

**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 June 30, 2021

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
(State or other jurisdiction
of incorporation or organization)
1201 South Second Street
Milwaukee, Wisconsin
(Address of principal executive offices)

25-1797617
(I.R.S. Employer
Identification No.)

53204
(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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

116,025,722 shares of registrant's Common Stock were outstanding on June 30, 2021.

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PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

ROCKWELL AUTOMATION, INC.

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

	June 30, 2021	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 913.8	\$ 704.6
Receivables	1,431.1	1,249.1
Inventories	734.4	584.0
Other current assets	206.9	148.1
Total current assets	3,286.2	2,685.8
Property, net of accumulated depreciation of \$1,744.8 and \$1,674.9, respectively	551.1	574.4
Operating lease right-of-use assets	338.7	342.9
Goodwill	1,916.0	1,650.3
Other intangible assets, net	512.8	479.3
Deferred income taxes	180.4	415.6
Long-term investments	1,589.4	953.5
Other assets	198.5	162.9
Total	<u>\$ 8,573.1</u>	<u>\$ 7,264.7</u>
LIABILITIES AND SHAREOWNERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 24.6	\$ 24.6
Accounts payable	890.2	687.8
Compensation and benefits	345.0	197.0
Contract liabilities	413.2	325.3
Customer returns, rebates and incentives	244.9	199.6
Other current liabilities	538.4	376.5
Total current liabilities	2,456.3	1,810.8
Long-term debt	1,977.1	1,974.7
Retirement benefits	774.1	1,284.0
Operating lease liabilities	268.2	274.7
Other liabilities	519.3	573.7
Commitments and contingent liabilities (Note 13)		
Shareowners' equity:		
Common stock (\$1.00 par value, shares issued: 181.4)	181.4	181.4
Additional paid-in capital	1,909.0	1,830.7
Retained earnings	7,921.9	7,139.8
Accumulated other comprehensive loss	(1,075.0)	(1,614.2)
Common stock in treasury, at cost (shares held: 65.4 and 65.2, respectively)	(6,667.7)	(6,509.9)
Shareowners' equity attributable to Rockwell Automation, Inc.	2,269.6	1,027.8
Noncontrolling interests	308.5	319.0
Total shareowners' equity	2,578.1	1,346.8
Total	<u>\$ 8,573.1</u>	<u>\$ 7,264.7</u>

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Sales				
Products and solutions	\$ 1,664.7	\$ 1,249.7	\$ 4,658.0	\$ 4,264.6
Services	183.5	144.3	531.6	495.2
	<u>1,848.2</u>	<u>1,394.0</u>	<u>5,189.6</u>	<u>4,759.8</u>
Cost of sales				
Products and solutions	(962.7)	(744.8)	(2,665.2)	(2,478.7)
Services	(121.1)	(95.0)	(346.1)	(325.2)
	<u>(1,083.8)</u>	<u>(839.8)</u>	<u>(3,011.3)</u>	<u>(2,803.9)</u>
Gross profit	764.4	554.2	2,178.3	1,955.9
Selling, general and administrative expenses	(436.9)	(370.2)	(1,232.8)	(1,125.4)
Change in fair value of investments	43.3	175.5	624.6	101.7
Other (expense) income (Note 11)	(34.9)	0.4	20.1	(18.4)
Interest expense	(22.4)	(25.4)	(68.3)	(77.3)
Income before income taxes	313.5	334.5	1,521.9	836.5
Income tax provision (Note 14)	(44.5)	(20.3)	(252.2)	(77.0)
Net income	<u>269.0</u>	<u>314.2</u>	<u>1,269.7</u>	<u>759.5</u>
Net loss attributable to noncontrolling interests	(2.3)	(3.6)	(9.9)	(1.2)
Net income attributable to Rockwell Automation, Inc.	<u>\$ 271.3</u>	<u>\$ 317.8</u>	<u>\$ 1,279.6</u>	<u>\$ 760.7</u>
Earnings per share:				
Basic	<u>\$ 2.34</u>	<u>\$ 2.74</u>	<u>\$ 11.01</u>	<u>\$ 6.56</u>
Diluted	<u>\$ 2.32</u>	<u>\$ 2.73</u>	<u>\$ 10.91</u>	<u>\$ 6.52</u>
Weighted average outstanding shares:				
Basic	<u>116.0</u>	<u>115.7</u>	<u>116.0</u>	<u>115.8</u>
Diluted	<u>117.0</u>	<u>116.4</u>	<u>117.1</u>	<u>116.5</u>

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 269.0	\$ 314.2	\$ 1,269.7	\$ 759.5
Other comprehensive income (loss), net of tax:				
Pension and other postretirement benefit plan adjustments (net of tax (expense) of (\$142.9), (\$7.9), (\$159.6) and (\$23.7))	426.5	27.2	482.1	82.0
Currency translation adjustments	23.0	40.2	58.9	(12.0)
Net change in unrealized gains and losses on cash flow hedges (net of tax (expense) benefit of (\$0.4), \$5.0, \$0.6 and \$3.5)	0.8	(11.4)	(2.4)	(9.4)
Other comprehensive income	450.3	56.0	538.6	60.6
Comprehensive income	719.3	370.2	1,808.3	820.1
Comprehensive loss attributable to noncontrolling interests	(3.0)	(3.5)	(10.5)	(1.7)
Comprehensive income attributable to Rockwell Automation, Inc.	\$ 722.3	\$ 373.7	\$ 1,818.8	\$ 821.8

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended June 30,	
	2021	2020
Operating activities:		
Net income	\$ 1,269.7	\$ 759.5
Adjustments to arrive at cash provided by operating activities:		
Depreciation	90.3	91.0
Amortization of intangible assets	45.4	36.7
Change in fair value of investments	(624.6)	(101.7)
Share-based compensation expense	37.9	34.7
Retirement benefit expense	117.8	94.9
Pension contributions	(26.7)	(24.7)
Net loss (gain) on disposition of property	0.6	(12.5)
Settlement of interest rate derivatives	—	22.0
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:		
Receivables	(143.7)	10.5
Inventories	(133.3)	(41.4)
Accounts payable	194.1	(30.8)
Contract liabilities	81.0	63.6
Compensation and benefits	141.6	(52.1)
Income taxes	(8.9)	(81.8)
Other assets and liabilities	15.7	26.8
Cash provided by operating activities	1,056.9	794.7
Investing activities:		
Capital expenditures	(76.6)	(91.9)
Acquisition of businesses, net of cash acquired	(283.0)	(545.9)
Purchases of investments	(9.1)	(10.7)
Proceeds from maturities of investments	0.6	6.0
Proceeds from sale of investments	—	37.9
Proceeds from sale of property	0.4	14.8
Other investing activities	(4.5)	(1.3)
Cash used for investing activities	(372.2)	(591.1)
Financing activities:		
Issuance of short-term debt, net of issuance costs	1.4	422.7
Repayment of long-term debt	—	(300.7)
Cash dividends	(372.9)	(354.3)
Purchases of treasury stock	(238.5)	(264.2)
Proceeds from the exercise of stock options	122.7	187.4
Other financing activities	(15.5)	0.8
Cash used for financing activities	(502.8)	(308.3)
Effect of exchange rate changes on cash	27.3	(3.9)
Increase (decrease) in cash, cash equivalents, and restricted cash	209.2	(108.6)
Cash, cash equivalents, and restricted cash at beginning of period	730.4	1,018.4
Cash, cash equivalents, and restricted cash at end of period	\$ 939.6	\$ 909.8
Components of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 913.8	\$ 909.8
Restricted cash, current (Other current assets)	6.9	—
Restricted cash, noncurrent (Other assets)	18.9	—
Total cash, cash equivalents, and restricted cash	\$ 939.6	\$ 909.8

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 March 31, 2021	\$ 181.4	\$ 1,887.4	\$ 7,899.3	\$ (1,526.0)	\$ (6,624.9)	\$ 1,817.2	\$ 311.5	\$ 2,128.7
Net income (loss)	—	—	271.3	—	—	271.3	(2.3)	269.0
Other comprehensive income (loss)	—	—	—	451.0	—	451.0	(0.7)	450.3
Common stock issued (including share-based compensation impact)	—	22.2	—	—	17.8	40.0	—	40.0
Share repurchases	—	—	—	—	(60.6)	(60.6)	—	(60.6)
Cash dividends declared ⁽¹⁾	—	—	(248.7)	—	—	(248.7)	—	(248.7)
Change in noncontrolling interest	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Balance at June 30, 2021	\$ 181.4	\$ 1,909.0	\$ 7,921.9	\$ (1,075.0)	\$ (6,667.7)	\$ 2,269.6	\$ 308.5	\$ 2,578.1

	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 March 31, 2020	\$ 181.4	\$ 1,791.2	\$ 6,795.8	\$ (1,625.8)	\$ (6,521.8)	\$ 620.8	\$ 317.1	\$ 937.9
Net income	—	—	317.8	—	—	317.8	(3.6)	314.2
Other comprehensive income (loss)	—	—	—	55.9	—	55.9	0.1	56.0
Common stock issued (including share-based compensation impact)	—	24.1	—	—	42.0	66.1	—	66.1
Share repurchases	—	—	—	—	(48.5)	(48.5)	—	(48.5)
Cash dividends declared ⁽¹⁾	—	—	(236.4)	—	—	(236.4)	—	(236.4)
Change in noncontrolling interest	—	(5.2)	—	—	—	(5.2)	5.0	(0.2)
Balance at June 30, 2020	\$ 181.4	\$ 1,810.1	\$ 6,877.2	\$ (1,569.9)	\$ (6,528.3)	\$ 770.5	\$ 318.6	\$ 1,089.1

