775.5 | 1,709.1 |
| Retained earnings | 6,782.0 | 6,440.2 |
| Accumulated other comprehensive loss | (1,584.3) | (1,488.0) |
| Common stock in treasury, at cost (shares held: 65.2 and 65.7, respectively) | (6,437.6) | (6,438.5) |
| Shareowners' equity attributable to Rockwell Automation, Inc. | 717.0 | 404.2 |
| Noncontrolling interests | 319.5 | — |
| Total shareowners' equity | 1,036.5 | 404.2 |
| Total | $ 7,107.9 | $ 6,113.0 |

See Notes to Consolidated Financial Statements.

Table of Contents

**CONSOLIDATED STATEMENT OF OPERATIONS**
**(Unaudited)**
**(in millions, except per share amounts)**

| | Three Months Ended December 31, 2019 | Three Months Ended December 31, 2018 |
|---|---|---|
| Sales | | |
| Products and solutions | $ 1,508.9 | $ 1,457.6 |
| Services | 175.6 | 184.7 |
| | 1,684.5 | 1,642.3 |
| Cost of sales | | |
| Products and solutions | (866.0) | (782.4) |
| Services | (115.6) | (121.2) |
| | (981.6) | (903.6) |
| Gross profit | 702.9 | 738.7 |
| Selling, general and administrative expenses | (403.2) | (386.7) |
| Change in fair value of investments | 71.0 | (212.7) |
| Other income (expense) | (9.7) | 2.2 |
| Interest expense | (26.4) | (20.7) |
| Income before income taxes | 334.6 | 120.8 |
| Income tax provision (Note 14) | (19.2) | (40.5) |
| **Net income** | 315.4 | 80.3 |
| Net income attributable to noncontrolling interests | 4.7 | — |
| **Net income attributable to Rockwell Automation, Inc.** | $ 310.7 | $ 80.3 |
| **Earnings per share:** | | |
| Basic | $ 2.68 | $ 0.67 |
| Diluted | $ 2.66 | $ 0.66 |
| **Weighted average outstanding shares:** | | |
| Basic | 115.7 | 120.3 |
| Diluted | 116.6 | 121.5 |

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**(Unaudited)**
**(in millions)**

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net income | $ 315.4 | $ 80.3 |
| Other comprehensive income (loss), net of tax: | | |
| Pension and other postretirement benefit plan adjustments (net of tax (expense) of ($7.9) and ($4.3)) | 27.4 | 13.8 |
| Currency translation adjustments | 22.1 | (28.5) |
| Net change in unrealized gains and losses on cash flow hedges (net of tax benefit of $1.1 and $6.5) | (2.5) | (20.8) |
| Net change in unrealized gains and losses on available-for-sale investments (net of tax (expense) of ($0.0) and ($0.1)) | — | 0.5 |
| Other comprehensive income (loss) | 47.0 | (35.0) |
| Comprehensive income | 362.4 | 45.3 |
| Comprehensive income attributable to noncontrolling interests | 5.0 | — |
| Comprehensive income attributable to Rockwell Automation, Inc. | $ 357.4 | $ 45.3 |

See Notes to Consolidated Financial Statements.

Table of Contents

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**(Unaudited)**
**(in millions)**

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Operating activities:** | | |
| Net income | $ 315.4 | $ 80.3 |
| Adjustments to arrive at cash provided by operating activities: | | |
| Depreciation | 30.2 | 29.3 |
| Amortization of intangible assets | 11.7 | 6.6 |
| Change in fair value of investments | (71.0) | 212.7 |
| Share-based compensation expense | 11.5 | 11.0 |
| Retirement benefit expense | 31.8 | 17.2 |
| Pension contributions | (7.1) | (6.1) |
| Net loss on disposition of property | — | 1.3 |
| Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments: | | |
| Receivables | (85.0) | (6.1) |
| Inventories | 1.7 | (52.4) |
| Accounts payable | (0.4) | (31.2) |
| Contract liabilities | 37.3 | 26.9 |
| Compensation and benefits | (38.6) | (85.4) |
| Income taxes | (17.3) | 12.2 |
| Other assets and liabilities | 10.9 | (4.3) |
| **Cash provided by operating activities** | 231.1 | 212.0 |
| **Investing activities:** | | |
| Capital expenditures | (37.0) | (42.0) |
| Acquisition of businesses, net of cash acquired | (238.5) | — |
| Purchases of investments | (1.0) | (2.8) |
| Proceeds from maturities of investments | 5.4 | 185.6 |
| Proceeds from sale of investments | 37.9 | — |
| Proceeds from sale of property | 0.2 | 0.1 |
| **Cash (used for) provided by investing activities** | (233.0) | 140.9 |
| **Financing activities:** | | |
| Net issuance of short-term debt | 23.5 | 80.3 |
| Cash dividends | (117.9) | (116.9) |
| Purchases of treasury stock | (106.0) | (295.1) |
| Proceeds from the exercise of stock options | 104.8 | 4.0 |
| **Cash used for financing activities** | (95.6) | (327.7) |
| Effect of exchange rate changes on cash | 5.3 | (11.7) |
| **(Decrease) increase in cash and cash equivalents** | (92.2) | 13.5 |
| **Cash and cash equivalents at beginning of period** | 1,018.4 | 618.8 |
| **Cash and cash equivalents at end of period** | $ 926.2 | $ 632.3 |

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY**
**(Unaudited)**
**(in millions, except per share amounts)**

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Common stock in treasury, at cost | Total attributable to Rockwell Automation, Inc. | Noncontrolling interests | Total shareowners' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at September 30, 2019** | $ 181.4 | $ 1,709.1 | $ 6,440.2 | $ (1,488.0) | $ (6,438.5) | $ 404.2 | $ — | $ 404.2 |
| Net income | — | — | 310.7 | — | — | 310.7 | 4.7 | 315.4 |
| Other comprehensive income (loss) | — | — | — | 46.7 | — | 46.7 | 0.3 | 47.0 |
| Common stock issued (including share-based compensation impact) | — | 16.3 | — | — | 101.1 | 117.4 | — | 117.4 |
| Share repurchases | — | — | — | — | (100.2) | (100.2) | — | (100.2) |
| Cash dividends declared [(1)] | — | — | (117.9) | — | — | (117.9) | — | (117.9) |
| Adoption of accounting standards | — | — | 149.0 | (146.8) | — | 2.2 | — | 2.2 |
| Change in noncontrolling interest | — | 50.1 | — | 3.8 | — | 53.9 | 314.5 | 368.4 |
| **Balance at December 31, 2019** | $ 181.4 | $ 1,775.5 | $ 6,782.0 | $ (1,584.3) | $ (6,437.6) | $ 717.0 | $ 319.5 | $ 1,036.5 |

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Common stock in treasury, at cost | Total attributable to Rockwell Automation, Inc. | Noncontrolling interests | Total shareowners' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at September 30, 2018** | $ 181.4 | $ 1,681.4 | $ 6,198.1 | $ (941.9) | $ (5,501.5) | $ 1,617.5 | $ — | $ 1,617.5 |
| Net income | — | — | 80.3 | — | — | 80.3 | — | 80.3 |
| Other comprehensive income (loss) | — | — | — | (35.0) | — | (35.0) | — | (35.0) |
| Common stock issued (including share-based compensation impact) | — | (7.0) | — | — | 22.1 | 15.1 | — | 15.1 |
| Share repurchases | — | — | — | — | (292.8) | (292.8) | — | (292.8) |
| Cash dividends declared [(1)] | — | — | (116.9) | — | — | (116.9) | — | (116.9) |
| Adoption of accounting standard | — | — | 6.1 | — | — | 6.1 | — | 6.1 |
| **Balance at December 31, 2018** | $ 181.4 | $ 1,674.4 | $ 6,167.6 | $ (976.9) | $ (5,772.2) | $ 1,274.3 | $ — | $ 1,274.3 |

[(1)] Cash dividends were $1.02 per share and $0.97 per share in the periods ending December 31, 2019 and 2018, respectively.

See Notes to Consolidated Financial Statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Basis of Presentation and Accounting Policies

In the opinion of management of Rockwell Automation, Inc. ("Rockwell Automation" or "the Company"), the unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented and, except as otherwise indicated, such adjustments consist only of those of a normal, recurring nature. These statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. The results of operations for the three-month period ended December 31, 2019, are not necessarily indicative of the results for the full year. All date references to years and quarters herein refer to our fiscal year and fiscal quarter unless otherwise stated.

*Receivables*

Receivables are stated net of an allowance for doubtful accounts of $19.8 million at December 31, 2019, and $17.4 million at September 30, 2019. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of $12.4 million at both December 31, 2019 and September 30, 2019.

*Earnings Per Share*

The following table reconciles basic and diluted earnings per share (EPS) amounts (in millions, except per share amounts):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net income attributable to Rockwell Automation, Inc. | $ 310.7 | $ 80.3 |
| Less: Allocation to participating securities | (0.3) | (0.1) |
| Net income available to common shareowners | $ 310.4 | $ 80.2 |
| Basic weighted average outstanding shares | 115.7 | 120.3 |
| Effect of dilutive securities | | |
| Stock options | 0.9 | 1.0 |
| Performance shares | — | 0.2 |
| Diluted weighted average outstanding shares | 116.6 | 121.5 |
| **Earnings per share:** | | |
| Basic | $ 2.68 | $ 0.67 |
| Diluted | $ 2.66 | $ 0.66 |

For the three months ended December 31, 2019, 2.4 million shares related to share-based compensation awards were excluded from the diluted EPS calculation because they were antidilutive. For the three months ended December 31, 2018, 1.8 million shares related to share-based compensation awards were excluded from the diluted EPS calculation because they were antidilutive.

