



First Quarter 2020 Earnings Release

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Forward-looking Statements and Non-GAAP Financial Information

This presentation or the comments we make on our call today contain forward-looking statements concerning, among other matters, the anticipated completion of the sale of our hydraulics business and the use of those proceeds, NAFTA class 8 truck production, second quarter decremental margins, and full year 2020 decremental margins, capital expenditures, cash flow, and dividend payments. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside the company's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: the course of the COVID – 19 pandemic and government responses thereto, unanticipated changes in the markets for the company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; unanticipated changes in the cost of material and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; the performance of recent acquisitions; unanticipated difficulties closing or integrating acquisitions; unexpected difficulties completing divestitures, new laws and governmental regulations; interest rate changes; stock market and currency fluctuations; war, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

This presentation includes certain non-GAAP measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is provided in the investor relations section of our website at www.eaton.com.

Eaton Response to COVID-19

Employees

- ~90% of office workers work from home
- Regular CEO updates
- Executing COVID-19 Playbook
- Work space modification to adhere to social distancing measures
- PPE provided and temperature monitoring

Customers

- Executive leadership team meetings to address customer concerns
- Eaton products deemed critical to global infrastructure
- Majority of sites remain open to satisfy customer demand
- Implemented mitigation actions to address supply chain changes

Communities

- Increased charitable giving initiative to a 2:1 company match
- Used engineering expertise and scale to produce 3-D printed face shields, non-contact door openers, and swabs used in testing for COVID-19
- Have provided mission critical products for hospital construction

Shareholders

- Aggressive cost reduction and cash management measures instituted
- Activated Pandemic Management and Response Team early in the process
- Staying nimble and focused on market and operational conditions, contingency plans in place as needed
- Closely monitoring stimulus provisions across the world

Strong Liquidity, Cash Flow and Yield

Strong Balance Sheet and Liquidity

- \$415M cash and short-term investments at 3/31/20
- \$2.0B of undrawn, multi-year bank facilities
- \$330M of commercial paper outstanding at 3/31/20
- Long-term debt maturity in 2020 of only \$240M, due at end of 4Q
- 2.1x net debt / adjusted TTM EBITDA⁽¹⁾ at 3/31/20

Solid Cash Flow and Capital Allocation Priorities

- Projecting solid free cash flow of \$2.3B to \$2.7B for 2020
- Paid dividends every year since 1923 and maintaining dividend payment for 2020
- \$3.3B of cash to be received from sale of Hydraulics business, expected to be closed by the end of 2020
- Completed \$1.3B of share repurchases in 1Q20 with proceeds from sale of Lighting
- Optionality for additional share repurchases and/or M&A opportunities

ETN stock provides attractive 3.4% dividend yield and 7.3% FCF yield ⁽²⁾

(1) Adjusted TTM EBITDA excludes charges related to acquisitions and divestitures and 4Q19 Vehicle warranty costs

(2) Based on 4/29/20 stock price of \$85.78. FCF Yield = (FCF / Fully Diluted Shares Outstanding) / Price per Share

COVID-19 Cost and Capex Actions

- 25–50% reductions in base salaries for senior executives in Q2
- 50% reduction in cash retainer for Q2 for members of Board of Directors
- Unpaid leave for most salaried workforce
- Eliminated merit increases for all of 2020
- Reduced incentive compensation for executives
- Reduced discretionary expenses
- Travel and hiring freezes
- Eliminating nonessential capex

Recent Highlights

- Earnings per share of \$1.07
- Adjusted earnings per share of \$1.09, excluding charges of (\$0.02) per share related to acquisitions and divestitures
- Adjusted earnings per share were reduced by an estimated (\$0.14) due to the impact of COVID-19
- Sales of \$4.8B
 - Organic revenue down (7)%
 - Includes ~(4)% or ~(\$200)M due to impact of COVID-19 pandemic
 - Currency translation (1½)%, acquisitions +2%, divestitures (3½)%
- Segment margins of 15.8% were down (20) basis points from 1Q19
- Operating cash flow of \$325M
- Announced agreement to sell Hydraulics business for \$3.3B to Danfoss A/S for 13.2x 2019 EBITDA and we expect to close by the end of 2020
- Closed sale of Lighting business for \$1.4B and acquired Power Distribution, Inc.
- Repurchased \$1.3B of shares, 3.4% of shares outstanding at beginning of 2020