⁽¹⁾ Cash dividends were \$2.14 per share and \$2.04 per share in the three months ended June 30, 2021, and 2020, respectively.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY (continued)
(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, 2020	\$ 181.4	\$ 1,830.7	\$ 7,139.8	\$ (1,614.2)	\$ (6,509.9)	\$ 1,027.8	\$ 319.0	\$ 1,346.8
Net income (loss)	—	—	1,279.6	—	—	1,279.6	(9.9)	1,269.7
Other comprehensive income (loss)	—	—	—	539.2	—	539.2	(0.6)	538.6
Common stock issued (including share-based compensation impact)	—	78.9	—	—	82.5	161.4	—	161.4
Share repurchases	—	—	—	—	(240.3)	(240.3)	—	(240.3)
Cash dividends declared ⁽¹⁾	—	—	(497.5)	—	—	(497.5)	—	(497.5)
Change in noncontrolling interest	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Balance at June 30, 2021	<u>\$ 181.4</u>	<u>\$ 1,909.0</u>	<u>\$ 7,921.9</u>	<u>\$ (1,075.0)</u>	<u>\$ (6,667.7)</u>	<u>\$ 2,269.6</u>	<u>\$ 308.5</u>	<u>\$ 2,578.1</u>
	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	—	—	760.7	—	—	760.7	(1.2)	759.5
Other comprehensive income (loss)	—	—	—	61.1	—	61.1	(0.5)	60.6
Common stock issued (including share-based compensation impact)	—	57.2	—	—	165.1	222.3	—	222.3
Share repurchases	—	—	—	—	(254.9)	(254.9)	—	(254.9)
Cash dividends declared ⁽¹⁾	—	—	(472.7)	—	—	(472.7)	—	(472.7)
Adoption of accounting standards	—	—	149.0	(146.8)	—	2.2	—	2.2
Change in noncontrolling interest	—	43.8	—	3.8	—	47.6	320.3	367.9
Balance at June 30, 2020	<u>\$ 181.4</u>	<u>\$ 1,810.1</u>	<u>\$ 6,877.2</u>	<u>\$ (1,569.9)</u>	<u>\$ (6,528.3)</u>	<u>\$ 770.5</u>	<u>\$ 318.6</u>	<u>\$ 1,089.1</u>

⁽¹⁾ Cash dividends were \$4.28 per share and \$4.08 per share in the nine months ended June 30, 2021, and 2020, respectively.

See Notes to Consolidated Financial Statements.

ROCKWELL AUTOMATION, INC.

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, 2020. The results of operations for the three and nine months ended June 30, 2021, 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

We record an allowance for doubtful accounts based on customer-specific analysis and general matters such as current assessments of past due balances, historic writeoff experience, and economic conditions and expected changes in market conditions. Receivables are stated net of an allowance for doubtful accounts of \$14.9 million at June 30, 2021, and \$15.2 million at September 30, 2020. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of \$6.9 million at June 30, 2021, and \$8.1 million at September 30, 2020. The changes to our allowance for doubtful accounts during the three and nine months ended June 30, 2021, were not material and primarily consisted of current-period provisions, writeoffs charged against the allowance, recoveries collected, and foreign currency translation.

Earnings Per Share

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to Rockwell Automation	\$ 271.3	\$ 317.8	\$ 1,279.6	\$ 760.7
Less: Allocation to participating securities	(0.4)	(0.3)	(2.1)	(0.7)
Net income available to common shareowners	\$ 270.9	\$ 317.5	\$ 1,277.5	\$ 760.0
Basic weighted average outstanding shares	116.0	115.7	116.0	115.8
Effect of dilutive securities				
Stock options	0.9	0.6	1.0	0.7
Performance shares	0.1	0.1	0.1	—
Diluted weighted average outstanding shares	117.0	116.4	117.1	116.5
Earnings per share:				
Basic	\$ 2.34	\$ 2.74	\$ 11.01	\$ 6.56
Diluted	\$ 2.32	\$ 2.73	\$ 10.91	\$ 6.52

For each of the three and nine months ended June 30, 2021, there were 0.2 million shares related to share-based compensation awards that were excluded from the diluted EPS calculation because they were antidilutive. For the three and nine months ended June 30, 2020, 1.4 million and 1.5 million shares, respectively, 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 \$18.0 million and \$10.4 million were accrued within accounts payable and other current liabilities at June 30, 2021 and 2020, respectively. At June 30, 2021, there were \$1.8 million of outstanding common stock share repurchases recorded in accounts payable that did not settle until the next fiscal quarter. At June 30, 2020, there were no outstanding common stock share repurchases. 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.

ROCKWELL AUTOMATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
(Unaudited)*Goodwill*

We perform our annual evaluation of goodwill and indefinite life intangible assets for impairment as required under accounting principles generally accepted in the United States (U.S. GAAP) during the second quarter of each year, or more frequently if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Any excess in carrying value over the estimated fair value is charged to results of operations. For our annual evaluation of goodwill, we may perform a qualitative test to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in order to determine whether it is necessary to perform a quantitative goodwill impairment test. Our reporting units for goodwill evaluation consist of the Intelligent Devices segment, the Software & Control segment, the Lifecycle Services segment (excluding Sensia), and Sensia.

When performing the quantitative goodwill impairment test, we determine the fair value of each reporting unit under a combination of an income approach derived from discounted cash flows and a market multiples approach using selected comparable public companies. Significant assumptions used in the income approach include: management's forecasted cash flows, including estimated future revenue growth rates and margins, discount rates, and terminal value. Forecasts of future revenue growth and margins are based on management's best estimates. Discount rates are determined using a weighted average cost of capital adjusted for risk factors specific to the reporting unit, with comparison to market and industry data. The terminal value is estimated following the common methodology of calculating the present value of estimated perpetual cash flow beyond the last projected period assuming constant discount and long-term growth rates. Significant assumptions used in the market multiples approach include selection of the comparable public companies and calculation of the appropriate market multiples. Demand for Sensia hardware and software products, solutions and services is sensitive to industry volatility and risks, including those related to commodity prices, supply and demand dynamics, production costs, geological activity, and political activities. Actual results and forecasts of revenue growth and margins for our Sensia reporting unit may be impacted by its concentration within the Oil & Gas industry and with its customer base.

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.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Acquisition Announcement

On June 25, 2021, we announced that we entered into an agreement to acquire Plex Systems, the leading cloud-native smart manufacturing platform operating at scale, for \$2.22 billion in cash. The transaction is expected to close in the fourth quarter of fiscal 2021, subject to customary closing conditions and completion of regulatory review.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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 amounts of lease right-of-use assets and corresponding lease liabilities recorded in the Consolidated Balance Sheet upon adoption were \$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 \$147 million from accumulated other comprehensive loss into retained earnings.

In June 2016, the FASB issued a new standard that requires companies to utilize a current expected credit losses impairment (CECL) model for certain financial assets, including trade and other receivables. The CECL model requires that estimated expected credit losses, including allowance for doubtful accounts, consider a broader range of information such as economic conditions and expected changes in market conditions. We adopted the new standard as of October 1, 2020. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**2. Revenue Recognition***Nature of Products and Services*

Substantially all of our revenue is from contracts with customers. We recognize revenue as promised products are transferred to, or services are performed for, customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those products and services. Our offerings consist of industrial automation and information products, solutions and services.

Our products include hardware, software, and configured-to-order products. Our solutions include custom-engineered systems and software. Our services include customer technical support and repair, asset management and optimization consulting, and training. Also included in our services is a portion of revenue related to spare parts that are managed within our services offering.

Our operations are comprised of the Intelligent Devices segment, Software & Control segment, and Lifecycle Services segment. Revenue from the Intelligent Devices and Software & Control segments is predominantly comprised of product sales which are recognized at a point in time. The Software & Control segment also contains revenue from software products which may be recognized over time if certain criteria are met. Revenue from the Lifecycle Services segment is predominantly comprised of solutions and services which are primarily recognized over time. See Note 16 for more information.

Unfulfilled Performance Obligations

As of June 30, 2021, we expect to recognize approximately \$620 million of revenue in future periods from unfulfilled performance obligations from existing contracts with customers. We expect to recognize revenue of approximately \$350 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 June 30, 2021.

Disaggregation of Revenue

The following tables present our revenue disaggregation by geographic region for our three operating segments (in millions). We attribute sales to the geographic regions based on the country of destination. Information for the three and nine months ended June 30, 2020, has been recast to reflect our new operating segments. See Note 15 for further information on our change in operating segments.