*Non-Cash Investing and Financing Activities*

Capital expenditures of $10.9 million and $17.1 million were accrued within accounts payable and other current liabilities at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, there were $3.5 million and $16.0 million, respectively, of outstanding common stock share repurchases recorded in accounts payable that did not settle until the next fiscal quarter. These non-cash investing and financing activities have been excluded from cash used for capital expenditures and treasury stock purchases in the Consolidated Statement of Cash Flows.

*Leases*

We have operating leases primarily for real estate, vehicles, and equipment. We determine if a contract is, or contains, a lease at contract inception. A right-of-use (ROU) asset and a corresponding lease liability are recognized at commencement for contracts that are, or contain, a lease with an original term greater than 12 months. ROU assets represent our right to use an underlying asset during the lease term, including periods for which renewal options are reasonably certain to be exercised, and lease liabilities represent our obligation to make lease payments arising from the lease. Lease expense is recognized on a straight-line basis over the lease term for operating leases with an original term of 12 months or less.

Some leasing arrangements require variable payments that are dependent on usage or may vary for other reasons, such as payments for insurance and tax payments. A portion of our real estate leases is generally subject to annual changes based upon an index. The changes based upon the index are treated as variable lease payments. The variable portion of lease payments is not included in our ROU assets or lease liabilities and is expensed when incurred. We elected to not separate lease and nonlease components of contracts for all underlying asset classes. Accordingly, all expenses associated with a lease contract are accounted for as lease expenses.

Lease liabilities are recognized at the contract commencement date based on the present value of remaining lease payments over the lease term. To calculate the lease liabilities we use our incremental borrowing rate. We determine our incremental borrowing rate at the commencement date using our unsecured borrowing rate, adjusted for collateralization and lease term. For leases denominated in a currency other than the U.S. dollar, the collateralized borrowing rate in the foreign currency is determined using the U.S. dollar and foreign currency swap spread. Long-term lease liabilities are presented as Operating lease liabilities and current lease liabilities are included in Other current liabilities in the Consolidated Balance Sheet.

ROU assets are recognized at the contract commencement date at the value of the related lease liability, adjusted for any prepayments, lease incentives received and initial direct costs incurred. Operating lease ROU assets are presented as Operating lease right-of-use assets in the Consolidated Balance Sheet.

Lease expenses for operating leases are recognized on a straight-line basis over the lease term and recorded in Cost of sales and Selling, general and administrative expenses in the Consolidated Statement of Operations.

*Recently Adopted Accounting Pronouncements*

In February 2016, the FASB issued a new standard on accounting for leases that requires lessees to recognize right-of-use assets and lease liabilities for most leases, among other changes to existing lease accounting guidance. The new standard also requires additional qualitative and quantitative disclosures about leasing activities. We adopted the new standard using the modified retrospective transition method, which resulted in an immaterial cumulative-effect adjustment to the opening balance of retained earnings as of October 1, 2019, our adoption date. The amount of lease right-of-use assets and corresponding lease liabilities recorded in the Consolidated Balance Sheet upon adoption was $316 million and $329 million, respectively. We have implemented necessary changes to accounting policies, processes, controls and systems to enable compliance with this new standard.

In February 2018, the FASB issued a new standard regarding the reporting of comprehensive loss, which gives entities the option to reclassify tax effects of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) stranded in accumulated other comprehensive loss into retained earnings. We adopted the new standard as of October 1, 2019, and elected to reclassify tax effects of $146.8 million from accumulated other comprehensive loss into retained earnings.

## 2. Revenue Recognition

*Unfulfilled Performance Obligations*

As of December 31, 2019, we expect to recognize approximately $480 million of revenue in future periods from unfulfilled performance obligations from existing contracts with customers. We expect to recognize revenue of approximately $330 million from our remaining performance obligations over the next 12 months with the remaining balance recognized thereafter.

We have applied the practical expedient to exclude the value of remaining performance obligations for (i) contracts with an original term of one year or less and (ii) contracts for which we recognize revenue in proportion to the amount we have the right to invoice for services performed. The amounts above also do not include the impact of contract renewal options that are unexercised as of December 31, 2019.

*Disaggregation of Revenue*

The following series of tables present our revenue disaggregation by geographic region and types of products or services, and also present these disaggregation categories for our two operating segments. We attribute sales to the geographic regions based on the country of destination.

The following reflects the disaggregation of our revenues by operating segment and by geographic region (in millions):

| | Three Months Ended December 31, 2019 | | |
|---|---|---|---|
| | Architecture & Software | Control Products & Solutions | Total |
| North America | $ 440.2 | $ 566.7 | $ 1,006.9 |
| Europe, Middle East and Africa (EMEA) | 148.1 | 162.0 | 310.1 |
| Asia Pacific | 112.2 | 117.4 | 229.6 |
| Latin America | 51.1 | 86.8 | 137.9 |
| Total Company Sales | $ 751.6 | $ 932.9 | $ 1,684.5 |

| | Three Months Ended December 31, 2018 | | |
|---|---|---|---|
| | Architecture & Software | Control Products & Solutions | Total |
| North America | $ 442.8 | $ 556.0 | $ 998.8 |
| Europe, Middle East and Africa (EMEA) | 155.5 | 138.9 | 294.4 |
| Asia Pacific | 101.3 | 113.1 | 214.4 |
| Latin America | 53.5 | 81.2 | 134.7 |
| Total Company Sales | $ 753.1 | $ 889.2 | $ 1,642.3 |

The following reflects the disaggregation of our revenues by operating segment and by major types of products or services (in millions):

| | Three Months Ended December 31, 2019 | | |
|---|---|---|---|
| | Architecture & Software | Control Products & Solutions | Total |
| Products | $ 751.6 | $ 388.6 | $ 1,140.2 |
| Solutions & Services | — | 544.3 | 544.3 |
| Total Company Sales | $ 751.6 | $ 932.9 | $ 1,684.5 |

| | Three Months Ended December 31, 2018 | | |
|---|---|---|---|
| | Architecture & Software | Control Products & Solutions | Total |
| Products | $ 753.1 | $ 372.9 | $ 1,126.0 |
| Solutions & Services | — | 516.3 | 516.3 |
| Total Company Sales | $ 753.1 | $ 889.2 | $ 1,642.3 |

*Contract Balances*

Contract liabilities primarily relate to consideration received in advance of performance under the contract. We do not have significant contract assets as of December 31, 2019.

Below is a summary of our contract liabilities balance:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance as of beginning of fiscal year | $ 275.6 | $ 268.6 |
| Balance as of end of period | 319.2 | 293.0 |

The most significant changes in our contract liabilities balance during the three months ended December 31, 2019, were due to amounts billed, partially offset by revenue recognized that was included in the contract liabilities balance at the beginning of the period.

In the three months ended December 31, 2019, we recognized revenue of approximately $113 million that was included in the opening contract liabilities balance. We did not have a material amount of revenue recognized in the three months ended December 31, 2019, from performance obligations satisfied or partially satisfied in previous periods.

**3. Share-Based Compensation**

We recognized $11.5 million and $11.0 million of pre-tax share-based compensation expense during the three months ended December 31, 2019 and 2018, respectively. Our annual grant of share-based compensation takes place during the first quarter of each fiscal year. The number of shares granted to employees and non-employee directors and the weighted average fair value per share during the periods presented were (in thousands, except per share amounts):

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Grants | Wtd. Avg. Share Fair Value | Grants | Wtd. Avg. Share Fair Value |
| Stock options | 953 | $ 35.86 | 919 | $ 32.51 |
| Performance shares | 37 | 265.04 | 57 | 155.04 |
| Restricted stock and restricted stock units | 45 | 193.70 | 39 | 172.14 |
| Unrestricted stock | 5 | 162.29 | 4 | 188.01 |

## 4. Inventories

Inventories consist of (in millions):

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Finished goods | $ 272.8 | $ 223.7 |
| Work in process | 179.0 | 178.4 |
| Raw materials | 173.5 | 173.6 |
| Inventories | $ 625.3 | $ 575.7 |

## 5. Acquisitions

*Sensia joint venture*

On October 1, 2019, we completed the formation of a joint venture, Sensia, a fully integrated digital oilfield automation solutions provider. Sensia operates as an independent entity, with Rockwell Automation owning 53% and Schlumberger owning 47% of the joint venture. As part of the transaction, we made a $250 million payment to Schlumberger, which was funded by cash on hand. We control Sensia and, as of October 1, 2019, have consolidated Sensia in our financial results.

Rockwell Automation recorded assets acquired and liabilities assumed in connection with the formation of Sensia based on their estimated fair values as of the October 1, 2019, acquisition date. The preliminary purchase price allocation is as follow (in millions):

| | Purchase Price Allocation |
|---|---|
| Cash | $ 16.2 |
| Accounts receivable | 22.6 |
| Inventory | 46.9 |
| Other current assets | 1.2 |
| Property, plant and equipment | 9.3 |
| Other assets | 6.2 |
| Goodwill | 314.1 |
| Intangible assets | 254.1 |
| Total assets acquired | 670.6 |
| Less: Liabilities assumed | (37.1) |
| Less: Deferred income taxes | (8.0) |
| Less: Noncontrolling interest portion | (293.8) |
| Net assets acquired | $ 331.7 |

| | Purchase consideration |
|---|---|
| Cash | $ 250.0 |
| Noncontrolling interest portion of Rockwell Automation's contributed business | 21.1 |
| Additional paid in capital adjustment | 53.6 |
| Other | 7.0 |
| Net purchase consideration | $ 331.7 |

Intangible assets assigned include $254.1 million of customer relationships, technology, and/or trade names (approximately 11-year weighted average useful life). We assigned the full amount of goodwill and all other assets acquired to our Control Products & Solutions segment. Some of the goodwill recorded is expected to be deductible for tax purposes. The assets were valued using an income approach, specifically the relief from royalty method and multi-period excess earnings method. The relief from royalty method calculates value based on hypothetical payments that would be saved by owning an asset rather than licensing it. The multi-period excess earnings method is the isolation of cash flows from a single intangible asset and measures fair value by discounting it to present value. These values are considered level 3 measurements under accounting principles generally accepted in the United States (U.S. GAAP) fair value hierarchy. Key assumptions used in the valuation of these intangible assets included: (1) a discount rate of 11%, (2) the estimated remaining life of technology and trademarks of from 5 to 15 years, and (3) the customer attrition rate ranging from 7.5% to 25%.