Financial Summary

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$4,789	\$5,305	↓ 10%
Segment Operating Profit	758	847	↓ 11%
Segment Operating Margin	15.8%	16.0%	↓ 20 bps
Net Income	438	522	↓ 16%
Adjusted Earnings	447 ⁽¹⁾	533	↓ 16%
Adjusted EPS	\$1.09 ⁽¹⁾	\$1.26	↓ 13%

Sales Growth:	Organic	(7)%
	Acquisition / Divestiture	(1½)%
	Forex	(1½)%
	Total	(10)%

- Earnings per share \$1.07
- Adjusted earnings per share \$1.09 ⁽¹⁾
- Impact of COVID-19 reduced organic revenues by estimated (4)%

(1) Excluding charges related to Acquisitions & Divestitures, which include a \$91M after-tax gain on the sale of Lighting

Electrical Americas Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>		<u>V '19</u>
Sales	\$1,788	\$1,961	↓	9%
Operating Profit	308	334	↓	8%
Operating Margin	17.2%	17.0%	↑	20 bps

Sales Growth:	Organic	(2)%
	Acquisition / Divestiture	(6)%
	Forex	(1)%
	Total	<u>(9)%</u>

- Organic revenues up 2%, excluding Lighting and COVID-19 impacts
- Impact of COVID-19 reduced organic revenues by estimated (2)%
- Closed sale of Lighting business for \$1.4B
- Excluding Lighting, orders up 3% on a rolling 12 month basis. In the current quarter, growth was strongest in data center, utility and residential markets, with weakness shown in industrial markets.

Electrical Global Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$1,144	\$1,242	↓ 8%
Operating Profit	166	190	↓ 13%
Operating Margin	14.5%	15.3%	↓ 80 bps

Sales Growth:	Organic	(6)%
	Acquisition	1%
	Forex	(3)%
	Total	(8)%

- Impact of COVID-19 reduced organic revenues by estimated (6)%
- Orders down (1)% on a rolling 12 month basis. In the current quarter, we saw good growth in data centers, but that was more than offset by declines in global oil and gas markets.

Hydraulics Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$507	\$605	↓ 16%
Operating Profit	55	59	↓ 7%
Operating Margin	10.8%	9.8%	↑ 100 bps

Sales Growth:	Organic	(14)%
	Forex	(2)%
	Total	(16)%

- Announced sale of Hydraulics business for \$3.3B and 13.2X 2019 EBITDA, expected to close by the end of 2020
- Impact of COVID-19 reduced organic revenues by estimated (3)%
- Q1 orders down (11)% versus prior year driven by continued weakness in global mobile equipment market

Aerospace Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$680	\$604	↑ 13%
Operating Profit	147	137	↑ 7%
Operating Margin	21.6%	22.7%	↓ 110 bps

Sales Growth:	Organic	(1)%
	Acquisition	14%
	Total	13%

- Impact of COVID-19 reduced organic revenues by estimated (3)%
- Orders down (1)% on rolling 12 month basis. In the first quarter, we saw strength in military fighters and the military aftermarket, and particular weakness in orders for commercial transports.