	Three Months Ended June 30, 2021				Nine Months Ended June 30, 2021			
	Intelligent Devices	Software & Control	Lifecycle Services	Total	Intelligent Devices	Software & Control	Lifecycle Services	Total
North America	\$ 548.5	\$ 302.9	\$ 235.3	\$ 1,086.7	\$ 1,536.7	\$ 878.5	\$ 649.5	\$ 3,064.7
Europe, Middle East and Africa (EMEA)	162.8	103.3	111.2	377.3	445.1	286.2	321.5	1,052.8
Asia Pacific	118.1	74.4	82.3	274.8	316.6	204.0	223.0	743.6
Latin America	53.5	29.0	26.9	109.4	156.4	84.2	87.9	328.5
Total Company Sales	\$ 882.9	\$ 509.6	\$ 455.7	\$ 1,848.2	\$ 2,454.8	\$ 1,452.9	\$ 1,281.9	\$ 5,189.6

	Three Months Ended June 30, 2020				Nine Months Ended June 30, 2020			
	Intelligent Devices	Software & Control	Lifecycle Services	Total	Intelligent Devices	Software & Control	Lifecycle Services	Total
North America	\$ 417.8	\$ 216.8	\$ 191.4	\$ 826.0	\$ 1,404.5	\$ 780.1	\$ 670.4	\$ 2,855.0
Europe, Middle East and Africa (EMEA)	119.3	71.9	89.2	280.4	385.6	222.8	315.7	924.1
Asia Pacific	89.6	61.5	55.8	206.9	276.6	187.0	173.7	637.3
Latin America	33.2	14.5	33.0	80.7	154.8	75.5	113.1	343.4
Total Company Sales	\$ 659.9	\$ 364.7	\$ 369.4	\$ 1,394.0	\$ 2,221.5	\$ 1,265.4	\$ 1,272.9	\$ 4,759.8

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)*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 June 30, 2021.

Below is a summary of our contract liabilities balance:

	June 30, 2021	June 30, 2020
Balance as of beginning of fiscal year	\$ 325.3	\$ 275.6
Balance as of end of period	413.2	341.7

The most significant changes in our contract liabilities balance during the nine months ended June 30, 2021, 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 nine months ended June 30, 2021, we recognized revenue of approximately \$217.6 million that was included in the contract liabilities balance at September 30, 2020. We did not have a material amount of revenue recognized in the nine months ended June 30, 2021, from performance obligations satisfied or partially satisfied in previous periods.

3. Share-Based Compensation

We recognized \$13.5 million and \$37.9 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2021, respectively. We recognized \$12.3 million and \$34.7 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2020, 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):

	Nine Months Ended June 30,			
	2021		2020	
	Grants	Wtd. Avg. Share Fair Value	Grants	Wtd. Avg. Share Fair Value
Stock options	196	\$ 55.50	973	\$ 35.79
Performance shares	44	298.10	37	265.04
Restricted stock and restricted stock units	181	248.16	67	198.77
Unrestricted stock	6	228.80	7	171.51

4. Inventories

Inventories consist of (in millions):

	June 30, 2021	September 30, 2020
Finished goods	\$ 287.8	\$ 243.0
Work in process	200.9	159.1
Raw materials	245.7	181.9
Inventories	<u>\$ 734.4</u>	<u>\$ 584.0</u>

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**5. Acquisitions**

In October 2020, we acquired Oylo, a privately-held industrial cybersecurity services provider based in Barcelona, Spain. We assigned the full amount of goodwill related to this acquisition to our Lifecycle Services segment.

In December 2020, we acquired Fiix Inc., a privately-held, artificial intelligence enabled computerized maintenance management system (CMMS) company based in Toronto, Ontario, Canada. We assigned the full amount of goodwill related to this acquisition to our Software & Control segment.

We recorded assets acquired and liabilities assumed in connection with these acquisitions based on their estimated fair values as of the respective acquisition dates. The preliminary aggregate purchase price allocation for these acquisitions is as follows (in millions):

	Purchase Price Allocation
Accounts receivable	\$ 6.0
All other assets	15.9
Goodwill	224.8
Intangible assets	69.6
Total assets acquired	316.3
Less: Liabilities assumed	(25.5)
Less: Deferred income taxes	(3.7)
Net assets acquired	\$ 287.1
	Purchase Consideration
Total purchase consideration, net of cash acquired	\$ 287.1

Intangible assets identified include \$69.6 million of customer relationships, technology, and trade names (approximately 11-year weighted average useful life). We assigned \$12.8 million of goodwill to our Lifecycle Services segment and \$212.0 million of goodwill to our Software & Control segment, which represents intangible assets that do not qualify for separate recognition. We do not expect the goodwill to be deductible for tax purposes.

The allocation of the purchase price to identifiable assets for these acquisitions are based on the preliminary valuations performed to determine the fair value of the net assets as of their respective acquisition dates. 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.

Total sales from these acquisitions included in our consolidated results for the three and nine months ended June 30, 2021, and their impact on proforma sales and earnings for the three and nine months ended June 30, 2020, were not material. Acquisition-related costs recorded as expenses for these acquisitions in the three and nine months ended June 30, 2021, were not material.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**6. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the nine months ended June 30, 2021, are (in millions):

	Architecture & Software	Control Products & Solutions	Intelligent Devices	Software & Control	Lifecycle Services	Total
Balance as of September 30, 2020	\$ 609.4	\$ 1,040.9	\$ —	\$ —	\$ —	\$ 1,650.3
Reallocation due to change in Segments	(609.4)	(1,040.9)	535.1	497.3	617.9	—
Acquisition of businesses	—	—	—	212.0	12.8	224.8
Translation	—	—	15.3	16.8	8.8	40.9
Balance as of June 30, 2021	\$ —	\$ —	\$ 550.4	\$ 726.1	\$ 639.5	\$ 1,916.0

During the first quarter of fiscal 2021, we changed our organizational structure resulting in three operating segments: Intelligent Devices, Software & Control, and Lifecycle Services. This change also resulted in the identification of new reporting units. We reassigned our goodwill balances to reflect this new structure using the relative fair value allocation approach required under U.S. GAAP. Under this approach, the fair values of each of our new reporting units were compared to the total fair value of their prior respective reporting units immediately prior to the reorganization to arrive at the reassigned goodwill balances. We determined the reporting unit fair values using the same approach for quantitative goodwill impairment tests described in Note 1. We also tested goodwill at the affected reporting units for impairment prior to and subsequent to the reassignment of goodwill and concluded that goodwill was not impaired.

We performed our annual evaluation of goodwill and indefinite life intangible assets for impairment during the second quarter of 2021 and concluded that these assets are not impaired. Refer to Note 1 for additional information on our annual impairment evaluation.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Other intangible assets consist of (in millions):

	June 30, 2021		
	Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:			
Software products	\$ 197.2	\$ 147.4	\$ 49.8
Customer relationships	368.2	115.7	252.5
Technology	225.4	99.7	125.7
Trademarks	77.2	37.1	40.1
Other	15.5	14.5	1.0
Total amortized intangible assets	883.5	414.4	469.1
Allen-Bradley® trademark not subject to amortization	43.7	—	43.7
Total	\$ 927.2	\$ 414.4	\$ 512.8

	September 30, 2020		
	Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:			
Software products	\$ 192.7	\$ 139.0	\$ 53.7
Customer relationships	351.3	92.5	258.8
Technology	165.8	84.0	81.8
Trademarks	71.7	31.3	40.4
Other	14.4	13.5	0.9
Total amortized intangible assets	795.9	360.3	435.6
Allen-Bradley® trademark not subject to amortization	43.7	—	43.7
Total	\$ 839.6	\$ 360.3	\$ 479.3

Estimated amortization expense is \$59.3 million in 2021, \$57.7 million in 2022, \$56.4 million in 2023, \$53.4 million in 2024, and \$51.2 million in 2025.

7. Short-term Debt

Our short-term debt as of June 30, 2021, primarily consists of \$23.5 million of interest-bearing loans from Schlumberger to Sensia which were originally due September 30, 2020, and are now due September 30, 2021. The short-term loans from Schlumberger were entered into following the formation of Sensia in fiscal 2020. There were no commercial paper borrowings outstanding at June 30, 2021, or September 30, 2020.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**8. Other Current Liabilities**

Other current liabilities consist of (in millions):

	June 30, 2021	September 30, 2020
Unrealized losses on foreign exchange contracts	\$ 41.5	\$ 24.3
Product warranty obligations	19.1	20.8
Taxes other than income taxes	80.0	58.5
Accrued interest	29.9	14.9
Dividends payable	124.4	—
Income taxes payable	48.5	79.8
Operating lease liabilities	89.8	89.7
Other	105.2	88.5
Other current liabilities	<u>\$ 538.4</u>	<u>\$ 376.5</u>

9. Investments

Our investments consist of (in millions):

	June 30, 2021	September 30, 2020
Fixed income securities	\$ 0.6	\$ 0.6
Equity securities	1,494.8	875.3
Other	94.6	78.2
Total investments	1,590.0	954.1
Less: Short-term investments ⁽¹⁾	(0.6)	(0.6)
Long-term investments	<u>\$ 1,589.4</u>	<u>\$ 953.5</u>

⁽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 PTC Shares are considered equity securities. On May 11, 2021, we entered into an amendment to the securities purchase agreement with PTC, which amended, among other things, our entity-specific transfer restrictions through September 2023, subject to certain exceptions. We have the ability to transfer in open market transactions, in the aggregate in any 90-day period, a number of PTC Shares equal to up to 1.0 percent of PTC's total outstanding shares of common stock as of the first day in such 90-day period. We also have the ability to transfer in marketed underwritten public offerings, in the aggregate in any one-year period, a number of PTC Shares equal to up to 5.0 percent of PTC's total outstanding shares of common stock as of the closing date of the first such offering.