The allocation of the purchase price to identifiable assets is based on the preliminary valuations performed to determine the fair value of the net assets as of the acquisition date. The measurement period for the valuation of net assets acquired ends as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but not to exceed 12 months following the acquisition date. Adjustments in purchase price allocations may require a change in the amounts allocated to net assets acquired during the periods in which the adjustments are determined. The fair value of the noncontrolling interest of the contributed business upon acquisition was $293.8 million. The consolidated value of Sensia is recorded at fair value for Schlumberger's contribution and at carrying value for Rockwell Automation's contribution.

Acquisition-related costs recorded as expenses in the year ended September 30, 2019, and in the three months ended December 31, 2019, were not material.

Pro forma consolidated sales for the three months ended December 31, 2018, are approximately $1.7 billion and the impact on earnings is not material. The preceding pro forma consolidated financial results of operations are as if the 2019 formation of Sensia occurred on October 1, 2018. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved had the transaction occurred as of that time.

*Other acquisitions*

In October 2019, we acquired MESTECH Services, a global provider of Manufacturing Execution Systems / Manufacturing Operations Management, digital solutions consulting, and systems integration services. We assigned the full amount of goodwill related to this acquisition to our Control Products & Solutions segment.

**6. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the three months ended December 31, 2019, are (in millions):

| | Architecture & Software | Control Products & Solutions | Total |
|---|---|---|---|
| Balance as of September 30, 2019 | $ 432.3 | $ 638.8 | $ 1,071.1 |
| Acquisition of businesses | — | 316.3 | 316.3 |
| Translation | 3.0 | 5.4 | 8.4 |
| Balance as of December 31, 2019 | $ 435.3 | $ 960.5 | $ 1,395.8 |

Other intangible assets consist of (in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Computer software products | $ 190.6 | $ 130.9 | $ 59.7 |
| Customer relationships | 305.2 | 75.6 | 229.6 |
| Technology | 154.2 | 73.3 | 80.9 |
| Trademarks | 55.3 | 28.3 | 27.0 |
| Other | 10.8 | 9.9 | 0.9 |
| Total amortized intangible assets | 716.1 | 318.0 | 398.1 |
| Allen-Bradley® trademark not subject to amortization | 43.7 | — | 43.7 |
| Total | $ 759.8 | $ 318.0 | $ 441.8 |

| | September 30, 2019 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Computer software products | $ 190.6 | $ 128.3 | $ 62.3 |
| Customer relationships | 110.5 | 69.2 | 41.3 |
| Technology | 110.4 | 69.5 | 40.9 |
| Trademarks | 31.4 | 26.4 | 5.0 |
| Other | 10.6 | 9.7 | 0.9 |
| Total amortized intangible assets | 453.5 | 303.1 | 150.4 |
| Allen-Bradley® trademark not subject to amortization | 43.7 | — | 43.7 |
| Total | $ 497.2 | $ 303.1 | $ 194.1 |

Estimated amortization expense is $47.5 million in 2020, $46.7 million in 2021, $43.8 million in 2022, $42.6 million in 2023 and $39.7 million in 2024.

We perform our annual evaluation of goodwill and indefinite life intangible assets for impairment as required by U.S. GAAP during the second quarter of each fiscal year.

**7. Short-term Debt**

Our short-term debt of $23.5 million as of December 31, 2019, consists of interest-bearing loans from Schlumberger to Sensia due September 30, 2020. These loans were entered into following formation of Sensia. See Note 5 in the Consolidated Financial Statements for additional information on Sensia.

## 8. Other Current Liabilities

Other current liabilities consist of (in millions):

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Unrealized losses on foreign exchange contracts | $ 7.7 | $ 5.4 |
| Product warranty obligations | 24.2 | 25.2 |
| Taxes other than income taxes | 50.4 | 43.8 |
| Accrued interest | 28.2 | 15.5 |
| Income taxes payable | 61.3 | 62.9 |
| Operating lease liabilities | 86.8 | — |
| Other | 59.7 | 75.1 |
| Other current liabilities | $ 318.3 | $ 227.9 |

## 9. Investments

Our investments consist of (in millions):

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Fixed income securities | $ 0.6 | $ 43.9 |
| Equity securities | 792.5 | 721.5 |
| Other | 68.2 | 68.1 |
| Total investments | 861.3 | 833.5 |
| Less: Short-term investments[1] | (0.6) | (39.6) |
| Long-term investments | $ 860.7 | $ 793.9 |

[1] Short-term investments are included in Other current assets in the Consolidated Balance Sheet.

*Equity Securities*

On July 19, 2018, we purchased 10,582,010 shares of PTC Inc. ("PTC") common stock (the "PTC Shares") in a private placement at a purchase price of $94.50 per share for an aggregate purchase price of approximately $1.0 billion (the "Purchase"). The PTC Shares are considered equity securities. For a period of approximately 3 years after the Purchase, we are subject to entity-specific transfer restrictions subject to certain exceptions. Since the first anniversary of the Purchase, the Company has had the ability to transfer, in the aggregate in any 90-day period, a number of PTC Shares equal to up to 1.0% of PTC's total outstanding shares of common stock as of the first day in such 90-day period, but no more than 2.0% of PTC's total outstanding shares of common stock in each of the second year and the third year after the Purchase.

*Fair Value of Investments*

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. U.S. GAAP also classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. We did not have any transfers between levels of fair value measurements during the period presented.

The PTC Shares are classified as level 1 in the fair value hierarchy and recognized at fair value in the Consolidated Balance Sheet using the most recent closing price of PTC common stock quoted on Nasdaq. At December 31, 2019, the fair value of the PTC Shares was $792.5 million, which was recorded in long-term investments in the Consolidated Balance Sheet. For the three months ended December 31, 2019, we recorded gains of $71.0 million related to the PTC Shares. For the three months ended December 31, 2018, we recorded a loss of $212.7 million related to the PTC Shares.

**10. Retirement Benefits**

The components of net periodic benefit cost are (in millions):

| | Pension Benefits | |
|---|---|---|
| | Three Months Ended December 31, | |
| | 2019 | 2018 |
| Service cost | $ 22.8 | $ 19.6 |
| Interest cost | 34.2 | 39.6 |
| Expected return on plan assets | (61.2) | (61.2) |
| Amortization: | | |
| Prior service cost | 0.2 | 0.3 |
| Net actuarial loss | 36.8 | 19.5 |
| Settlements | (0.7) | (0.2) |
| Net periodic benefit cost | $ 32.1 | $ 17.6 |

| | Other Postretirement Benefits | |
|---|---|---|
| | Three Months Ended December 31, | |
| | 2019 | 2018 |
| Service cost | $ 0.3 | $ 0.2 |
| Interest cost | 0.4 | 0.6 |
| Amortization: | | |
| Prior service credit | (1.4) | (1.4) |
| Net actuarial loss | 0.4 | 0.2 |
| Net periodic benefit credit | $ (0.3) | $ (0.4) |

The service cost component is included in Cost of sales and Selling, general and administrative expenses in the Consolidated Statement of Operations. All other components are included in Other income (expense) in the Consolidated Statement of Operations.

## 11. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss attributable to Rockwell Automation by component were (in millions):

*Three Months Ended December 31, 2019*

| | Pension and other postretirement benefit plan adjustments, net of tax | Accumulated currency translation adjustments, net of tax | Net unrealized gains (losses) on cash flow hedges, net of tax | Net unrealized gains (losses) on available-for-sale investments, net of tax | Total accumulated other comprehensive loss, net of tax |
|---|---|---|---|---|---|
| Balance as of September 30, 2019 | $ (1,133.7) | $ (341.3) | $ (13.0) | $ — | $ (1,488.0) |
| Other comprehensive income (loss) before reclassifications | — | 21.8 | 0.9 | — | 22.7 |
| Amounts reclassified from accumulated other comprehensive loss | 27.4 | — | (3.4) | — | 24.0 |
| Other comprehensive income (loss) | 27.4 | 21.8 | (2.5) | — | 46.7 |
| Adoption of accounting standard/other | (146.8) | 3.8 | — | — | (143.0) |
| Balance as of December 31, 2019 | $ (1,253.1) | $ (315.7) | $ (15.5) | $ — | $ (1,584.3) |

*Three Months Ended December 31, 2018*

| | Pension and other postretirement benefit plan adjustments, net of tax | Accumulated currency translation adjustments, net of tax | Net unrealized gains (losses) on cash flow hedges, net of tax | Net unrealized gains (losses) on available-for-sale investments, net of tax | Total accumulated other comprehensive loss, net of tax |
|---|---|---|---|---|---|
| Balance as of September 30, 2018 | $ (658.1) | $ (286.0) | $ 4.4 | $ (2.2) | $ (941.9) |
| Other comprehensive income (loss) before reclassifications | (0.3) | (28.5) | (19.2) | 0.5 | (47.5) |
| Amounts reclassified from accumulated other comprehensive loss | 14.1 | — | (1.6) | — | 12.5 |
| Other comprehensive income (loss) | 13.8 | (28.5) | (20.8) | 0.5 | (35.0) |
| Balance as of December 31, 2018 | $ (644.3) | $ (314.5) | $ (16.4) | $ (1.7) | $ (976.9) |