Vehicle Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$598	\$810	↓ 26%
Operating Profit	81	122	↓ 34%
Operating Margin	13.5%	15.1%	↓ 160 bps

Sales Growth:	Organic	(20)%
	Divestiture	(4)%
	Forex	(2)%
	Total	<u>(26)%</u>

- Impact of COVID-19 reduced organic revenues by estimated (5)%
- Global light vehicle market production down (21)% in Q1
- 2020 NAFTA Class 8 production forecast of 180K, down from prior forecast of 230K

eMobility Segment

(M)	<u>1Q '20</u>	<u>1Q '19</u>	<u>V '19</u>
Sales	\$72	\$83	↓ 13%
Operating Profit	1	5	↓ 80%
Operating Margin	1.4%	6.0%	↓ 460 bps

Sales Growth:	Organic	(12)%
	Forex	(1)%
	Total	(13)%

- Impact of COVID-19 reduced organic revenues by estimated (4)%
- \$460M of mature year revenue wins since formation in 1Q 2018
- Margin decline driven by lower volumes due to continued weakness in legacy internal combustion engine platforms and manufacturing start-up costs associated with new electric vehicle programs

Q2 and 2020 Outlook

Income Statement

- Q2 Margins: Targeting decremental margins of approximately (30)%
- 2020 Margins: Targeting decremental margins of (25) – (30)%

Free Cash Flow

- 2020 Capex: Reducing capex spending to approximately \$400M
- 2020 Free Cash Flow: Updating guidance to \$2.3B to \$2.7B
- Dividend: Maintaining dividend, increased 3% in February 2020

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Eaton Corporation plc

Reconciliation of Non-GAAP Financial Information

All numbers \$M except per share numbers, unless otherwise noted

Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings and net income attributable to Eaton ordinary shareholders per share to adjusted earnings per ordinary share

	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019 YTD	1Q 2020
Net Income attributable to Eaton ordinary shareholders	2,145	522	636	601	452	2,211	438
Acquisition and divestiture charges (after-tax)	-	11	14	35	114	174	9
Adjusted earnings	\$ 2,145	\$ 533	\$ 650	\$ 636	\$ 566	\$ 2,385	\$ 447
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 4.91	\$ 1.23	\$ 1.50	\$ 1.44	\$ 1.09	\$ 5.25	\$ 1.07
Per share impact of acquisition and divestiture charges (after-tax)	-	0.03	0.03	0.08	0.28	0.42	0.02
Adjusted earnings per ordinary share	\$ 4.91	\$ 1.26	\$ 1.53	\$ 1.52	\$ 1.37	\$ 5.67	\$ 1.09

Reconciliation of net income attributable to Eaton ordinary shareholders to Adjusted EBITDA for trailing twelve months (TTM)

	2Q 2019	3Q 2019	4Q 2019	1Q 2020	TTM 3/31/20
Net Income attributable to Eaton ordinary shareholders	\$ 636	\$ 601	\$ 452	\$ 438	\$ 2,127
Income tax expense	102	116	79	183	480
Interest expense - net	63	54	53	34	204
Depreciation & amortization	221	226	216	199	862
Acquisition and divestiture charges (pre-tax)	14	39	133	(89)	97
4Q 2019-Vehicle warranty costs (pre-tax)	-	-	50	-	50
Adjusted EBITDA (excluding acquisition and divestiture charges and Q4 2019 Vehicle warranty costs)	\$ 1,036	\$ 1,036	\$ 983	\$ 765	\$ 3,820

Reconciliation of Hydraulics business pre-tax income to EBITDA

	2019 YTD
Hydraulics business pre-tax income	\$ 174
Depreciation	58
Amortization	18
EBITDA	\$ 250

Reconciliation of operating cash flow to free cash flow

	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019 YTD	1Q 2020	2020 Guidance (\$ Billions)	
								Low	High
Operating cash flow	\$ 2,658	\$ 551	\$ 880	\$ 1,083	\$ 937	\$ 3,451	\$ 323	\$ 2.7	\$ 3.1
Capital expenditures	565	149	149	143	146	587	112	0.4	0.4
Free cash flow	\$ 2,093	\$ 402	\$ 731	\$ 940	\$ 791	\$ 2,864	\$ 211	\$ 2.3	\$ 2.7

Methodology for calculations

Net debt = total debt - cash - short-term investments

Free cash flow = cash flow from operations - capital expenditures