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.

ROCKWELL AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 June 30, 2021, the fair value of the PTC Shares was \$1,494.8 million, which was recorded in long-term investments in the Consolidated Balance Sheet. For the three and nine months ended June 30, 2021, we recorded gains of \$38.2 million and \$619.5 million related to the PTC Shares, respectively. For the three and nine months ended June 30, 2020, we recorded gains of \$175.5 million and \$101.7 million related to the PTC Shares, respectively.

10. Retirement Benefits

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

	Pension Benefits			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 23.1	\$ 22.6	\$ 68.7	\$ 68.2
Interest cost	31.5	34.0	94.3	102.3
Expected return on plan assets	(60.9)	(60.9)	(182.0)	(183.3)
Amortization:				
Prior service cost	0.3	0.2	1.0	0.7
Net actuarial loss	37.0	36.7	110.5	110.3
Settlements	27.2	(0.8)	26.8	(2.3)
Net periodic benefit cost	<u>\$ 58.2</u>	<u>\$ 31.8</u>	<u>\$ 119.3</u>	<u>\$ 95.9</u>

	Other Postretirement Benefits			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.8
Interest cost	0.3	0.4	0.9	1.2
Amortization:				
Prior service credit	(1.4)	(1.4)	(4.1)	(4.1)
Net actuarial loss	0.3	0.4	0.9	1.1
Net periodic benefit credit	<u>\$ (0.5)</u>	<u>\$ (0.3)</u>	<u>\$ (1.5)</u>	<u>\$ (1.0)</u>

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 (expense) income in the Consolidated Statement of Operations.

In June 2021, we remeasured our U.S. pension plan assets and liabilities in accordance with U.S. GAAP settlement accounting rules and recognized settlement expense of \$27.2 million. Settlement accounting was required due to the amount of lump-sum payments made by the U.S. pension plan to retirees and other separated employees. Remeasurement of our U.S. pension plan assets and liabilities reduced our net benefit obligation by \$500.9 million. The discount rate used for the remeasurement as of June 30, 2021, was 3.05 percent compared to 2.90 percent at our September 30, 2020, annual measurement date.

ROCKWELL AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
11. Other (Expense) Income

The components of other (expense) income are (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Interest income	\$ 0.3	\$ 0.7	\$ 1.1	\$ 5.1
Royalty income	2.9	2.1	7.5	6.7
Legacy product liability and environmental charges	(4.0)	(4.1)	(9.4)	(12.5)
Non-operating pension and postretirement benefit cost	(34.3)	(8.6)	(48.3)	(25.9)
Legal settlement (Note 13)	—	—	70.0	—
Other	0.2	10.3	(0.8)	8.2
Other (expense) income	\$ (34.9)	\$ 0.4	\$ 20.1	\$ (18.4)

12. Accumulated Other Comprehensive Loss

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

Three Months Ended June 30, 2021

	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	Total accumulated other comprehensive loss, net of tax
Balance as of March 31, 2021	\$ (1,215.6)	\$ (275.7)	\$ (34.7)	\$ (1,526.0)
Other comprehensive income (loss) before reclassifications	379.1	23.0	(5.6)	396.5
Amounts reclassified from accumulated other comprehensive loss	48.1	—	6.4	54.5
Other comprehensive income (loss)	427.2	23.0	0.8	451.0
Balance as of June 30, 2021	\$ (788.4)	\$ (252.7)	\$ (33.9)	\$ (1,075.0)

Nine Months Ended June 30, 2021

	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	Total accumulated other comprehensive loss, net of tax
Balance as of September 30, 2020	\$ (1,271.2)	\$ (311.5)	\$ (31.5)	\$ (1,614.2)
Other comprehensive income (loss) before reclassifications	379.7	58.8	(18.2)	420.3
Amounts reclassified from accumulated other comprehensive loss	103.1	—	15.8	118.9
Other comprehensive income (loss)	482.8	58.8	(2.4)	539.2
Balance as of June 30, 2021	\$ (788.4)	\$ (252.7)	\$ (33.9)	\$ (1,075.0)

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)*Three Months Ended June 30, 2020*

	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	Total accumulated other comprehensive loss, net of tax
Balance as of March 31, 2020	\$ (1,225.7)	\$ (389.1)	\$ (11.0)	\$ (1,625.8)
Other comprehensive income (loss) before reclassifications	—	40.1	(7.7)	32.4
Amounts reclassified from accumulated other comprehensive loss	27.2	—	(3.7)	23.5
Other comprehensive income (loss)	27.2	40.1	(11.4)	55.9
Balance as of June 30, 2020	\$ (1,198.5)	\$ (349.0)	\$ (22.4)	\$ (1,569.9)

Nine Months Ended June 30, 2020

	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	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	—	(11.5)	2.0	(9.5)
Amounts reclassified from accumulated other comprehensive loss	82.0	—	(11.4)	70.6
Other comprehensive income (loss)	82.0	(11.5)	(9.4)	61.1
Adoption of accounting standard/other	(146.8)	3.8	—	(143.0)
Balance as of June 30, 2020	\$ (1,198.5)	\$ (349.0)	\$ (22.4)	\$ (1,569.9)

ROCKWELL AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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

	Three Months Ended June 30,		Nine Months Ended June 30,		Affected Line in the Consolidated Statement of Operations
	2021	2020	2021	2020	
Pension and other postretirement benefit plan adjustments⁽¹⁾:					
Amortization of prior service credit	\$ (1.1)	\$ (1.2)	\$ (3.1)	\$ (3.4)	Other (expense) income
Amortization of net actuarial loss	37.3	37.1	111.4	111.4	Other (expense) income
Settlements	27.2	(0.8)	26.8	(2.3)	Other (expense) income
	63.4	35.1	135.1	105.7	Income before income taxes
	(15.3)	(7.9)	(32.0)	(23.7)	Income tax provision
	\$ 48.1	\$ 27.2	\$ 103.1	\$ 82.0	Net income attributable to Rockwell Automation
Net unrealized losses (gains) on cash flow hedges:					
Forward exchange contracts	\$ (0.1)	\$ 1.0	\$ (1.3)	\$ 0.8	Sales
Forward exchange contracts	8.6	(7.4)	22.6	(19.4)	Cost of sales
Forward exchange contracts	(0.4)	0.7	(1.3)	1.3	Selling, general and administrative expenses
Treasury locks related to 2019 debt issuance	0.5	0.4	1.5	1.5	Interest expense
	8.6	(5.3)	21.5	(15.8)	Income before income taxes
	(2.2)	1.6	(5.7)	4.4	Income tax provision
	\$ 6.4	\$ (3.7)	\$ 15.8	\$ (11.4)	Net income attributable to Rockwell Automation
Total reclassifications	\$ 54.5	\$ 23.5	\$ 118.9	\$ 70.6	Net income attributable to Rockwell Automation

(1) These components are included in the computation of net periodic benefit cost (credit). See Note 10 for further information.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

13. 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 and at times in other contracts with third parties. As of June 30, 2021, 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. During the first quarter of fiscal 2021, we reached a favorable settlement agreement regarding ongoing litigation of a trademark infringement and false advertising matter and received \$70 million. The settlement gain is recorded in other (expense) income in the Consolidated Statement of Operations.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 14.2 percent and 16.6 percent in the three and nine months ended June 30, 2021, respectively, compared to 6.1 percent and 9.2 percent in the three and nine months ended June 30, 2020. The effective tax rate was lower than the U.S. statutory rate of 21 percent in the three months ended June 30, 2021, primarily because we benefited from lower non-U.S. tax rates and other favorable discrete tax items. The effective tax rate was lower than the U.S. statutory rate of 21 percent in the nine months ended June 30, 2021, primarily due to PTC investment adjustments and because we benefited from lower non-U.S. tax rates. The effective tax rate was lower than the U.S. statutory rate of 21 percent in the three months ended June 30, 2020, primarily due to PTC investment adjustments and other favorable discrete tax items. The effective tax rate was lower than the U.S. statutory rate of 21 percent in the nine months ended June 30, 2020, primarily due to PTC investment adjustments and other tax benefits recognizable upon the formation of the Sensia joint venture, excess income tax benefits of share-based compensation, and other favorable discrete tax items.

An income tax liability of \$264.9 million and \$296.0 million related to the U.S. transition tax under the Tax Act that is payable greater than 12 months after June 30, 2021, and September 30, 2020, respectively, is recorded in other liabilities in the Consolidated Balance Sheet.

Unrecognized Tax Benefits

The amount of gross unrecognized tax benefits was \$20.2 million and \$25.5 million at June 30, 2021, and September 30, 2020, respectively, of which the entire amount would reduce our effective tax rate if recognized.

Accrued interest and penalties related to unrecognized tax benefits were \$4.0 million at both June 30, 2021, and September 30, 2020. 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 \$19.6 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 \$22.9 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 2014.