The reclassifications out of accumulated other comprehensive loss in the Consolidated Statement of Operations were (in millions):

| | Three Months Ended December 31, 2019 | Three Months Ended December 31, 2018 | Affected Line in the Consolidated Statement of Operations |
|---|---|---|---|
| Pension and other postretirement benefit plan adjustments: | | | |
| Amortization of prior service credit | $ (1.2) | $ (1.1) | (a) |
| Amortization of net actuarial loss | 37.2 | 19.7 | (a) |
| Settlements | (0.7) | (0.2) | (a) |
| | 35.3 | 18.4 | Income before income taxes |
| | (7.9) | (4.3) | Income tax provision |
| | $ 27.4 | $ 14.1 | Net income attributable to Rockwell Automation |
| Net unrealized losses (gains) on cash flow hedges: | | | |
| Forward exchange contracts | $ (0.1) | $ 0.4 | Sales |
| Forward exchange contracts | (5.0) | (3.2) | Cost of sales |
| Forward exchange contracts | 0.1 | 0.5 | Selling, general and administrative expenses |
| Treasury locks related to 2019 debt issuance | 0.5 | — | Interest expense |
| | (4.5) | (2.3) | Income before income taxes |
| | 1.1 | 0.7 | Income tax provision |
| | $ (3.4) | $ (1.6) | Net income attributable to Rockwell Automation |
| Total reclassifications | $ 24.0 | $ 12.5 | Net income attributable to Rockwell Automation |

*(a) Reclassified from accumulated other comprehensive loss into other income (expense). These components are included in the computation of net periodic benefit cost (credit). See Note 10 in the Consolidated Financial Statements for further information.*

**12. Commitments and Contingent Liabilities**

Various lawsuits, claims and proceedings have been or may be instituted or asserted against us relating to the conduct of our business, including those pertaining to product liability, environmental, safety and health, intellectual property, employment and contract matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, we believe the disposition of matters that are pending or have been asserted will not have a material effect on our business, financial condition or results of operations. The following outlines additional background for obligations associated with asbestos, divested businesses and intellectual property.

We (including our subsidiaries) have been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos that was used in certain components of our products many years ago, including products from divested businesses for which we have agreed to defend and indemnify claims. Currently there are a few thousand claimants in lawsuits that name us as defendants, together with hundreds of other companies. But in all cases, for those claimants who do show that they worked with our products or products of divested businesses for which we are responsible, we nevertheless believe we have meritorious defenses, in substantial part due to the integrity of the products, the encapsulated nature of any asbestos-containing components, and the lack of any impairing medical condition on the part of many claimants. We defend those cases vigorously. Historically, we have been dismissed from the vast majority of these claims with no payment to claimants.

Additionally, we have maintained insurance coverage that includes indemnity and defense costs, over and above self-insured retentions, for many of these claims. We believe these arrangements will provide substantial coverage for future defense and indemnity costs for these asbestos claims throughout the remaining life of asbestos liability. The uncertainties of asbestos claim litigation make it difficult to predict accurately the ultimate outcome of asbestos claims. That uncertainty is increased by the possibility of adverse rulings or new legislation affecting asbestos claim litigation or the settlement process. Subject to these uncertainties and based on our experience defending asbestos claims, we do not believe these lawsuits will have a material effect on our business, financial condition or results of operations.

We have, from time to time, divested certain of our businesses. In connection with these divestitures, certain lawsuits, claims and proceedings may be instituted or asserted against us related to the period that we owned the businesses, either because we agreed to retain certain liabilities related to these periods or because such liabilities fall upon us by operation of law. In some instances the divested business has assumed the liabilities; however, it is possible that we might be responsible to satisfy those liabilities if the divested business is unable to do so. We do not believe these liabilities will have a material effect on our business, financial condition or results of operations.

In many countries we provide a limited intellectual property indemnity as part of our terms and conditions of sale. We also at times provide limited intellectual property indemnities in other contracts with third parties, such as contracts concerning the development and manufacture of our hardware and software products. As of December 31, 2019, we were not aware of any material indemnification claims that were probable or reasonably possible of an unfavorable outcome. Historically, claims that have been made under the indemnification agreements have not had a material impact on our business, financial condition or results of operations; however, to the extent that valid indemnification claims arise in the future, future payments by us could be significant and could have a material adverse effect on our business, financial condition or results of operations in a particular period.

**13. Leases**

We have operating leases primarily for real estate, vehicles and equipment. Our leases have remaining lease terms from less than one year to 15 years. We do not have a material amount of finance leases.

We elected the package of practical expedients permitted under the transition guidance within the new standard which allows the Company to carry forward the historical assessments of whether contracts are, or contain, leases, lease classification and initial direct costs. We also elected to not record lease ROU assets or lease liabilities for leases with an original term of 12 months or less. We elected to use the remaining lease term for purposes of calculating the incremental borrowing rate upon transition.

The components of lease expense were as follows (in millions):

| | Three Months Ended December 31, 2019 |
|---|---|
| Operating lease expense[1] | $ 25.3 |
| Variable lease expense[2] | 3.9 |
| Total lease expense | $ 29.2 |

[1] Operating lease expense includes short-term lease expense which was not material.
[2] Variable lease expense includes sublease income which was not material.

Supplemental balance sheet information related to leases was as follows (in millions):

| | December 31, 2019 |
|---|---|
| Weighted average remaining lease term | 6.1 years |
| Weighted average discount rate | 2.04% |

Maturities of lease liabilities as of December 31, 2019, were as follows (in millions):

| | | |
|---|---|---|
| 2020 (excluding the three months ended December 31, 2019) | $ | 71.6 |
| 2021 | | 79.6 |
| 2022 | | 60.1 |
| 2023 | | 44.7 |
| 2024 | | 32.5 |
| 2025 | | 20.5 |
| Thereafter | | 58.9 |
| Total undiscounted lease payments | $ | 367.9 |
| Less imputed interest | | (23.3) |
| Total operating lease liabilities | $ | 344.6 |

Undiscounted maturities of operating leases accounted for under ASC 840 as of September 30, 2019, were as follows (in millions):

| | | |
|---|---|---|
| 2020 | $ | 90.6 |
| 2021 | | 72.6 |
| 2022 | | 51.8 |
| 2023 | | 36.7 |
| 2024 | | 26.4 |
| Thereafter | | 63.8 |
| Total minimum lease payments | $ | 341.9 |

Supplemental cash flow information related to leases was as follows (in millions):

| | Three Months Ended December 31, 2019 | |
|---|---|---|
| Cash paid for amounts included in the measurement of operating lease liabilities | $ | 25.3 |
| Operating right-of-use assets obtained in exchange for lease obligations | | 37.2 |

## 14. Income Taxes

At the end of each interim period, we estimate a base effective tax rate that we expect for the full fiscal year based on our most recent forecast of pre-tax income, permanent book and tax differences and global tax planning strategies. We use this base rate to provide for income taxes on a year-to-date basis, excluding the effect of significant unusual items and items that are reported net of their related tax effects in the period in which they occur.

The effective tax rate was 5.7 percent in the three months ended December 31, 2019, compared to 33.5 percent in the three months ended December 31, 2018. The effective tax rate was lower than the U.S. statutory rate of 21 percent in the three months ended December 31, 2019, primarily due to PTC investment adjustments, tax benefits recognizable upon the formation of the Sensia joint venture, and excess income tax benefits of share-based compensation. The effective tax rate was higher than the U.S. statutory rate of 21 percent in the three months ended December 31, 2018, because of the PTC investment adjustments without a corresponding tax benefit.

*Unrecognized Tax Benefits*

The amount of gross unrecognized tax benefits was $19.9 million at December 31, 2019, and September 30, 2019, of which the entire amount would reduce our effective tax rate if recognized.

Accrued interest and penalties related to unrecognized tax benefits were $3.5 million and $3.3 million at December 31, 2019, and September 30, 2019, respectively. We recognize interest and penalties related to unrecognized tax benefits in the income tax provision.

We believe it is reasonably possible that the amount of gross unrecognized tax benefits could be reduced by up to $18.5 million in the next 12 months as a result of the resolution of tax matters in various global jurisdictions and the lapses of statutes of limitations. If all of the unrecognized tax benefits were recognized, the net reduction to our income tax provision, including the recognition of interest and penalties and offsetting tax assets, could be up to $19.9 million.

We conduct business globally and are routinely audited by the various tax jurisdictions in which we operate. We are no longer subject to U.S. federal income tax examinations for years before 2016 and are no longer subject to state, local and foreign income tax examinations for years before 2009.

