



First Quarter 2021 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, 2021 organic revenue growth, adjusted earnings per share, free cash flow, adjusted free cash flow, operating cash flow, adjusted operating cash flow, capital expenditures, share buybacks, tax rate, corporate expenses, segment operating margins, impact from currency translation, and planned acquisitions and divestitures, 2021 second quarter organic revenue growth, currency translation impact, acquisitions and divestitures, tax rate and segment operating margins as well as our long-term strategy and expected adjusted earnings per share growth. 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, including the following: adjusted earnings, adjusted earnings per share, adjusted operating cash flow, free cash flow, adjusted free cash flow, segment operating profit and margin excluding fourth quarter 2019 expected vehicle warranty costs, adjusted earnings per share guidance for the second quarter and full year 2021, adjusted operating cash flow guidance for full year 2021, and adjusted free cash flow guidance for full year 2021. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

Recent Highlights

- Adjusted earnings per share of \$1.44
- Sales of \$4.7B
 - Organic revenue up ½%
 - Acquisitions +1% and divestitures (5½)%
- Segment margins of 17.7%, up 190bps versus 1Q20, a Q1 record
 - Incremental profit of +\$73M on \$97M lower revenues
- Robust adjusted operating cash flow of \$460M, up 42% YoY and adjusted free cash flow of \$341M, up 62% YoY
- Closed acquisitions: Tripp Lite, Green Motion and 50% stake in HuanYu High Tech
- Working to close previously announced acquisition: Cobham Mission Systems
- Recently announced acquisition: 50% of Jiangsu YiNeng Electric's busway business in China

New M&A Highlights

Green Motion *(closed)*

Fully-owned

Swiss manufacturer of electric vehicle charging hardware and software

Strategic Rationale

Expands our electric vehicle charging infrastructure (EVCI) capabilities, positioning us well for the energy transition

Key Market Segments

- *Serves residential, multi-tenant, commercial and enterprise markets*

HuanYu High Tech *(closed)*

50% stake, non-consolidated

Chinese manufacturer of low-voltage circuit breakers and contactors

Strategic Rationale

Provides a suite of cost effective low-voltage products for the local market and for export to markets outside of China

Key Market Segments

- *Products serve residential & commercial markets*

Jiangsu YiNeng *(announced)*

50% stake, non-consolidated

Chinese manufacturer of high power and low power busway

Strategic Rationale

Allows us to participate in a fast-growing part of the APAC market and that can be packaged with existing electrical products

Key market segments

- *Busway used in data centers, industrial and high-end commercial markets*

Financial Summary

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$4,692	\$4,789	↓ 2%
Segment Operating Profit	831	758	↑ 10%
Segment Operating Margin	17.7%	15.8%	↑ 190 bps
Adjusted Earnings	577	514	↑ 12%
Adjusted EPS	\$1.44	\$1.25	↑ 15%

Sales Growth:	Organic	½%
	Acquisition / Divestiture	(4½)%
	Forex	2 %
	Total	(2)%

- Record Q1 Adjusted EPS \$1.44
- Record Q1 Segment Operating Margin 17.7%

Electrical Americas Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$1,622	\$1,788	↓ 9%
Operating Profit	332	308	↑ 8%
Operating Margin	20.5%	17.2%	↑ 330 bps

Sales Growth:	Organic	2%
	Acquisition / Divestiture	(12)%
	Forex	1%
	Total	(9)%

- Q1 orders up 11% with particular strength in data center and residential markets
- Orders up 1% on a rolling 12 month basis
- Backlog up 23% y-o-y
- Closed acquisition of Tripp Lite for \$1.65B

Electrical Global Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$1,253	\$1,144	↑ 10%
Operating Profit	213	166	↑ 28%
Operating Margin	17.0%	14.5%	↑ 250 bps

Sales Growth:	Organic	5%
	Forex	5%
	Total	10%

- Q1 orders up 7% with particular strength in data center, residential and utility markets
- Orders down (5)% on a rolling 12 month basis
- Backlog up 17% y-o-y
- Closed acquisitions of Green Motion SA and 50% of HuanYu High Tech
- Announced acquisition of 50% of Jiangsu YiNeng Electric's busway subsidiary in China

Hydraulics Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$561	\$507	↑ 11%
Operating Profit	84	55	↑ 53%
Operating Margin	15.0%	10.8%	↑ 420 bps

Sales Growth:	Organic	9%
	Forex	2%
	Total	11%

- Q1 orders up 53% driven by strength in mobile equipment markets

Aerospace Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$519	\$680	↓ 24%
Operating Profit	96	147	↓ 35%
Operating Margin	18.5%	21.6%	↓ 310 bps