ROCKWELL AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
15. Business Segment Information

We determine our operating segments based on the information used by our chief operating decision maker, our Chief Executive Officer, to allocate resources and assess performance. Beginning in fiscal year 2021, we organize our business into three operating segments: Intelligent Devices, Software & Control, and Lifecycle Services. This change simplifies our structure around essential offerings, leverages our sharpened industry focus, and recognizes the growing importance of software in delivering value to our customers. The composition of our segments is as follows:

Intelligent Devices	Software & Control ⁽¹⁾	Lifecycle Services ⁽²⁾
Drives ⁽²⁾	Control software & hardware	Consulting
Motion ⁽¹⁾	Visualization software & hardware	Professional services and solutions
Safety ⁽¹⁾	Digital twin & simulation software	Connected services
Sensing ⁽¹⁾	Information solutions software	Maintenance services
Industrial components ⁽²⁾	Network & security infrastructure	Sensia joint venture
Configured-to-order products ⁽²⁾		

⁽¹⁾ Formerly part of the Architecture & Software segment

⁽²⁾ Formerly part of the Control Products & Solutions segment

The following tables reflect the sales and operating results of our reportable segments including recast information for the three and nine months ended June 30, 2020 (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Sales				
Intelligent Devices	\$ 882.9	\$ 659.9	\$ 2,454.8	\$ 2,221.5
Software & Control	509.6	364.7	1,452.9	1,265.4
Lifecycle Services	455.7	369.4	1,281.9	1,272.9
Total	<u>\$ 1,848.2</u>	<u>\$ 1,394.0</u>	<u>\$ 5,189.6</u>	<u>\$ 4,759.8</u>
Segment operating earnings				
Intelligent Devices	\$ 193.6	\$ 111.6	\$ 535.8	\$ 452.9
Software & Control	128.3	82.1	411.2	359.3
Lifecycle Services	46.8	35.7	121.1	127.8
Total	368.7	229.4	1,068.1	940.0
Purchase accounting depreciation and amortization	(12.9)	(10.6)	(37.7)	(30.1)
Corporate and other	(29.2)	(26.4)	(87.6)	(76.9)
Non-operating pension and postretirement benefit cost	(34.3)	(8.6)	(48.3)	(25.9)
Gain on investments	43.3	175.5	624.6	101.7
Legal Settlement	—	—	70.0	—
Interest (expense) income - net	(22.1)	(24.8)	(67.2)	(72.3)
Income before income taxes	<u>\$ 313.5</u>	<u>\$ 334.5</u>	<u>\$ 1,521.9</u>	<u>\$ 836.5</u>

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 cost, certain corporate initiatives, gains and losses on investments, 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 consistent with the methodology used by management to assess segment performance.

ROCKWELL AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following table summarizes the identifiable assets at June 30, 2021, and September 30, 2020, for each of the reportable segments and Corporate (in millions):

	June 30, 2021	September 30, 2020
Identifiable assets:		
Intelligent Devices	\$ 1,814.8	\$ 1,585.0
Software & Control	1,497.6	1,072.7
Lifecycle Services	1,894.6	1,915.0
Corporate	3,366.1	2,692.0
Total	<u>\$ 8,573.1</u>	<u>\$ 7,264.7</u>

Identifiable assets at Corporate consist principally of cash, net deferred income tax assets, prepaid pension obligations, and property. Property shared by the segments and used in operating activities is also reported in Corporate identifiable assets. Corporate identifiable assets include shared net property balances of \$240.1 million and \$247.3 million at June 30, 2021, and September 30, 2020, respectively, for which depreciation expense has been allocated to segment operating earnings consistent with the methodology used by management to assess segment performance.

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 June 30, 2021, the related consolidated statements of operations, comprehensive income, and shareowners' equity for the three-month and nine-month periods ended June 30, 2021 and 2020, and of cash flows for the nine-month periods ended June 30, 2021 and 2020, 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, 2020, 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 10, 2020, 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, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

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
July 27, 2021

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, guidance 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:

- the severity and duration of disruptions to our business due to pandemics, including the COVID-19 pandemic, natural disasters, acts of war, strikes, terrorism, social unrest or other causes, including the impacts of the COVID-19 pandemic and efforts to manage it on the global economy, liquidity and financial markets, demand for our hardware and software products, solutions and services, our supply chain, our work force, our liquidity and the value of the assets we own;
- the availability and price of components and materials;
- macroeconomic factors, including global and regional business conditions (including adverse impacts in certain markets, such as Oil & Gas), the availability and cost of capital, commodity prices, the cyclical nature of our customers' capital spending, sovereign debt concerns and currency exchange rates;
- the successful completion, integration, and management of strategic transactions and achievement of the expected benefits of these transactions;
- 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, effectiveness and security of our information technology systems;
- our ability to manage and mitigate the risk related to security vulnerabilities and breaches of our hardware and software 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;
- the successful execution of our cost productivity initiatives;
- competitive hardware and software products, solutions and services and pricing pressures, and our ability to provide high quality products, solutions and services;
- our ability to attract, develop, and retain qualified personnel;
- disruptions to our distribution channels or the failure of distributors to develop and maintain capabilities to sell our products;
- 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;
- 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, 2020, 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 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;
- drive double digit growth in annual recurring revenue;
- 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, increasing the portion of our total revenue that is recurring in nature, 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 third quarter of fiscal 2021, 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 2017. 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 2019. These figures are as of July 27, 2021, and are subject to revision by the issuing organizations. In the third quarter of fiscal 2021, Manufacturing PMI softened compared to the prior quarter but remained well above 50. The June PMI represents the thirteenth consecutive month of expansion in the overall economy. The IP index continued to improve during the quarter and compared to the prior year, although it is still slightly below the pre-pandemic level.

	IP Index	PMI
Fiscal 2021 quarter ended:		
June 2021	99.6	60.6
March 2021	98.2	64.7
December 2020	97.4	60.5
Fiscal 2020 quarter ended:		
September 2020	95.5	55.7
June 2020	87.1	52.2
March 2020	100.0	49.7
December 2019	101.7	47.8
Fiscal 2019 quarter ended:		
September 2019	102.4	48.2

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

Non-U.S. Economic Trends

In the third quarter of fiscal 2021, 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 IP as indicators of the growth opportunities in each region where we do business.

Industrial output outside the U.S. was mixed in the third quarter of fiscal 2021. Manufacturing PMI readings were mixed as well. The industrial output projection for the fourth quarter of fiscal 2021 is generally positive, with most regions projected to grow sequentially.

Outlook

We are actively monitoring the impacts of the COVID-19 pandemic on all aspects of our business and geographies. While the duration and severity of those impacts are highly uncertain, they have had, and could continue to have, an adverse effect on our business, financial condition and results of operations.

The supply chain is stressed by increased demand, along with pandemic-related and other global events that have put additional pressures on manufacturing output and freight lanes. This has resulted in and could continue to result in:

- disruptions in our supply chain;
- difficulty in procuring or inability to procure components and materials necessary for our hardware and software products, solutions and services;
- increased costs for commodities, components, and freight services; and
- delays in delivering, or an inability to deliver, our hardware and software products, solutions, and services.

We are closely managing our end-to-end supply chain, from sourcing to production to customer delivery, with a particular focus on all critical and at-risk suppliers and supplier locations globally.

We are updating our guidance considering our performance through the first three quarters of the year, our expectation of continued orders strength, and anticipation of continued supply chain constraints. The following table provides guidance for projected sales growth and earnings per share for fiscal 2021:

	Sales Growth Guidance		EPS Guidance
Reported sales growth	~12%	Diluted EPS	\$12.85 - \$13.05
Organic sales growth ¹	~8%	Adjusted EPS ¹	\$9.10 - \$9.30
Inorganic sales growth	~1.5%		
Currency translation	~2.5%		

¹Organic sales growth and Adjusted EPS are non-GAAP measures. See *Supplemental Sales Information* and *Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation* for more information on these non-GAAP measures.