**15. Business Segment Information**

The following tables reflect the sales and operating results of our reportable segments (in millions):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Sales | | |
| Architecture & Software | $ 751.6 | $ 753.1 |
| Control Products & Solutions | 932.9 | 889.2 |
| Total | $ 1,684.5 | $ 1,642.3 |
| Segment operating earnings | | |
| Architecture & Software | $ 223.7 | $ 237.0 |
| Control Products & Solutions | 115.4 | 137.9 |
| Total | 339.1 | 374.9 |
| Purchase accounting depreciation and amortization | (10.0) | (4.1) |
| General corporate – net | (32.8) | (21.9) |
| Non-operating pension and postretirement benefit (cost) credit | (8.7) | 2.6 |
| Gain (loss) on investments | 71.0 | (246.4) |
| Valuation adjustments related to the registration of PTC Shares | — | 33.7 |
| Interest (expense) income - net | (24.0) | (18.0) |
| Income before income taxes | $ 334.6 | $ 120.8 |

Among other considerations, we evaluate performance and allocate resources based upon segment operating earnings before income taxes, interest (expense) income - net, costs related to corporate offices, non-operating pension and postretirement benefit credit (cost), certain corporate initiatives, gains and losses on investments, valuation adjustments related to the registration of PTC Shares, gains and losses from the disposition of businesses, and purchase accounting depreciation and amortization. Depending on the product, intersegment sales within a single legal entity are either at cost or cost plus a mark-up, which does not necessarily represent a market price. Sales between legal entities are at an appropriate transfer price. We allocate costs related to shared segment operating activities to the segments using a methodology consistent with the expected benefit.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of
Rockwell Automation, Inc.
Milwaukee, Wisconsin

### Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Rockwell Automation, Inc. and subsidiaries (the “Company”) as of December 31, 2019, the related consolidated statements of operations, comprehensive income, cash flows, and shareowners' equity for the three-month periods ended December 31, 2019 and 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2019, and the related consolidated statements of operations, comprehensive income, cash flows and shareowners’ equity for the year then ended (not presented herein); and in our report dated November 12, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of September 30, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

### Change in Accounting Principle

As discussed in Note 1 to the interim financial information, the Company has changed its method of accounting for leases effective October 1, 2019, due to the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), using the modified retrospective approach.

### Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
January 29, 2020

## Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### Results of Operations

#### *Forward-Looking Statements*

This Quarterly Report 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, commodity prices, 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, including those related to tariffs, taxation, and trade controls;
- the availability and price of components and materials;
- the successful execution of our cost productivity initiatives;
- the availability, effectiveness and security of our information technology systems;
- our ability to manage and mitigate the risk related to security vulnerabilities and breaches of our products, solutions and services;
- the successful development of advanced technologies and demand for and market acceptance of new and existing hardware and software products;
- our ability to manage and mitigate the risks associated with our solutions and services businesses;
- competitive hardware and software products, solutions and services and pricing pressures, and our ability to provide high quality products, solutions and services;
- disruptions to our distribution channels or the failure of distributors to develop and maintain capabilities to sell our products;
- the successful integration and management of strategic transactions and achievement of the expected benefits of these transactions;
- a disruption of our business due to natural disasters, pandemics, acts of war, strikes, terrorism, social unrest or other causes;
- intellectual property infringement claims by others and the ability to protect our intellectual property;
- the uncertainty of claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract, develop, and retain qualified personnel;
- the uncertainties of litigation, including liabilities related to the safety and security of the hardware and software products, solutions and services we sell;
- risks associated with our investment in common stock of PTC Inc., including the potential for volatility in our reported quarterly earnings associated with changes in the market value of such stock;
- our ability to manage costs related to employee retirement and health care benefits; and
- other risks and uncertainties, including but not limited to those detailed from time to time in our Securities and Exchange Commission (SEC) filings.

These forward-looking statements reflect our beliefs as of the date of filing this report. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. See Item 1A, ***Risk Factors***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019, for more information.

#### *Non-GAAP Measures*

The following discussion includes organic sales, total segment operating earnings and margin, Adjusted Income, Adjusted EPS, Adjusted Effective Tax Rate and free cash flow, which are non-GAAP measures. See **Supplemental Sales Information** for a reconciliation of reported sales to organic sales and a discussion of why we believe this non-GAAP measure is useful to investors. See **Results of Operations** for a reconciliation of income before income taxes to total segment operating earnings and margin and a discussion of why we believe these non-GAAP measures are useful to investors. See **Results of Operations** for a reconciliation of net income attributable to Rockwell Automation, diluted EPS and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate, respectively, and a discussion of why we believe these non-GAAP measures are useful to investors. See **Financial Condition** for a reconciliation of cash flows from operating activities to free cash flow and a discussion of why we believe this non-GAAP measure is useful to investors.

***Overview***

Rockwell Automation, Inc. is a global leader in industrial automation and digital transformation. We connect the imaginations of people with the potential of technology to expand what is humanly possible, making the world more productive and more sustainable. Overall demand for our hardware and software products, solutions and services is driven by:

- investments in manufacturing, including upgrades, modifications and expansions of existing facilities or production lines and new facilities or production lines;
- investments in basic materials production capacity, which may be related to commodity pricing levels;
- our customers' needs for faster time to market, operational productivity, asset management and reliability, and enterprise risk management;
- our customers' needs to continuously improve quality, safety and sustainability;
- industry factors that include our customers' new product introductions, demand for our customers' products or services and the regulatory and competitive environments in which our customers operate;
- levels of global industrial production and capacity utilization;
- regional factors that include local political, social, regulatory and economic circumstances; and
- the spending patterns of our customers due to their annual budgeting processes and their working schedules.

***Long-term Strategy***

Our strategy is to bring The Connected Enterprise to life by integrating control and information across the enterprise. We deliver customer outcomes by combining advanced industrial automation with the latest information technology. Our growth and performance strategy seeks to:

- achieve organic sales growth in excess of the automation market by expanding our served market and strengthening our competitive differentiation;
- grow market share of our core platforms;
- drive double digit growth in information solutions and connected services;
- acquire companies that serve as catalysts to organic growth by increasing our information solutions and high-value services offerings and capabilities, expanding our global presence, or enhancing our process expertise;
- enhance our market access by building our channel capability and partner network;
- deploy human and financial resources to strengthen our technology leadership and our intellectual capital business model;
- continuously improve quality and customer experience; and
- drive annual cost productivity.

By implementing the above strategy, we seek to achieve our long-term financial goals, including above-market organic sales growth, EPS growth above sales growth, return on invested capital in excess of 20 percent and free cash flow equal to about 100 percent of Adjusted Income. We expect acquisitions to add a percentage point or more per year to long-term sales growth.

Our customers face the challenge of remaining globally cost competitive and automation can help them achieve their productivity and sustainability objectives. Our value proposition is to help our customers reduce time to market, lower total cost of ownership, improve asset utilization and manage enterprise risks.

***U.S. Industrial Economic Trends***

In the first quarter of fiscal 2020, sales in the U.S. accounted for over half of our total sales. The various indicators we use to gauge the direction and momentum of our served U.S. markets include:

- The Industrial Production (IP) Index, published by the Federal Reserve, which measures the real output of manufacturing, mining and electric and gas utilities. The IP Index is expressed as a percentage of real output in a base year, currently 2012. Historically, there has been a meaningful correlation between the changes in the IP Index and the level of automation investment made by our U.S. customers in their manufacturing base.
- The Manufacturing Purchasing Managers' Index (PMI), published by the Institute for Supply Management (ISM), which indicates the current and near-term state of manufacturing activity in the U.S. According to the ISM, a PMI measure above 50 indicates that the U.S. manufacturing economy is generally expanding while a measure below 50 indicates that it is generally contracting.

The table below depicts trends in these indicators since the quarter ended September 2018. PMI and industrial production data have both deteriorated over the prior quarter and the same quarter in the prior year.

| | IP Index | PMI |
|---|---|---|
| **Fiscal 2020 quarter ended:** | | |
| December 2019 | 109.3 | 47.2 |
| **Fiscal 2019 quarter ended:** | | |
| September 2019 | 109.5 | 47.8 |
| June 2019 | 109.2 | 51.7 |
| March 2019 | 109.8 | 55.3 |
| December 2018 | 110.3 | 54.3 |
| **Fiscal 2018 quarter ended:** | | |
| September 2018 | 109.3 | 59.5 |

*Note: Economic indicators are subject to revision by the issuing organizations.*

***Non-U.S. Economic Trends***

In the first quarter of fiscal 2020, sales to customers outside the U.S. accounted for less than half of our total sales. These customers include both indigenous companies and multinational companies with a global presence. In addition to the global factors previously mentioned in the "Overview" section, international demand, particularly in emerging markets, has historically been driven by the strength of the industrial economy in each region, investments in infrastructure and expanding consumer markets. We use changes in key countries' gross domestic product and industrial production as indicators of the growth opportunities in each region where we do business.

After slowing throughout fiscal 2019, global economic growth has stabilized during the first quarter of fiscal 2020, although at low levels. The economic outlook remains soft, particularly in Europe and China, as slowing global growth, trade tensions with the U.S. and continued uncertainty over the impact of Brexit remain. Overall Latin America IP is expected to increase.

The U.S. Government has signed the revised United States–Mexico–Canada Agreement. This free trade agreement is not yet ratified. The U.S. Government also signed phase 1 of a trade agreement with China in January 2020. This agreement is not yet effective. We do not believe either agreement will have a material effect on our business, financial condition, or results of operations.

***Summary of Results of Operations***

Sales in the first quarter of fiscal 2020 increased 2.6 percent compared to the first quarter of 2019. Organic sales decreased 1.0 percent year over year. Currency translation decreased sales by 0.9 percentage points, and acquisitions increased sales by 4.5 percentage points.

We believe that uncertainty with respect to global trade is impacting some customers' investment decisions, particularly those related to the timing of capital investments, which has contributed to some project delays.

Results from the quarter included:

- Logix sales decreased 3 percent year over year in the first quarter of fiscal 2020. Logix organic sales decreased 2 percent year over year, and currency translation decreased sales by 1 percentage points.
- Reported sales in emerging countries increased 8.8 percent year over year in the first quarter of fiscal 2020. Organic sales in emerging countries increased 2.9 percent year over year. Currency translation decreased sales in emerging countries by 1.6 percentage points, and acquisitions increased sales by 7.5 percentage points.

