



First Quarter 2022 Earnings Release

Craig Arnold | May 3, 2022

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, full year and second quarter 2022 adjusted earnings per share, organic revenue growth, segment operating margins, impact from currency translation, tax rate and planned acquisitions and divestitures, and full year 2022 operating cash flow, free cash flow, capital expenditures, share buybacks and corporate expenses. 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; continued supply chain disruptions, unanticipated changes in the cost of material, labor 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 earnings per share guidance for the second quarter and full year 2022, and free cash flow guidance for full year 2022. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

Highlights

Adjusted earnings per share of \$1.62, a first quarter record, up 13% versus 1Q21.

Sales of \$4.8B with organic revenue up 10% and above guidance range.

Segment margins of 18.8%, a first quarter record, up 110 bps versus 1Q21 with strong incremental margins of 52%.

Electrical segment backlog was up 76% and rolling 12-month orders up 30%, while Aerospace backlog was up 14% with rolling 12-month orders up 35%, all on an organic basis.

Strategic growth initiatives and recent wins

Electrification

▶ Achieved Breaktor wins for European commercial and passenger vehicle applications.



▶ Realized large commercial and residential building win in China with YiNeng JV for busway and low voltage solutions.

Energy transition

▶ Won large follow-on order for U.S. network of EV charging stations with 150 sites.

▶ Secured power protection solutions wins for wind and solar OEMs.



Digitalization

▶ Secured two Brightlayer Electrical Power Management Software contracts including:

- Cybersecurity visibility for data center customer, and
- Data as a service to prevent service outages for telecommunications provider.



Delivering innovative technologies enabling customer sustainability



Powering Business Worldwide

Financial Summary

(M)	1Q '22	1Q '21	V '21
Sales	\$4,843	\$4,692	▲ 3%
Segment Operating Profit	909	831	▲ 9%
Segment Operating Margin	18.8%	17.7%	▲ 110 bps
Adjusted Earnings	649	577	▲ 12%
Adjusted EPS	\$1.62	\$1.44	▲ 13%

\$1.62	<p>Q1 record Adjusted earnings per share</p>
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18.8%	<p>Q1 record Segment operating margin</p>
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Sales Growth:	Organic	10%
	Acq./Divest.	(6)%
	Forex	(1)%
	Total	3%

Electrical Americas Segment

(M)

	1Q '22	1Q '21	V '21
Sales	\$1,891	\$1,622	▲ 17%
Operating Profit	361	332	▲ 9%
Operating Margin	19.1%	20.5%	▼ 140 bps

- Orders up 31% on a rolling 12-month basis organically with strength across all end markets
- Backlog up 86% to a new record on an organic basis

Sales Growth:	Organic	10%
	Acquisition	7%
	Total	17%

Electrical Global Segment

(M)	1Q '22	1Q '21	V '21
Sales	\$1,437	\$1,253	▲ 15%
Operating Profit	279	213	▲ 31%
Operating Margin	19.4%	17.0%	▲ 240 bps

- Orders up 27% on a rolling 12-month basis organically with strength across all end markets
- Record backlog up 54% on an organic basis
- Record Q1 operating margin of 19.4%

Sales Growth:	Organic	18%
	Forex	(3)%
	Total	15%

Aerospace Segment

(M)	1Q '22	1Q '21	V '21
Sales	\$718	\$519	▲ 38%
Operating Profit	159	96	▲ 66%
Operating Margin	22.1%	18.5%	▲ 360 bps

- Orders up 35% on organic rolling 12-month basis primarily driven by strength in commercial OEM and commercial aftermarket
- Record backlog up 14% y-o-y on organic basis
- Pursuing pipeline \$1.3B in life of program incremental revenues for strategic OE campaigns on military and commercial programs

Sales Growth:	
Organic	15%
Acquisition	25%
Forex	(2)%
Total	38%

Vehicle Segment

(M)

	1Q '22	1Q '21	V '21
Sales	\$671	\$654	▲ 3%
Operating Profit	113	113	---
Operating Margin	16.8%	17.3%	▼ (50) bps

- Organic growth driven by North America aftermarket and South America truck, bus and agriculture markets
- ELocker win with Chinese OEM for electronically controlled traction on demand
- Pursuing pipeline of more than \$0.5B of mature year revenues including ePowertrain programs with leading EV OEMs

Sales Growth:	Organic	3%
	Total	3%

eMobility Segment

(M)	1Q '22	1Q '21	V '21
Sales	\$126	\$83	▲ 52%
Operating (Loss)	(3)	(7)	---
Operating Margin	(2.4)%	(8.4)%	▲ 600 bps

- Closed acquisition of Royal Power Solutions
- Pursuing pipeline of more than \$2B with increasing demand for high voltage power distribution and Breaktor technologies as well as Royal Power innovation products