Summary of Results of Operations

The following table reflects our sales and operating results (in millions, except per share amounts and percentages). Information for the three and nine months ended June 30, 2020, has been recast to reflect our new operating segments. See Note 15 in the Consolidated Financial Statements for further information on our change in operating segments:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Sales				
Intelligent Devices (a)	\$ 882.9	\$ 659.9	\$ 2,454.8	\$ 2,221.5
Software & Control (b)	509.6	364.7	1,452.9	1,265.4
Lifecycle Services (c)	455.7	369.4	1,281.9	1,272.9
Total sales (d)	\$ 1,848.2	\$ 1,394.0	\$ 5,189.6	\$ 4,759.8
Segment operating earnings⁽¹⁾				
Intelligent Devices (e)	\$ 193.6	\$ 111.6	\$ 535.8	\$ 452.9
Software & Control (f)	128.3	82.1	411.2	359.3
Lifecycle Services (g)	46.8	35.7	121.1	127.8
Total segment operating earnings ⁽²⁾ (h)	368.7	229.4	1,068.1	940.0
Purchase accounting depreciation and amortization	(12.9)	(10.6)	(37.7)	(30.1)
Corporate and other	(29.2)	(26.4)	(87.6)	(76.9)
Non-operating pension and postretirement benefit cost	(34.3)	(8.6)	(48.3)	(25.9)
Gain on investments	43.3	175.5	624.6	101.7
Legal settlement	—	—	70.0	—
Interest (expense) income, net	(22.1)	(24.8)	(67.2)	(72.3)
Income before income taxes (i)	313.5	334.5	1,521.9	836.5
Income tax provision	(44.5)	(20.3)	(252.2)	(77.0)
Net income	269.0	314.2	1,269.7	759.5
Net loss attributable to noncontrolling interests	(2.3)	(3.6)	(9.9)	(1.2)
Net income attributable to Rockwell Automation	\$ 271.3	\$ 317.8	\$ 1,279.6	\$ 760.7
Diluted EPS	\$ 2.32	\$ 2.73	\$ 10.91	\$ 6.52
Adjusted EPS⁽³⁾	\$ 2.31	\$ 1.32	\$ 7.10	\$ 5.95
Diluted weighted average outstanding shares	117.0	116.4	117.1	116.5
Total segment operating margin⁽²⁾ (h/d)	19.9 %	16.5 %	20.6 %	19.7 %
Pre-tax margin (i/d)	17.0 %	24.0 %	29.3 %	17.6 %
Intelligent Devices segment operating margin (e/a)	21.9 %	16.9 %	21.8 %	20.4 %
Software & Control segment operating margin (f/b)	25.2 %	22.5 %	28.3 %	28.4 %
Lifecycle Services segment operating margin (g/c)	10.3 %	9.7 %	9.4 %	10.0 %

(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, corporate and other, non-operating pension and postretirement benefit cost, gains and losses on investments, the \$70 million legal settlement in fiscal 2021, certain corporate initiatives, 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 net income (loss) attributable to noncontrolling interests, purchase accounting depreciation and amortization expense attributable to Rockwell Automation, non-operating pension and postretirement benefit cost, and gains and losses on investments, 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 and Nine Months Ended June 30, 2021, Compared to Three and Nine Months Ended June 30, 2020
Sales

Sales increased 32.6 percent and 9.0 percent year over year in the three and nine months ended June 30, 2021, respectively. Organic sales increased 26.4 percent and 4.7 percent in the three and nine months ended June 30, 2021, respectively. Currency translation increased sales by 5.1 percentage points and 2.7 percentage points in the three and nine months ended June 30, 2021, respectively. Acquisitions increased sales by 1.1 percentage points and 1.6 percentage points in the three and nine months ended June 30, 2021, respectively.

Pricing contributed approximately one percentage point to sales growth in the three months ended June 30, 2021, and did not have a significant impact on sales growth in the nine months ended June 30, 2021.

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 June 30, 2021	Change vs. Three Months Ended June 30, 2020	Change in Organic Sales ⁽¹⁾ vs. Three Months Ended June 30, 2020
North America	\$ 1,086.7	31.6 %	29.2 %
EMEA	377.3	34.6 %	21.0 %
Asia Pacific	274.8	32.8 %	23.0 %
Latin America	109.4	35.6 %	25.5 %
Total Sales	\$ 1,848.2	32.6 %	26.4 %

	Nine Months Ended June 30, 2021	Change vs. Nine Months Ended June 30, 2020	Change in Organic Sales ⁽¹⁾ vs. Nine Months Ended June 30, 2020
North America	\$ 3,064.7	7.3 %	5.5 %
EMEA	1,052.8	13.9 %	1.2 %
Asia Pacific	743.6	16.7 %	9.8 %
Latin America	328.5	(4.3)%	(1.6)%
Total Sales	\$ 5,189.6	9.0 %	4.7 %

⁽¹⁾ Organic sales and organic sales growth exclude the effect of acquisitions, changes in currency exchange rates, and divestitures. See **Supplemental Sales Information** for information on these non-GAAP measures.

- The increase in North America reported and organic sales in the three months ended June 30, 2021, compared to the prior period was due to strong growth across discrete, process, and hybrid industries. North America sales in the nine months ended June 30, 2021, increased in discrete and hybrid industries, partially offset by weakness in process industries, particularly Oil & Gas.
- EMEA reported sales and organic sales increased year over year in the three and nine months ended June 30, 2021, primarily due to strength in Food & Beverage and Tire. Reported sales also increased due to currency translation and sales from acquisitions.
- Reported and organic sales in Asia Pacific increased in the three and nine months ended June 30, 2021, primarily due to strength in Semiconductor, Life Sciences, and Tire. Reported sales also increased due to favorable currency translation.
- Latin America reported and organic sales increased in the three months ended June 30, 2021, led by Food & Beverage and Automotive. Latin America reported and organic sales decreased in the nine months ended June 30, 2021, due to weakness in Oil & Gas. Currency translation contributed to the increase in reported sales in the three months ended June 30, 2021, and to the decrease in reported sales in the nine months ended June 30, 2021.

Three and Nine Months Ended June 30, 2021, Compared to Three and Nine Months Ended June 30, 2020

Corporate and Other

Corporate and other expense was \$29.2 million and \$26.4 million in the three months ended June 30, 2021, and 2020, respectively. Corporate and other expense was \$87.6 million and \$76.9 million in the nine months ended June 30, 2021, and 2020, respectively. The increase in the nine months ended June 30, 2021, was primarily due to mark-to-market adjustments related to our deferred and non-qualified compensation plans.

Income before Income Taxes

Income before income taxes decreased to \$313.5 million in the three months ended June 30, 2021, from \$334.5 million in the three months ended June 30, 2020, due to lower fair-value gains recognized in fiscal 2021 versus fiscal 2020 in connection with our investment in PTC (the "PTC adjustments"). Total segment operating earnings increased 60.7 percent in the three months ended June 30, 2021, primarily due to higher sales.

Income before income taxes increased to \$1,521.9 million in the nine months ended June 30, 2021, from \$836.5 million in the nine months ended June 30, 2020. The increase in income before income taxes in the nine months ended June 30, 2021, was primarily due to the PTC adjustments, higher operating earnings, and a \$70 million pre-tax favorable legal settlement in the first quarter of fiscal 2021. Total segment operating earnings increased 13.6 percent in the nine months ended June 30, 2021, primarily due to higher sales.

Income Taxes

The effective tax rate for the three months ended June 30, 2021, was 14.2 percent compared to 6.1 percent for the three months ended June 30, 2020. The increase in the effective tax rate was primarily due to the tax effects of the fair-value adjustments recognized in fiscal 2021 and fiscal 2020 in connection with our investment in PTC, partially offset by other discrete items. Our Adjusted Effective Tax Rate for the three months ended June 30, 2021, was 14.6 percent compared to 14.1 percent for the three months ended June 30, 2020.

The effective tax rate for the nine months ended June 30, 2021, was 16.6 percent compared to 9.2 percent for the nine months ended June 30, 2020. Our Adjusted Effective Tax Rate for the nine months ended June 30, 2021, was 15.6 percent compared to 11.4 percent for the nine months ended June 30, 2020. The increases in the effective tax rate and the Adjusted Effective Tax Rate were primarily due to tax benefits recognized upon the formation of the Sensia joint venture in fiscal 2020 and other discrete items.

Diluted EPS and Adjusted EPS

Fiscal 2021 third quarter net income attributable to Rockwell Automation was \$271.3 million or \$2.32 per share, compared to \$317.8 million or \$2.73 per share in the third quarter of fiscal 2020. The decreases in net income attributable to Rockwell Automation and diluted EPS were primarily due to the PTC adjustments. Fiscal 2021 third quarter Adjusted EPS was \$2.31 in the third quarter of fiscal 2021, up 75 percent compared to \$1.32 in the third quarter of fiscal 2020, primarily due to higher sales.

Net income attributable to Rockwell Automation was \$1,279.6 million or \$10.91 per share in the nine months ended June 30, 2021, compared to \$760.7 million or \$6.52 per share in the nine months ended June 30, 2020. The increases in net income attributable to Rockwell Automation and diluted EPS were primarily due to the PTC adjustments. Adjusted EPS was \$7.10 in the nine months ended June 30, 2021, up 19 percent compared to \$5.95 in the nine months ended June 30, 2020, primarily due to higher sales.

Three and Nine Months Ended June 30, 2021, Compared to Three and Nine Months Ended June 30, 2020

Intelligent Devices

Sales

Intelligent Devices sales increased 33.8 percent and 10.5 percent year over year in the three and nine months ended June 30, 2021, respectively. Intelligent Devices organic sales increased 28.8 percent and increased 7.8 percent in the three and nine months ended June 30, 2021, respectively. Currency translation increased sales by 5.0 percentage points and 2.7 percentage points in the three and nine months ended June 30, 2021, respectively. The growth in reported and organic sales in the three and nine months ended June 30, 2021, was broad-based across the regions.

Segment Operating Margin

Intelligent Devices segment operating earnings increased 73.5 percent and 18.3 percent year over year in the three and nine months ended June 30, 2021, respectively. Segment operating margin increased to 21.9 percent and increased to 21.8 percent in the three and nine months ended June 30, 2021, respectively, from 16.9 percent and 20.4 percent, respectively, in the same periods a year ago. The increases in segment operating margin were primarily due to higher sales.