The following table reflects our sales and operating results (in millions, except per share amounts and percentages):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Sales | | |
| Architecture & Software (a) | $ 751.6 | $ 753.1 |
| Control Products & Solutions (b) | 932.9 | 889.2 |
| Total sales (c) | $ 1,684.5 | $ 1,642.3 |
| Segment operating earnings[1] | | |
| Architecture & Software (d) | $ 223.7 | $ 237.0 |
| Control Products & Solutions (e) | 115.4 | 137.9 |
| Total segment operating earnings[2] (f) | 339.1 | 374.9 |
| Purchase accounting depreciation and amortization | (10.0) | (4.1) |
| General corporate — net | (32.8) | (21.9) |
| Non-operating pension and postretirement benefit (cost) credit | (8.7) | 2.6 |
| Loss on investments | 71.0 | (246.4) |
| Valuation adjustments related to the registration of PTC Shares | — | 33.7 |
| Interest (expense) income, net | (24.0) | (18.0) |
| Income before income taxes (g) | 334.6 | 120.8 |
| Income tax provision | (19.2) | (40.5) |
| Net income | 315.4 | 80.3 |
| Net income attributable to noncontrolling interests | 4.7 | — |
| Net income attributable to Rockwell Automation | $ 310.7 | $ 80.3 |
| Diluted EPS | $ 2.66 | $ 0.66 |
| Adjusted EPS[3] | $ 2.11 | $ 2.21 |
| Diluted weighted average outstanding shares | 116.6 | 121.5 |
| Total segment operating margin[2] (f/c) | 20.1% | 22.8% |
| Pre-tax margin (g/c) | 19.9% | 7.4% |
| Architecture & Software segment operating margin (d/a) | 29.8% | 31.5% |
| Control Product & Solutions segment operating margin (e/b) | 12.4% | 15.5% |

(1) See Note 15 in the Consolidated Financial Statements for the definition of segment operating earnings.

(2) Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We exclude purchase accounting depreciation and amortization, general corporate – net, non-operating pension and postretirement benefit (cost) credit, gains and losses on investments, valuation adjustments related to the registration of PTC Shares, interest (expense) income - net and income tax provision because we do not consider these costs to be directly related to the operating performance of our segments. We believe total segment operating earnings and total segment operating margin are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our operating segments. Our measures of total segment operating earnings and total segment operating margin may be different from measures used by other companies.

(3) Adjusted EPS is a non-GAAP earnings measure that excludes non-operating pension and postretirement benefit (cost) credit, net income (loss) attributable to noncontrolling interests, gains and losses on investments, and valuation adjustments related to the registration of PTC Shares, including their respective tax effects. See ***Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation*** for more information on this non-GAAP measure.

***Three Months Ended December 31, 2019, Compared to Three Months Ended December 31, 2018***

*Sales*

Sales increased 2.6 percent year over year in the three months ended December 31, 2019. Organic sales decreased 1.0 percent in the three months ended December 31, 2019. Currency translation decreased sales by 0.9 percentage points and acquisitions increased sales by 4.5 percentage points in the three months ended December 31, 2019.

Pricing contributed approximately 1 percentage point to sales growth in the three months ended December 31, 2019.

The table below presents our sales, attributed to the geographic regions based upon country of destination, and the percentage change from the same period a year ago (in millions, except percentages):

| | Three Months Ended December 31, 2019 | Change vs. Three Months Ended December 31, 2018 | Change in Organic Sales[1] vs. Three Months Ended December 31, 2018 |
|---|---|---|---|
| North America | $ 1,006.9 | 0.8% | (3.3)% |
| EMEA | 310.1 | 5.3% | 1.6 % |
| Asia Pacific | 229.6 | 7.1% | 5.9 % |
| Latin America | 137.9 | 2.4% | (0.7)% |
| Total Sales | $ 1,684.5 | 2.6% | (1.0)% |

*[1] Organic sales and organic sales growth exclude the effect of changes in currency exchange rates, acquisitions and divestitures. See* ***Supplemental Sales Information*** *for information on this non-GAAP measure.*

- North America sales increased in the three months ended December 31, 2019, primarily due to acquisitions. Organic sales decreased, driven by process industries, partially offset by growth in Automotive and Semiconductor.
- EMEA sales increased year over year in the three months ended December 31, 2019, led by Oil & Gas, Life Sciences, and Tire.
- Sales in Asia Pacific increased in the three months ended December 31, 2019, led by Oil & Gas, Life Sciences, and Automotive, with solid growth in China.
- Latin America sales increased in the three months ended December 31, 2019, primarily due to acquisitions. Organic sales decreased, due to weak performance in Automotive and Mining.

***Three Months Ended December 31, 2019, Compared to Three Months Ended December 31, 2018***

*General Corporate - Net*

General corporate - net expenses was $32.8 million in the three months ended December 31, 2019, compared to $21.9 million in the three months ended December 31, 2018. The increase was primarily due to benefit-related adjustments and one-time costs related to Sensia.

*Income before Income Taxes*

Income before income taxes increased 177 percent year over year in the three months ended December 31, 2019. The increase in income before income taxes was primarily due to fair value adjustments in connection with the PTC investment, partially offset by a decrease in total segment operating earnings. Total segment operating earnings decreased 9.5 percent in the three months ended December 31, 2019, primarily due to increased spending and unfavorable mix.

*Income Taxes*

The effective tax rate for the three months ended December 31, 2019, was 5.7 percent compared to 33.5 percent for the three months ended December 31, 2018. The decrease in the effective tax rate was primarily due to PTC investment adjustments without a corresponding tax benefit in the prior year, tax benefits recognizable upon the formation of the Sensia joint venture, as well as excess income tax benefits of share-based compensation. Our Adjusted Effective Tax Rate for the three months ended December 31, 2019, was 7.9 percent compared to 18.7 percent for the three months ended December 31, 2018. The decrease in the Adjusted Effective Tax Rate was primarily due to tax benefits recognizable upon the formation of the Sensia joint venture as well as excess income tax benefits of share-based compensation.

*Diluted EPS and Adjusted EPS*

Fiscal 2020 first quarter net income attributable to Rockwell Automation was $310.7 million or $2.66 per share, compared to $80.3 million or $0.66 per share in the first quarter of fiscal 2019. The increases in net income attributable to Rockwell Automation and diluted EPS were primarily due to fair-value adjustments recognized in the first quarter of fiscal 2020 and 2019 in connection with the PTC investment. Fiscal 2020 first quarter Adjusted EPS was $2.11 in the first quarter of fiscal 2020, down 5 percent compared to $2.21 in the first quarter of fiscal 2019. The decrease in Adjusted EPS was primarily due to lower organic sales, higher investment spending, and unfavorable mix, partially offset by a lower share count and lower tax rate. The net year-over-year Adjusted EPS impact of Sensia was $0.01.

***Three Months Ended December 31, 2019, Compared to Three Months Ended December 31, 2018***

***Architecture & Software***

*Sales*

Architecture & Software sales decreased 0.2 percent year over year in the three months ended December 31, 2019. Architecture & Software organic sales increased 0.7 percent in the three months ended December 31, 2019. Currency translation decreased sales by 1.0 percentage points, and an acquisition increased sales by 0.1 percentage points in the three months ended December 31, 2019.

For both reported and organic sales, growth in Asia Pacific and the United States was more than offset by declines in the other regions for the three months ended December 31, 2019. EMEA reported sales decreased but organic sales increased slightly.

Logix sales decreased 3 percent year over year in the three months ended December 31, 2019. Logix organic sales decreased 2 percent year over year in the three months ended December 31, 2019, while currency translation decreased Logix sales by 1 percentage point in the three months ended December 31, 2019.

*Segment Operating Margin*

Architecture & Software segment operating earnings decreased 5.6 percent year over year in the three months ended December 31, 2019. Segment operating margin decreased to 29.8 percent in the three months ended December 31, 2019, from 31.5 percent in the same period a year ago, primarily due to higher investment spending.

***Control Products & Solutions***

*Sales*

Control Products & Solutions sales increased 4.9 percent year over year in the three months ended December 31, 2019. Control Products & Solutions organic sales decreased 2.5 percent in the three months ended December 31, 2019. Currency translation decreased sales by 0.8 percentage points, and acquisitions increased sales by 8.2 percentage points in the three months ended December 31, 2019.

Growth in reported sales was broad-based across regions for the three months ended December 31, 2019. Organic growth in Asia Pacific, EMEA, and Latin America was more than offset by declines in North America.

Product sales decreased 6 percent year over year in the three months ended December 31, 2019. Product organic sales decreased by 5 percent, and currency translation decreased sales by 1 percentage point in the three months ended December 31, 2019.

Sales in our solutions and services businesses increased 13 percent in the three months ended December 31, 2019. Organic sales in our solutions and services businesses remained consistent with the prior year period. Currency translation decreased sales by 1 percentage point, and acquisitions increased sales by 14 percentage points in the three months ended December 31, 2019.

*Segment Operating Margin*

Control Products & Solutions segment operating earnings decreased 16.3 percent year over year in the three months ended December 31, 2019. Segment operating margin decreased to 12.4 percent in the three months ended December 31, 2019, compared to 15.5 percent in the same period a year ago, primarily due to Sensia one-time items, unfavorable mix, and lower organic sales. Sensia had a year-over-year negative impact of 1.4 percentage points on segment operating margin.

***Supplemental Segment Information***

Purchase accounting depreciation and amortization and non-operating pension and postretirement benefit (credit) cost are not allocated to our operating segments because these costs are excluded from our measurement of each segment's operating performance for internal purposes. If we were to allocate these costs, we would attribute them to each of our segments as follows (in millions):

| | Three Months Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Purchase accounting depreciation and amortization | | |
| Architecture & Software | $ 1.7 | $ 1.4 |
| Control Products & Solutions | 8.0 | 2.5 |
| Non-operating pension and postretirement benefit (credit) cost | | |
| Architecture & Software | 2.1 | 1.5 |
| Control Products & Solutions | 3.4 | 2.4 |

***Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation***

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate are non-GAAP earnings measures that exclude non-operating pension and postretirement benefit cost (credit), net income (loss) attributable to noncontrolling interests, gains and losses on investments, and valuation adjustments related to the registration of PTC Shares, including their respective tax effects.