Sales Growth:	Organic	(26)%
	Forex	2%
	Total	(24)%

- Orders down (36)% on rolling 12 month basis driven by the downturn in commercial markets
- Backlog down (11)% y-o-y
- Announced acquisition of Cobham Mission Systems for \$2.83B

Vehicle Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$654	\$598	↑ 9%
Operating Profit	113	81	↑ 40%
Operating Margin	17.3%	13.5%	↑ 380 bps

Sales Growth:	Organic	9%
	Total	9%

- Organic growth driven by commercial vehicles globally and light motor vehicles in China
- Record Q1 margin performance with robust incremental margins of nearly 60%

eMobility Segment

(M)	<u>1Q '21</u>	<u>1Q '20</u>	<u>V '20</u>
Sales	\$83	\$72	↑ 15%
Operating Profit (Loss)	(7)	1	---
Operating Margin	(8.4)%	1.4%	↓ 9.8 pts

Sales Growth:	Organic	13%
	Forex	2%
	Total	15%

- Organic revenues driven by growth in global markets
- Margin decline driven by additional R&D investments

2021 Organic Growth Guidance

Segment	February Organic Revenue Growth Guidance	May Organic Revenue Growth Guidance
Electrical Americas	3 – 5%	6 – 8%
Electrical Global	3 – 5%	7 – 9%
Hydraulics (1)	4 – 6%	7 – 9%
Aerospace	2 – 4%	2 – 4%
Vehicle	10 – 12%	16 – 18%
eMobility	14 – 16%	17 – 19%
Eaton	4 – 6%	7 – 9%

(1) Hydraulics guidance only for period prior to closing of the sale to Danfoss.

2021 Segment Margin Guidance

Segment	February Segment Operating Margin Guidance	May Segment Operating Margin Guidance
Electrical Americas	20.1% – 20.7%	20.4% – 20.8%
Electrical Global	16.1% – 16.7%	16.8% – 17.2%
Hydraulics (1)	11.7% – 12.3%	14.8% – 15.2%
Aerospace	19.7% – 20.3%	19.8% – 20.2%
Vehicle	15.6% – 16.2%	16.8% – 17.2%
eMobility	(3.7)% – (4.3)%	(3.7)% – (4.3)%
Eaton	17.6% – 18.0%	18.1% – 18.5%

(1) Hydraulics guidance only for period prior to closing of the sale to Danfoss.

2021 Guidance

2021 Full Year Outlook	
Adjusted Earnings Per Share	\$5.90 - \$6.30
Organic Revenue	7 – 9%
Currency Translation	\$200M
Acquisition & Divestiture	(4)%
Segment Operating Margins	18.1% - 18.5%
Corporate Expenses (interest, pension, other corporate)	Flat with 2020
Tax Rate on Adjusted Earnings	15.5% - 16.5%
Adjusted Operating Cash Flow	\$2.3B - \$2.7B
Adjusted Free Cash Flow	\$1.8B - \$2.2B
Capex	\$500M
Share Repurchases	\$500M - \$700M

2 nd Quarter Outlook	
Adjusted Earnings Per Share	\$1.45 - \$1.55
Organic Revenue	24 – 28%
Currency Translation	2%
Acquisition & Divestiture	(1)%
Segment Operating Margins	17.5% - 17.9%
Tax Rate on Adjusted Earnings	16.5% - 17.5%

Summary

- Eaton is an intelligent power management company with differentiated businesses in large global markets
- Our businesses are supported by accelerating secular growth trends reflected in higher organic growth targets of 4% - 6%
- Our strategy is working as reflected in more consistent earnings and higher margins with 400 to 500 bps of upside from 2020
- We expect to deliver 11 - 13% EPS growth over the next 5 years
- We have an unyielding commitment to industry-leading ESG practices and sustainable solutions create growth for Eaton
- Continue to deliver strong and resilient free cash flow with \$9B of cash optionality through 2025
- Improving 2021 outlook with 24% Adjusted EPS growth at the midpoint of guidance and several large projects wins validating our strategic growth initiatives

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Powering Business Worldwide

Appendix

Eaton Corporation plc Reconciliation of Non-GAAP Financial Information

All amounts are in millions except per share amounts, 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

During the first quarter of 2021, the Company revised its definition of adjusted earnings to exclude intangible asset amortization expense and prior periods have been retrospectively adjusted to apply this change.