Software & Control

Sales

Software & Control sales increased 39.7 percent and 14.8 percent year over year in the three and nine months ended June 30, 2021, respectively. Software & Control organic sales increased 31.5 percent and 8.9 percent in the three and nine months ended June 30, 2021, respectively. Currency translation increased sales by 5.5 percentage points and 2.8 percentage points in the three and nine months ended June 30, 2021, respectively. Acquisitions increased sales by 2.7 percentage points and 3.1 percentage points in the three and nine months ended June 30, 2021, respectively. The growth in reported and organic sales in the three and nine months ended June 30, 2021, was broad-based across the regions.

Segment Operating Margin

Software & Control segment operating earnings increased 56.3 percent and 14.4 percent year over year in the three and nine months ended June 30, 2021, respectively. Segment operating margin increased to 25.2 percent in the three months ended June 30, 2021, from 22.5 percent in the same period a year ago, driven by higher sales, partially offset by higher investment spend. Segment operating margin was 28.3 percent in the nine months ended June 30, 2021, compared to 28.4 percent in the same period a year ago.

Lifecycle Services

Sales

Lifecycle Services sales increased 23.4 percent and 0.7 percent year over year in the three and nine months ended June 30, 2021, respectively. Lifecycle Services organic sales increased 17.2 percent and decreased 4.7 percent in the three and nine months ended June 30, 2021, respectively. Currency translation increased sales by 4.6 percentage points and 2.4 percentage points in the three and nine months ended June 30, 2021, respectively. Acquisitions increased sales by 1.6 percentage points and 3.0 percentage points in the three and nine months ended June 30, 2021, respectively. Both reported and organic sales increased in all regions in both periods except for declines in Latin America in the three and nine months ended June 30, 2021, and declines in North America reported and organic sales and EMEA organic sales in the nine months ended June 30, 2021.

Segment Operating Margin

Lifecycle Services segment operating earnings increased 31.1 percent and decreased 5.2 percent year over year in the three and nine months ended June 30, 2021, respectively. Segment operating margin increased to 10.3 percent in the three months ended June 30, 2021, compared to 9.7 percent in the same period a year ago, primarily due to higher sales, partially offset by the reinstatement of incentive compensation. Segment operating margin decreased to 9.4 percent in the nine months ended June 30, 2021, compared to 10.0 percent in the same period a year ago primarily due to the reinstatement of incentive compensation, partially offset by favorable project mix, cost savings actions taken in the prior year, and improved utilization.

Supplemental Segment Information

Purchase accounting depreciation and amortization and non-operating pension and postretirement benefit 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 June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Purchase accounting depreciation and amortization				
Intelligent Devices	\$ 0.7	\$ 0.7	\$ 2.1	\$ 2.1
Software & Control	4.0	2.0	10.7	4.4
Lifecycle Services	8.1	7.7	24.2	22.8
Non-operating pension and postretirement benefit cost				
Intelligent Devices	8.4	1.6	10.7	4.9
Software & Control	8.4	1.6	10.7	4.9
Lifecycle Services	11.2	2.2	14.3	6.6

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 net income (loss) attributable to noncontrolling interests, purchase accounting depreciation and amortization expense attributable to Rockwell Automation, non-operating pension and postretirement benefit cost, and gains and losses on investments, including their respective tax effects. Non-operating pension and postretirement benefit cost is defined as all components of our net periodic pension and postretirement benefit cost except for service cost. See Note 10 in the Consolidated Financial Statements for more information on our net periodic pension and postretirement benefit cost.

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 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 June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to Rockwell Automation	\$ 271.3	\$ 317.8	\$ 1,279.6	\$ 760.7
Non-operating pension and postretirement benefit cost	34.3	8.6	48.3	25.9
Tax effect of non-operating pension and postretirement benefit cost	(8.2)	(2.4)	(12.2)	(7.2)
Change in fair value of investments ¹	(43.3)	(175.5)	(624.6)	(101.7)
Tax effect of the change in fair value of investments ¹	9.2	—	119.5	—
Purchase accounting depreciation and amortization attributable to Rockwell Automation	10.0	7.6	28.8	21.1
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(2.4)	(1.8)	(7.0)	(5.0)
Adjusted Income	<u>\$ 270.9</u>	<u>\$ 154.3</u>	<u>\$ 832.4</u>	<u>\$ 693.8</u>
Diluted EPS	\$ 2.32	\$ 2.73	\$ 10.91	\$ 6.52
Non-operating pension and postretirement benefit cost	0.29	0.07	0.41	0.22
Tax effect of non-operating pension and postretirement benefit cost	(0.07)	(0.02)	(0.10)	(0.06)
Change in fair value of investments ¹	(0.37)	(1.51)	(5.33)	(0.87)
Tax effect of the change in fair value of investments ¹	0.07	—	1.02	—
Purchase accounting depreciation and amortization attributable to Rockwell Automation	0.09	0.07	0.25	0.18
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(0.02)	(0.02)	(0.06)	(0.04)
Adjusted EPS	<u>\$ 2.31</u>	<u>\$ 1.32</u>	<u>\$ 7.10</u>	<u>\$ 5.95</u>
Effective tax rate	14.2 %	6.1 %	16.6 %	9.2 %
Tax effect of non-operating pension and postretirement benefit cost	0.9 %	0.5 %	0.2 %	0.5 %
Tax effect of the change in fair value of investments ¹	(0.8)%	7.0 %	(1.5)%	1.3 %
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	0.3 %	0.5 %	0.3 %	0.4 %
Adjusted Effective Tax Rate	<u>14.6 %</u>	<u>14.1 %</u>	<u>15.6 %</u>	<u>11.4 %</u>

¹Primarily relates to the change in value of our investment in PTC.

	Fiscal 2021 Guidance
Diluted EPS ¹	\$12.85 - \$13.05
Non-operating pension and postretirement benefit cost ²	0.43
Tax effect of non-operating pension and postretirement benefit cost ²	(0.11)
Change in fair value of investments ³	(5.34)
Tax effect of change in fair value of investments ³	1.02
Purchase accounting depreciation and amortization attributable to Rockwell Automation	0.33
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	(0.08)
Adjusted EPS ¹	\$9.10 - \$9.30
Effective tax rate	~ 15.2%
Tax effect of non-operating pension and postretirement benefit cost ²	~ 0.3%
Tax effect of change in fair value of investments ³	~ (1.8)%
Tax effect of purchase accounting depreciation and amortization attributable to Rockwell Automation	~ 0.3%
Adjusted Effective Tax Rate	~ 14.0%

¹Fiscal 2021 guidance based on Adjusted Income attributable to Rockwell, which includes an adjustment for Schlumberger's non-controlling interest in Sensia.

²The settlement expense within the expected non-operating pension and postretirement benefit costs uses actual year-to-date adjustments for guidance, as estimates of settlement expenses on a forward-looking basis are not available due to variability, complexity and limited visibility of these items.

³The actual year-to-date adjustments, which are based on PTC's share price at June 30, 2021, are used for guidance, as estimates of these adjustments on a forward-looking basis are not available due to variability, complexity and limited visibility of these items.

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):

	Nine Months Ended June 30,	
	2021	2020
Cash provided by (used for):		
Operating activities	\$ 1,056.9	\$ 794.7
Investing activities	(372.2)	(591.1)
Financing activities	(502.8)	(308.3)
Effect of exchange rate changes on cash	27.3	(3.9)
Increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 209.2</u>	<u>\$ (108.6)</u>

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

	Nine Months Ended June 30,	
	2021	2020
Cash provided by operating activities	\$ 1,056.9	\$ 794.7
Capital expenditures	(76.6)	(91.9)
Free cash flow	<u>\$ 980.3</u>	<u>\$ 702.8</u>

Our definition of free cash flow takes into consideration capital investments required to maintain our businesses' operations and execute our strategy. Cash provided by 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 \$1,056.9 million for the nine months ended June 30, 2021, compared to \$794.7 million for the nine months ended June 30, 2020. Free cash flow was \$980.3 million for the nine months ended June 30, 2021, compared to \$702.8 million for the nine months ended June 30, 2020. The year over year increases in cash provided by operating activities and free cash flow were primarily due to higher pre-tax income, including the \$70 million favorable legal settlement in the first quarter of fiscal 2021, and a decrease in incentive compensation payments, partially offset by higher income tax payments in the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020.

We repurchased approximately 0.9 million shares of our common stock under our share repurchase program in the first nine months of fiscal 2021. The total cost of these shares was \$240.2 million, of which \$1.8 million was recorded in accounts payable at June 30, 2021, related to shares that did not settle until July 2021. At September 30, 2020, there were no outstanding common stock share repurchases recorded in accounts payable. We repurchased approximately 1.4 million shares of our common stock in the first nine months of fiscal 2020. The total cost of these shares was \$254.7 million, none of which was recorded in accounts payable at June 30, 2020. Our decision to repurchase shares in the remainder of 2021 will depend on business conditions, free cash flow generation, other cash requirements (including acquisitions) and stock price. On July 24, 2019, the Board of Directors authorized us to expend an additional \$1.0 billion to repurchase shares of our common stock. At June 30, 2021, we had approximately \$613.5 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, cash generated by operating activities, commercial paper borrowings or a new issuance of debt or other securities. In addition, we have access to unsecured credit facilities with various banks.