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. Adjusted EPS is also used as a financial measure of performance for our annual incentive compensation. 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 net income attributable to Rockwell Automation, diluted EPS and effective tax rate.

The following are the components of operating and non-operating pension and postretirement benefit cost (credit) (in millions):

| | Three Months Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Service cost | $ 23.1 | $ 19.8 |
| Operating pension and postretirement benefit cost | 23.1 | 19.8 |
| | | |
| Interest cost | 34.6 | 40.2 |
| Expected return on plan assets | (61.2) | (61.2) |
| Amortization of prior service credit | (1.2) | (1.1) |
| Amortization of net actuarial loss | 37.2 | 19.7 |
| Settlements | (0.7) | (0.2) |
| Non-operating pension and postretirement benefit cost (credit) | 8.7 | (2.6) |
| | | |
| Net periodic pension and postretirement benefit cost | $ 31.8 | $ 17.2 |

Table of Contents

The following are reconciliations of net income attributable to Rockwell Automation, diluted EPS, and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate, respectively (in millions, except per share amounts and percentages):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net income attributable to Rockwell Automation | $ 310.7 | $ 80.3 |
| Non-operating pension and postretirement benefit cost (credit) | 8.7 | (2.6) |
| Tax effect of non-operating pension and postretirement benefit cost (credit) | (2.4) | 0.3 |
| Change in fair value of investments[1] | (71.0) | 212.7 |
| Tax effect of the change in fair value of investments[1] | — | (21.7) |
| Adjusted Income | $ 246.0 | $ 269.0 |
| | | |
| Diluted EPS | $ 2.66 | $ 0.66 |
| Non-operating pension and postretirement benefit cost (credit) | 0.08 | (0.02) |
| Tax effect of non-operating pension and postretirement benefit cost (credit) | (0.02) | — |
| Change in fair value of investments[1] | (0.61) | 1.75 |
| Tax effect of the change in fair value of investments[1] | — | (0.18) |
| Adjusted EPS | $ 2.11 | $ 2.21 |
| | | |
| Effective tax rate | 5.7% | 33.5 % |
| Tax effect of non-operating pension and postretirement benefit cost (credit) | 0.6% | — % |
| Tax effect of the change in fair value of investments[1] | 1.6% | (14.8)% |
| Adjusted Effective Tax Rate | 7.9% | 18.7 % |

[1]In the three months ended December 31, 2019, change in fair value of investments included a $71.0 million gain due to the change in value of our investment in PTC. In the three months ended December 31, 2018, change in fair value of investments included a $246.4 million loss due to the change in value of our investment in PTC and a $33.7 million gain due to the valuation adjustments related to the registration of PTC Shares.

**Financial Condition**

The following is a summary of our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows (in millions):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash provided by (used for): | | |
| Operating activities | $ 231.1 | $ 212.0 |
| Investing activities | (233.0) | 140.9 |
| Financing activities | (95.6) | (327.7) |
| Effect of exchange rate changes on cash | 5.3 | (11.7) |
| (Decrease) increase in cash and cash equivalents | $ (92.2) | $ 13.5 |

The following table summarizes free cash flow (in millions), which is a non-GAAP financial measure:

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash provided by operating activities | $ 231.1 | $ 212.0 |
| Capital expenditures | (37.0) | (42.0) |
| Free cash flow | $ 194.1 | $ 170.0 |

Our definition of free cash flow takes into consideration capital investments required to maintain our businesses' operations and execute our strategy. Cash provided by continuing operating activities adds back non-cash depreciation expense to earnings but does not reflect a charge for necessary capital expenditures. Our definition of free cash flow excludes the operating cash flows and capital expenditures related to our discontinued operations, if any. Operating, investing and financing cash flows of our discontinued operations, if any, are presented separately in our Consolidated Statement of 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 our performance, including as a financial measure for our annual incentive compensation. Our definition of free cash flow may differ from definitions used by other companies.

Cash provided by operating activities was $231.1 million for the three months ended December 31, 2019, compared to $212.0 million for the three months ended December 31, 2018. Free cash flow was $194.1 million for the three months ended December 31, 2019, compared to $170.0 million for the three months ended December 31, 2018. The year over year increases in cash provided by operating activities and free cash flow were primarily due to lower incentive compensation payments in the first three months of fiscal 2020 compared to the first three months of fiscal 2019.

We repurchased approximately 0.5 million shares of our common stock under our share repurchase program in the first three months of fiscal 2020. The total cost of these shares was $100.0 million, of which $3.5 million was recorded in accounts payable at December 31, 2019, related to share repurchases that did not settle until January 2020. We had $9.3 million in unsettled share repurchases outstanding at September 30, 2019, that did not settle until October 2019. We repurchased approximately 1.8 million shares of our common stock in the first three months of fiscal 2019. The total cost of these shares was $292.8 million, of which $16.0 million was recorded in accounts payable at December 31, 2018, related to share repurchases that did not settle until January 2019. Our decision to repurchase shares in the remainder of 2020 will depend on business conditions, free cash flow generation, other cash requirements (including acquisitions) and stock price. On both September 6, 2018, and July 24, 2019, the Board of Directors authorized us to expend an additional $1.0 billion to repurchase shares of our common stock. At December 31, 2019, we had approximately $1,008.4 million remaining for share repurchases under our existing board authorizations. See Part II, Item 2, ***Unregistered Sales of Equity Securities and Use of Proceeds***, for additional information regarding share repurchases.

We expect future uses of cash to include working capital requirements, capital expenditures, additional contributions to our retirement plans, acquisitions of businesses and other inorganic investments, dividends to shareowners, repurchases of common stock, and repayments of debt. We expect to fund future uses of cash with a combination of existing cash balances and short-term investments, cash generated by operating activities, commercial paper borrowings or a new issuance of debt or other securities.

At December 31, 2019, the majority of our cash and cash equivalents were held by non-U.S. subsidiaries. As a result of the broad changes to the U.S. international tax system under the Tax Act, in fiscal year 2018 the Company began to account for substantially all of its non-U.S. subsidiaries as being immediately subject to tax, while still concluding that earnings are indefinitely reinvested for a limited number of subsidiaries.

In addition to cash generated by operating activities, we have access to existing financing sources, including the public debt markets and unsecured credit facilities with various banks.

At December 31, 2019, and September 30, 2019, our total current borrowing capacity under our unsecured revolving credit facility expiring in November 2023 was $1.25 billion. We can increase the aggregate amount of this credit facility by up to $750.0 million, subject to the consent of the banks in the credit facility. We did not borrow against this credit facility during the three months ended December 31, 2019. Borrowings under this credit facility bear interest based on short-term money market rates in effect during the period the borrowings are outstanding. The terms of this credit facility contain covenants under which we agree to maintain an EBITDA-to-interest ratio of at least 3.0 to 1.0. The EBITDA-to-interest ratio is defined in the credit facility as the ratio of consolidated EBITDA (as defined in the facility) for the preceding four quarters to consolidated interest expense for the same period.

Among other uses, we can draw on our credit facility as a standby liquidity facility to repay our outstanding commercial paper as it matures. This access to funds to repay maturing commercial paper is an important factor in maintaining the short-term credit ratings set forth in the table below. Under our current policy with respect to these ratings, we expect to limit our other borrowings under our credit facility, if any, to amounts that would leave enough credit available under the facility so that we could borrow, if needed, to repay all of our then outstanding commercial paper as it matures.

Separate short-term unsecured credit facilities of approximately $217.7 million at December 31, 2019, were available to non-U.S. subsidiaries. Borrowings under our non-U.S. credit facilities at December 31, 2019 and 2018 were not significant. We were in compliance with all covenants under our credit facilities at December 31, 2019 and 2018. There are no significant commitment fees or compensating balance requirements under our credit facilities.

Our short-term debt of $23.5 million as of December 31, 2019, consists of interest-bearing loans from Schlumberger to Sensia due September 30, 2020. These loans were entered into following formation of Sensia. See Note 5 in the Consolidated Financial Statements for additional information on Sensia.

The following is a summary of our credit ratings as of December 31, 2019:

| **Credit Rating Agency** | **Short-Term Rating** | **Long-Term Rating** | **Outlook** |
|---|---|---|---|
| Standard & Poor’s | A-1 | A | Stable |
| Moody’s | P-2 | A3 | Stable |
| Fitch Ratings | F1 | A | Stable |

Our ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of our credit ratings and market conditions. We have not experienced any difficulty in accessing the commercial paper market to date. If our access to the commercial paper market is adversely affected due to a change in market conditions or otherwise, we would expect to rely on a combination of available cash and our unsecured committed credit facility to provide short-term funding. In such event, the cost of borrowings under our unsecured committed credit facility could be higher than the cost of commercial paper borrowings.

We regularly monitor the third-party depository institutions that hold our cash and cash equivalents and short-term investments. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

We use foreign currency forward exchange contracts to manage certain foreign currency risks. We enter into these contracts to hedge our exposure to foreign currency exchange rate variability in the expected future cash flows associated with certain third-party and intercompany transactions denominated in foreign currencies forecasted to occur within the next two years. We also use these contracts to hedge portions of our net investments in certain non-U.S. subsidiaries against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. In addition, we use foreign currency forward exchange contracts that are not designated as hedges to offset transaction gains or losses associated with some of our assets and liabilities resulting from intercompany loans or other transactions with third parties that are denominated in currencies other than our entities' functional currencies. Our foreign currency forward exchange contracts are usually denominated in currencies of major industrial countries. We diversify our foreign currency forward exchange contracts among counterparties to minimize exposure to any one of these entities.