Sales Growth:	
Organic	7%
Acquisition	46%
Forex	(1)%
Total	52%

2022 Organic Growth and Operating Margin Guidance

Segment	Organic Growth Guidance		Operating Margin Guidance	
Electrical Americas	10 – 12%	▲	21.3% – 21.7%	---
Electrical Global	10 – 12%	▲	19.5% – 19.9%	▲
Aerospace	11 – 13%	▲	22.3% – 22.7%	▲
Vehicle	9 – 11%	▲	17.5% – 17.9%	▼
eMobility	14 – 16%	▲	1.3% – 1.7%	▲
Eaton	9 – 11%	▲	19.9% – 20.3%	---

2022 Guidance

2022 Full Year Outlook

Adjusted Earnings Per Share	\$7.32 – \$7.72
Organic Revenue	9 – 11%
Currency Translation	(\$250)M
Acquisition & Divestiture	(4)%
Segment Operating Margins	19.9% – 20.3%
Corporate Expenses (interest, pension, other corporate)	Flat with 2021
Tax Rate on Adjusted Earnings	16.0% – 17.0%
Operating Cash Flow	\$3.0B – \$3.2B
Free Cash Flow	\$2.35B – \$2.55B
Capex	\$650M
Share Repurchases	\$200M – \$300M

2nd Quarter Outlook

Adjusted Earnings Per Share	\$1.78 – \$1.88
Organic Revenue	9 – 11%
Currency Translation	(\$75)M
Acquisition & Divestiture	(8)%
Segment Operating Margins	19.1% – 19.5%
Tax Rate on Adjusted Earnings	16.0% – 17.0%

Summary

Accelerating secular growth tailwinds underpin intelligent power management strategy

Demand remains strong across our end markets as shown in robust orders and backlog

Demonstrated agility to deliver strong margins in inflationary environment

Balanced 2022 earnings cadence in-line with historical trends for 1H / 2H

Well positioned to deliver 2022 earnings and increased mid-term targets

APPENDIX

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

	1Q 2021	2021 YTD	1Q 2022	Q2 2022 Guidance		2022 Guidance	
				Low	High	Low	High
Net income attributable to Eaton ordinary shareholders	\$ 458	\$ 2,144	\$ 532				
Acquisition and divestiture charges (after-tax)	37	94	4				
Restructuring program charges (after-tax)	12	60	14				
Intangible asset amortization expense (after-tax)	70	361	99				
Adjusted earnings	\$ 577	\$ 2,659	\$ 649				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 1.14	\$ 5.34	\$ 1.33	\$ 1.43	\$ 1.53	\$ 5.99	\$ 6.39
Per share impact of acquisition and divestiture charges (after-tax)	0.09	0.23	0.01	0.07	0.07	0.24	0.24
Per share impact of restructuring program charges (after-tax)	0.03	0.15	0.03	0.03	0.03	0.11	0.11
Per share impact of intangible asset amortization expense (after-tax)	0.18	0.90	0.25	0.25	0.25	0.98	0.98
Adjusted earnings per ordinary share	\$ 1.44	\$ 6.62	\$ 1.62	\$ 1.78	\$ 1.88	\$ 7.32	\$ 7.72

Acquisition and divestiture charges:

	1Q 2021	2021 YTD	1Q 2022
Acquisition integration, divestiture charges and transaction costs	\$ 46	\$ 349	\$ 29
Gain on sale of the Hydraulics business	-	(617)	(24)
Total charges (income) before income taxes	46	(268)	5
Income tax expense (benefit)	(9)	362	(1)
Total charges after income taxes	\$ 37	\$ 94	\$ 4
Charges per ordinary share - diluted	\$ 0.09	\$ 0.23	\$ 0.01

Restructuring program charges:

	1Q 2021	2021 YTD	1Q 2022
Restructuring program charges	\$ 16	\$ 78	\$ 18
Income tax benefit	4	18	4
Total after income taxes	\$ 12	\$ 60	\$ 14
Per ordinary share - diluted	\$ 0.03	\$ 0.15	\$ 0.03

Intangible asset amortization expense:

	1Q 2021	2021 YTD	1Q 2022
Intangible asset amortization expense	\$ 92	\$ 444	\$ 128
Income tax benefit	22	83	29
Total after income taxes	\$ 70	\$ 361	\$ 99
Per ordinary share - diluted	\$ 0.18	\$ 0.90	\$ 0.25

Reconciliation of operating cash flow to free cash flow

	2022 Guidance (\$ Billions)	
	Low	High
Operating cash flow	\$ 3.0	\$ 3.2
Capital expenditures for property, plant and equipment	(0.65)	(0.65)
Free cash flow	\$ 2.35	\$ 2.55