	1Q 2020	2020 YTD	1Q 2021	Q2 2021 Guidance ⁽¹⁾		2021 Guidance ⁽¹⁾	
				Low	High	Low	High
Net Income attributable to Eaton ordinary shareholders	\$ 438	\$ 1,410	\$ 458				
Acquisition and divestiture charges (after-tax)	9	133	37				
Restructuring program charges (after-tax)	-	170	12				
Intangible asset amortization expense (after-tax)	67	272	70				
Adjusted earnings	<u>\$ 514</u>	<u>\$ 1,985</u>	<u>\$ 577</u>				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 1.07	\$ 3.49	\$ 1.14	\$ 1.08	\$ 1.18	\$ 4.56	\$ 4.96
Per share impact of acquisition and divestiture charges (after-tax)	0.02	0.33	0.09	0.15	0.15	0.46	0.46
Per share impact of restructuring program charges (after-tax)	-	0.42	0.03	0.03	0.03	0.14	0.14
Per share impact of intangible asset amortization expense (after-tax)	0.16	0.67	0.18	0.19	0.19	0.74	0.74
Adjusted earnings per ordinary share	<u>\$ 1.25</u>	<u>\$ 4.91</u>	<u>\$ 1.44</u>	<u>\$ 1.45</u>	<u>\$ 1.55</u>	<u>\$ 5.90</u>	<u>\$ 6.30</u>

⁽¹⁾ The Company's second quarter and full year adjusted earnings per ordinary share guidance for 2021 excludes the impact of the expected gain from the sale of the Hydraulics business.

Acquisition and divestiture charges:

	1Q 2020	2020 YTD	1Q 2021
Acquisition integration, divestiture charges and transaction costs	\$ 132	\$ 288	\$ 46
Gain on sale of the Lighting business	(221)	(221)	-
Total before income taxes	(89)	67	46
Income tax expense (benefit)	98	66	(9)
Total after income taxes	<u>\$ 9</u>	<u>\$ 133</u>	<u>\$ 37</u>
Per ordinary share - diluted	<u>\$ 0.02</u>	<u>\$ 0.33</u>	<u>\$ 0.09</u>

Restructuring program charges:

	2020 YTD	1Q 2021
Restructuring program charges	\$ 214	\$ 16
Income tax benefit	44	4
Total after income taxes	<u>\$ 170</u>	<u>\$ 12</u>
Per ordinary share - diluted	<u>\$ 0.42</u>	<u>\$ 0.03</u>

Intangible asset amortization expense:

	1Q 2020	2020 YTD	1Q 2021
Intangible asset amortization expense	\$ 87	\$ 354	\$ 92
Income tax benefit	20	82	22
Total after income taxes	<u>67</u>	<u>272</u>	<u>70</u>
Per ordinary share - diluted	<u>\$ 0.16</u>	<u>\$ 0.67</u>	<u>\$ 0.18</u>

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Eaton Corporation plc Reconciliation of Non-GAAP Financial Information

All amounts are in millions except per share amounts, unless otherwise noted

Reconciliation of operating cash flow to free cash flow

	<u>1Q 2020</u>	<u>1Q 2021</u>
Operating cash flow	\$ 323	\$ 260
Capital expenditures for property, plant and equipment	112	119
Free cash flow	<u>\$ 211</u>	<u>\$ 141</u>

Reconciliation of operating cash flow to adjusted operating cash flow and adjusted free cash flow

	<u>1Q 2021</u>	<u>2021 Guidance</u> <u>(\$ Billions)</u>	
		<u>Low</u>	<u>High</u>
Operating cash flow	\$ 260	\$ 1.65	\$ 2.05
Estimated cash taxes on Hydraulics sale	-	0.45	0.45
U.S. qualified pension plan contribution	200	0.20	0.20
Adjusted operating cash flow	<u>\$ 460</u>	<u>\$ 2.3</u>	<u>\$ 2.7</u>
Capital expenditures for property, plant and equipment	119	0.5	0.5
Adjusted free cash flow	<u>\$ 341</u>	<u>\$ 1.8</u>	<u>\$ 2.2</u>

Reconciliation of segment operating profit as reported to segment operating profit excluding Q4 2019 expected Vehicle warranty costs

	<u>2019 YTD</u>
Segment operating profit as reported	\$ 3,711
Q4 2019 expected Vehicle warranty costs (pre-tax)	50
Segment operating profit excluding Q4 2019 expected Vehicle warranty costs	<u>\$ 3,761</u>

Reconciliation of segment operating margin as reported to segment operating margin excluding Q4 2019 expected Vehicle warranty costs

	<u>2019 YTD</u>
Segment operating margin as reported	17.3%
Q4 2019 expected Vehicle warranty costs	0.3%
Segment operating margin excluding Q4 2019 expected Vehicle warranty costs	<u>17.6%</u>