Net gains and losses related to derivative forward exchange contracts designated as cash flow hedges offset the related gains and losses on the hedged items during the periods in which the hedged items are recognized in earnings. During the three months ended December 31, 2019, we reclassified $4.5 million in pre-tax net gains related to cash flow hedges from accumulated other comprehensive loss into the Consolidated Statement of Operations. During the three months ended December 31, 2018, we reclassified $2.3 million in pre-tax net gains related to cash flow hedges from accumulated other comprehensive loss into the Consolidated Statement of Operations. We expect that approximately $11.1 million of pre-tax net unrealized gains on cash flow hedges as of December 31, 2019, will be reclassified into earnings during the next 12 months.

Information with respect to our contractual cash obligations is contained in Item 7, ***Management's Discussion and Analysis of Financial Condition and Results of Operations***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information.

**Supplemental Sales Information**

We translate sales of subsidiaries operating outside of the United States using exchange rates effective during the respective period. Therefore, changes in currency exchange rates affect our reported sales. Sales by acquired businesses also affect our reported sales. We believe that organic sales, defined as sales excluding the effects of changes in currency exchange rates and acquisitions, which is a non-GAAP financial measure, provides useful information to investors because it reflects regional and operating segment performance from the activities of our businesses without the effect of changes in currency exchange rates and 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 same currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the prior period. When we divest a business, we exclude sales in the prior period for which there are no comparable sales in the current period. Organic sales growth is calculated by comparing organic sales to reported sales in the prior year, excluding divestitures. We attribute sales to the geographic regions based on the country of destination.

The following is a reconciliation of our reported sales by geographic region to organic sales (in millions):

| | Three Months Ended December 31, 2019 | | | | | Three Months Ended December 31, 2018 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Effect of Changes in Currency | Effect of Acquisitions[1] | Organic Sales | Sales |
| North America | $ 1,006.9 | $ — | $ 1,006.9 | $ (40.8) | $ 966.1 | $ 998.8 |
| EMEA | 310.1 | 9.2 | 319.3 | (20.3) | 299.0 | 294.4 |
| Asia Pacific | 229.6 | 3.1 | 232.7 | (5.7) | 227.0 | 214.4 |
| Latin America | 137.9 | 2.4 | 140.3 | (6.6) | 133.7 | 134.7 |
| Total Company Sales | $ 1,684.5 | $ 14.7 | $ 1,699.2 | $ (73.4) | $ 1,625.8 | $ 1,642.3 |

[1] Includes incremental sales resulting from the formation of the Sensia joint venture.

The following is a reconciliation of our reported sales by operating segment to organic sales (in millions):

| | Three Months Ended December 31, 2019 | | | | | Three Months Ended December 31, 2018 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Effect of Changes in Currency | Effect of Acquisitions | Organic Sales | Sales |
| Architecture & Software | $ 751.6 | $ 7.7 | $ 759.3 | $ (0.7) | $ 758.6 | $ 753.1 |
| Control Products & Solutions | 932.9 | 7.0 | 939.9 | (72.7) [1] | 867.2 | 889.2 |
| Total Company Sales | $ 1,684.5 | $ 14.7 | $ 1,699.2 | $ (73.4) | $ 1,625.8 | $ 1,642.3 |

[1] Includes incremental sales resulting from the formation of the Sensia joint venture.

**Critical Accounting Estimates**

We have prepared the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. These estimates are based on our best judgment about current and future conditions, but actual results could differ from those estimates. Information with respect to accounting estimates that are the most critical to the understanding of our financial statements as they could have the most significant effect on our reported results and require subjective or complex judgments by management is contained in Item 7, ***Management's Discussion and Analysis of Financial Condition and Results of Operations***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information except as noted below.

*Acquisitions - Consolidation of Sensia Joint Venture*

In determining whether to consolidate Sensia, U.S. GAAP requires that we evaluate our ability to control the significant financial or operating decisions of the joint venture. Determining the nature and extent of the noncontrolling interest holder's rights involves management judgment. We have evaluated the noncontrolling interest holder's rights and determined that we control and should consolidate Sensia in our financial results.

*Acquisitions - Sensia Joint Venture Intangibles Valuation*

The accounting for a business combination requires the excess of the purchase price of the acquisition over the net book value of assets acquired to be allocated to the identifiable assets of the acquired entity. Any unallocated portion is recognized as goodwill. We engaged an independent third-party valuation specialist for the fair value allocation of the purchase price to intangible assets, which required the use of several assumptions and estimates. Although we believe the assumptions and estimates made were reasonable and appropriate, these estimates are based on historical experience and information obtained from the management of the acquired companies. The key assumption requiring the use of judgment was the customer attrition rate ranging from 7.5% to 25%. A change in the customer attrition rate of 250 basis points would result in a change of $40.4 million in intangible assets.

More information regarding this business combination is contained in Note 5 in the Consolidated Financial Statements.

**Environmental Matters**

Information with respect to the effect of compliance with environmental protection requirements and resolution of environmental claims on us and our manufacturing operations is contained in Note 16 in the Consolidated Financial Statements in Item 8, ***Financial Statements and Supplementary Data***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information.

**Recent Accounting Pronouncements**

See Note 1 in the Consolidated Financial Statements regarding recent accounting pronouncements.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

Information with respect to our exposure to interest rate risk and foreign currency risk is contained in Item 7A, ***Quantitative and Qualitative Disclosures About Market Risk***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information.

**Item 4. *Controls and Procedures***

*Disclosure Controls and Procedures:* We, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the fiscal quarter covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the fiscal quarter covered by this report, our disclosure controls and procedures were effective.

*Internal Control Over Financial Reporting:* There has not been any change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In the first quarter of fiscal 2020, we completed the formation of Sensia as described elsewhere in this report. We continue to integrate controls, policies, and procedures relating to this transaction and will continue to evaluate the impact of any related changes to our internal control over financial reporting.

Table of Contents

## PART II. OTHER INFORMATION

### Item 1. *Legal Proceedings*

Information with respect to our legal proceedings is contained in Item 3, ***Legal Proceedings***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information.

### Item 1A. *Risk Factors*

Information about our most significant risk factors is contained in Item 1A, ***Risk Factors***, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We believe that at December 31, 2019, there has been no material change to this information.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

*Share Repurchases*

The table below sets forth information with respect to purchases made by or on behalf of us of shares of our common stock during the three months ended December 31, 2019:

| Period | Total Number of Shares Purchased[(1)] | Average Price Paid Per Share[(2)] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approx. Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(3)] |
|---|---|---|---|---|
| October 1 - 31, 2019 | 192,325 | $ 165.50 | 192,325 | $ 1,076,576,028 |
| November 1 - 30, 2019 | 151,412 | 188.41 | 148,812 | 1,048,241,570 |
| December 1 - 31, 2019 | 198,223 | 200.97 | 198,223 | 1,008,403,976 |
| Total | 541,960 | 184.87 | 539,360 | |

(1) All of the shares purchased during the quarter ended December 31, 2019, were acquired pursuant to the repurchase programs described in (3) below, except for 2,600 shares that were acquired in November 2019 in connection with stock swap exercises of employee stock options.

(2) Average price paid per share includes brokerage commissions.

(3) On both September 6, 2018, and July 24, 2019, the Board of Directors authorized us to expend $1.0 billion to repurchase shares of our common stock. Our repurchase programs allow us to repurchase shares at management's discretion or at our broker's discretion pursuant to a share repurchase plan subject to price and volume parameters.

**Item 6. *Exhibits***

(a) Exhibits:

| | | |
|---|---|---|
| Exhibit 15 | — | Letter of Deloitte & Touche LLP regarding Unaudited Financial Information. |
| Exhibit 31.1 | — | Certification of Periodic Report by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| Exhibit 31.2 | — | Certification of Periodic Report by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| Exhibit 32.1 | — | Certification of Periodic Report by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.2 | — | Certification of Periodic Report by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101 | — | Interactive Data Files. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROCKWELL AUTOMATION, INC.
(Registrant)

| | | |
|---|---|---|
| Date: January 29, 2020 | By | /s/ PATRICK P. GORIS |
| | | Patrick P. Goris<br>Senior Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) |
| Date: January 29, 2020 | By | /s/ TERRY L. RIESTERER |
| | | Terry L. Riesterer<br>Vice President and Controller<br>(Principal Accounting Officer) |

**Exhibit 15**

January 29, 2020

The Board of Directors and Shareowners of
Rockwell Automation, Inc.
1201 South Second Street
Milwaukee, Wisconsin 53204

We are aware that our report dated January 29, 2020, on our review of the interim financial information of Rockwell Automation, Inc. and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, is incorporated by reference in Registration Statement Nos. 333-101780, 333-149581, 333-150019, 333-157203, 333-165727, 333-180557, 333-184400, 333-205022, 333-209706, and 333-234642 on Form S-8 and Registration Statement No. 333-228817 on Form S-3.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

**Exhibit 31.1**

**CERTIFICATION**

I, Blake D. Moret, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rockwell Automation, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2020

/s/ BLAKE D. MORET

Blake D. Moret
President and
Chief Executive Officer

**Exhibit 31.2**

## CERTIFICATION

I, Patrick P. Goris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rockwell Automation, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2020

/S/ PATRICK P. GORIS

Patrick P. Goris
Senior Vice President and
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF PERIODIC REPORT**

I, Blake D. Moret, President and Chief Executive Officer of Rockwell Automation, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 29, 2020

/s/ BLAKE D. MORET

Blake D. Moret
President and
Chief Executive Officer

**Exhibit 32.2**

## CERTIFICATION OF PERIODIC REPORT

I, Patrick P. Goris, Senior Vice President and Chief Financial Officer of Rockwell Automation, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 29, 2020

/S/ PATRICK P. GORIS

Patrick P. Goris
Senior Vice President and
Chief Financial Officer