On June 25, 2021, we announced that we entered into an agreement to acquire Plex Systems for \$2.22 billion in cash. The transaction is expected to close in the fourth quarter of fiscal 2021, subject to customary closing conditions and completion of regulatory review. The acquisition is expected to be financed with a combination of cash and short-term and long-term debt.

At June 30, 2021, and September 30, 2020, 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 periods ended June 30, 2021, or September 30, 2020. 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.

LIBOR is the primary basis for determining interest payments on borrowings under our \$1.25 billion credit facility. Banks currently reporting information used to set U.S dollar LIBOR are currently expected to stop doing so during 2023. Various parties, including government agencies, are seeking to identify an alternative rate to replace LIBOR. We are monitoring their efforts, and we will likely seek to amend contracts to accommodate any replacement rate where one is not already provided.

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 \$232.1 million at June 30, 2021, were available to non-U.S. subsidiaries. Borrowings under our non-U.S. credit facilities at June 30, 2021 and 2020 were not significant. We were in compliance with all covenants under our credit facilities at June 30, 2021 and 2020. There are no significant commitment fees or compensating balance requirements under our credit facilities.

Our short-term debt as of June 30, 2021, primarily consisted of \$23.5 million of interest-bearing loans from Schlumberger to Sensia which were originally due September 30, 2020, and are now due September 30, 2021. There were no commercial paper borrowings outstanding at June 30, 2021, and September 30, 2020.

We expect to finance the Plex Systems acquisition with a combination of cash and short-term and long-term debt in the fourth quarter of fiscal 2021. The debt issuance may impact our credit ratings which are currently under review by the ratings agencies. The following is a summary of our credit ratings as of June 30, 2021:

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

*Our ratings at Standard & Poor's are listed as CreditWatch Negative with no outlook published due to the Plex Systems acquisition announcement.

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. Conditions in the commercial paper market have improved since the COVID-19 pandemic negatively affected this market in March and April 2020, and we have not experienced any difficulty in accessing the commercial paper market. 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.

At June 30, 2021, 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.

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 and nine months ended June 30, 2021, we reclassified \$8.6 million and \$21.5 million, respectively, in pre-tax net losses related to cash flow hedges from accumulated other comprehensive loss into the Consolidated Statement of Operations. During the three and nine months ended June 30, 2020, we reclassified \$5.3 million and \$15.8 million, respectively, 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 \$9.4 million of pre-tax net unrealized losses on cash flow hedges as of June 30, 2021, 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, 2020. We believe that at June 30, 2021, there has been no material change to this information except for the following. On June 25, 2021, we announced that we entered into an agreement to acquire Plex Systems for \$2.22 billion in cash. The transaction is expected to close in the fourth quarter of fiscal 2021, subject to customary closing conditions and completion of regulatory review. The acquisition is expected to be financed with a combination of cash and short-term and long-term debt.

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 acquisitions and changes in currency exchange rates, 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 acquisitions and changes in currency exchange rates. We use organic sales as one measure to monitor and evaluate our regional and operating segment performance. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the prior period. 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 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 June 30, 2021				Three Months Ended June 30, 2020
	Sales	Effect of Acquisitions	Effect of Changes in Currency	Organic Sales	Sales
North America	\$ 1,086.7	\$ (8.1)	\$ (11.5)	\$ 1,067.1	\$ 826.0
EMEA	377.3	(7.3)	(30.6)	339.4	280.4
Asia Pacific	274.8	(0.3)	(20.0)	254.5	206.9
Latin America	109.4	(0.2)	(7.9)	101.3	80.7
Total Company Sales	<u>\$ 1,848.2</u>	<u>\$ (15.9)</u>	<u>\$ (70.0)</u>	<u>\$ 1,762.3</u>	<u>\$ 1,394.0</u>

	Nine Months Ended June 30, 2021				Nine Months Ended June 30, 2020
	Sales	Effect of Acquisitions	Effect of Changes in Currency	Organic Sales	Sales
North America	\$ 3,064.7	\$ (32.6)	\$ (19.2)	\$ 3,012.9	\$ 2,855.0
Europe, Middle East and Africa	1,052.8	(44.5)	(73.2)	935.1	924.1
Asia-Pacific	743.6	(0.6)	(43.2)	699.8	637.3
Latin America	328.5	(0.3)	9.8	338.0	343.4
Total Company Sales	<u>\$ 5,189.6</u>	<u>\$ (78.0)</u>	<u>\$ (125.8)</u>	<u>\$ 4,985.8</u>	<u>\$ 4,759.8</u>

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

	Three Months Ended June 30, 2021				Three Months Ended June 30, 2020
	Sales	Effect of Acquisitions	Effect of Changes in Currency	Organic Sales	Sales
Intelligent Devices	\$ 882.9	\$ —	\$ (33.1)	\$ 849.8	\$ 659.9
Software & Control	509.6	(10.0)	(19.9)	479.7	364.7
Lifecycle Services	455.7	(5.9)	(17.0)	432.8	369.4
Total Company Sales	<u>\$ 1,848.2</u>	<u>\$ (15.9)</u>	<u>\$ (70.0)</u>	<u>\$ 1,762.3</u>	<u>\$ 1,394.0</u>
	Nine Months Ended June 30, 2021				Nine Months Ended June 30, 2020
	Sales	Effect of Acquisitions	Effect of Changes in Currency	Organic Sales	Sales
Intelligent Devices	\$ 2,454.8	\$ —	\$ (59.5)	\$ 2,395.3	\$ 2,221.5
Software & Control	1,452.9	(39.3)	(36.1)	1,377.5	1,265.4
Lifecycle Services	1,281.9	(38.7)	(30.2)	1,213.0	1,272.9
Total Company Sales	<u>\$ 5,189.6</u>	<u>\$ (78.0)</u>	<u>\$ (125.8)</u>	<u>\$ 4,985.8</u>	<u>\$ 4,759.8</u>

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, 2020. We believe that at June 30, 2021, there has been no material change to this information except as noted below.

Retirement Benefits — Pension

In June 2021, we remeasured our U.S. pension plan assets and liabilities in accordance with U.S. GAAP settlement accounting rules. The discount rate used in the remeasurement was 3.05 percent compared to 2.90 percent at our September 30, 2020, annual measurement date. The 3.05 percent discount rate was set as of a June 30, 2021, measurement date and was determined by modeling a portfolio of bonds that match the expected cash flow of our benefit plans. See Note 10 in the Consolidated Financial Statements for additional information regarding the settlement accounting.

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 17 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, 2020. We believe that at June 30, 2021, 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, 2020. We believe that at June 30, 2021, 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.

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, 2020. We believe that at June 30, 2021, 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, 2020. We believe that at June 30, 2021, 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 June 30, 2021:

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⁾
April 1 - 30, 2021	85,683	\$ 264.90	85,683	\$ 651,279,111
May 1 - 31, 2021	68,571	263.70	68,198	633,293,188
June 1 - 30, 2021	70,954	279.02	70,954	613,495,801
Total	<u>225,208</u>	<u>268.98</u>	<u>224,835</u>	

- (1) All of the shares purchased during the quarter ended June 30, 2021, were acquired pursuant to the repurchase program described in (3) below, except for 373 shares that were acquired in May 2021 in connection with stock swap exercises of employee stock options.
- (2) Average price paid per share includes brokerage commissions.
- (3) On July 24, 2019, the Board of Directors authorized us to expend an additional \$1.0 billion to repurchase shares of our common stock. Our repurchase program allows 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 10.1](#) [Amendment No. 1 to the Securities Purchase Agreement, dated May 11, 2021, between the Company and PTC Inc., filed as Exhibit 10.1 to the Company's Current Report of Form 8-K dated May 13, 2021, is hereby incorporated by reference.](#)
- [Exhibit 10.2](#) [Agreement and Plan of Merger, dated June 24, 2021, among Plex Systems Holdings Inc., the Company, Merger Sub and the Representative, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 25, 2021, is hereby incorporated by reference.](#)
- [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: July 27, 2021

By /s/ NICHOLAS C. GANGESTAD
Nicholas C. Gangestad
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: July 27, 2021

By /s/ TERRY L. RIESTERER
Terry L. Riesterer
Vice President and Controller
(Principal Accounting Officer)

July 27, 2021

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

We are aware that our report dated July 27, 2021, 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 June 30, 2021, 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, 333-234642, and 333-236277 on Form S-8 and Registration Statement No.333-228817 on Form S-3.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

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: July 27, 2021

/s/ BLAKE D. MORET

Blake D. Moret
President and
Chief Executive Officer

CERTIFICATION

I, Nicholas C. Gangestad, 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: July 27, 2021

/s/ NICHOLAS C. GANGESTAD

Nicholas C. Gangestad
Senior Vice President and
Chief Financial Officer

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 June 30, 2021 (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: July 27, 2021

/s/ BLAKE D. MORET

Blake D. Moret
President and
Chief Executive Officer

CERTIFICATION OF PERIODIC REPORT

I, Nicholas C. Gangestad, 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 June 30, 2021 (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: July 27, 2021

/s/ NICHOLAS C. GANGESTAD

Nicholas C. Gangestad
Senior Vice President and
Chief Financial Officer