



# Third Quarter 2023 Earnings Release

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Powering Business Worldwide

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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, full year and fourth quarter 2023 adjusted earnings per share, organic revenue growth and segment operating margins; full year 2023 operating cash flow and free cash flow; assumptions about the impact on the foregoing of currency translation, tax rate, corporate expenses, capital expenditures and share repurchases; and 2024 end markets. 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: potential global pandemics, such as COVID -19, 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 at Eaton or at our customers or suppliers; 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; geo-political tensions, 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 fourth quarter and full year 2023, free cash flow, and free cash flow guidance for full year 2023. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

# Highlights















Q3 adjusted earnings per share of \$2.47, up 22% year-over-year and above high end of guidance, and segment operating margin of 23.6%, up 240bps, are both all-time records.

Raising 2023 adjusted EPS guidance to a range of \$8.95-\$9.05, up 19% at midpoint, with increased margins of 21.8% at midpoint, and higher cash flow.

Strong growth in Electrical sector backlog up 15% with book-to-bill ratio at 1.1 and Aerospace backlog up 22% with book-to-bill ratio at 1.2.

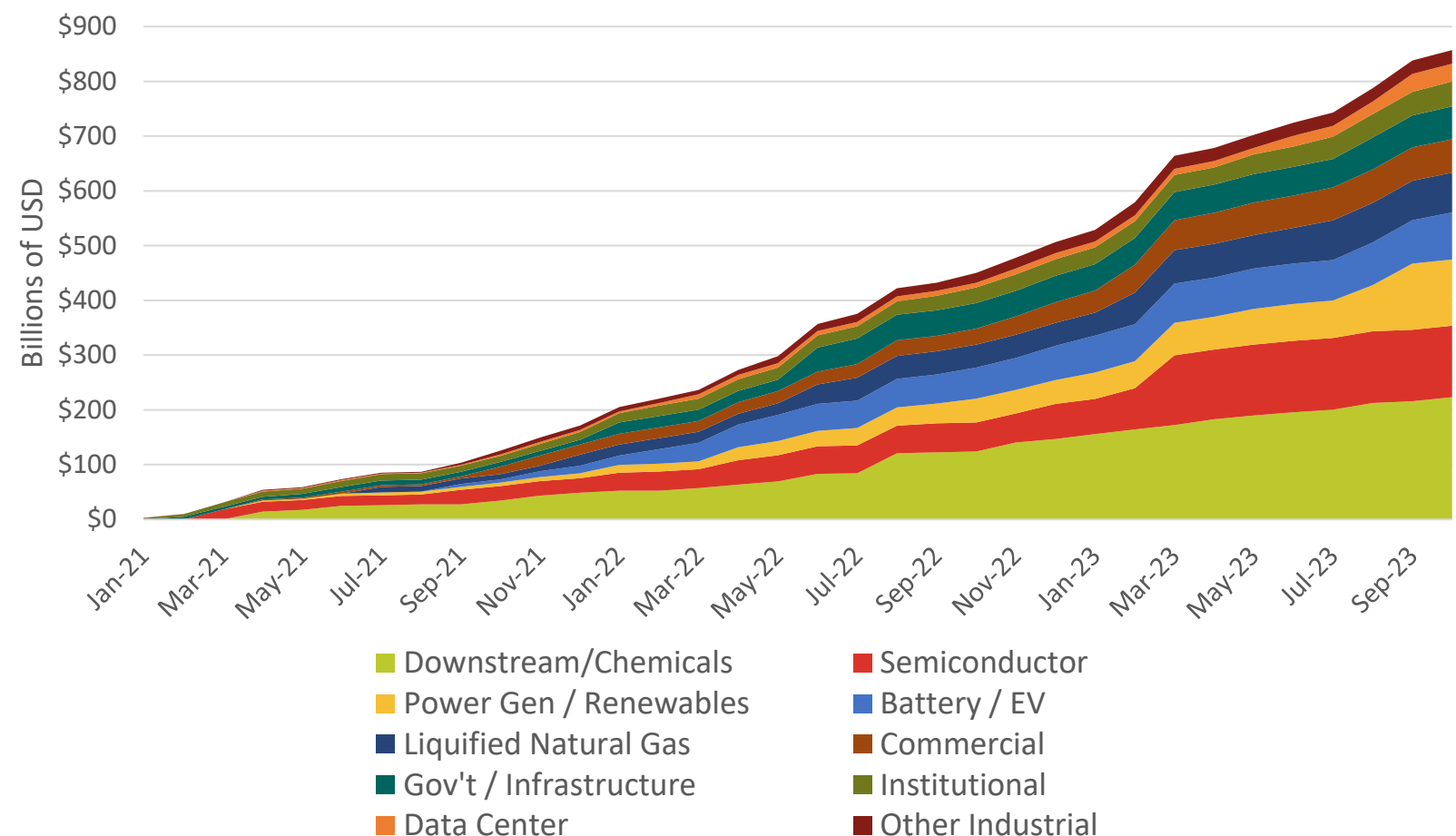
Record Q3 operating cash flow of \$1.1B, up 18%, and free cash flow margin of 16% underscores strong performance.

# Key drivers of Eaton's long term growth outlook

| Megatrends   |                         | Key Markets   |   |   |  |  |  |   |   |
|--|-------------------------|---|---|---|--|--|--|---|---|
|  |                         | <br>Commercial Buildings | <br>Data Center | <br>Industrial | <br>Residential Buildings | <br>Utility | <br>Aerospace | <br>e-Mobility | <br>Legacy Vehicle |
|    | Electrification         | ●   |   | ●   | ●  | ●  | ●  | ●   |   |
|    | Energy Transition       | ●   | ●   | ●   | ●  |  |  |   |   |
|    | Digitalization          | ●   | ●   | ●   | ●  | ●  |  |   |   |
|   | Infrastructure Spending | ●   | ●   | ●   | ●  |  | ●  | ●   |   |
|  | Reindustrialization     |   |   | ●   |  | ●  |  |   | ●   |
|  | Green Regulations       | ●   |   |   | ●  | ●  | ●  | ●   | ●   |

# Reindustrialization – momentum continues with mega project announcements

Cumulative U.S./Canada Mega Project (\$1B+) Announcements



**\$859B**

in cumulative  
mega projects  
since Jan. 2021

**~3X**

normal run  
rate



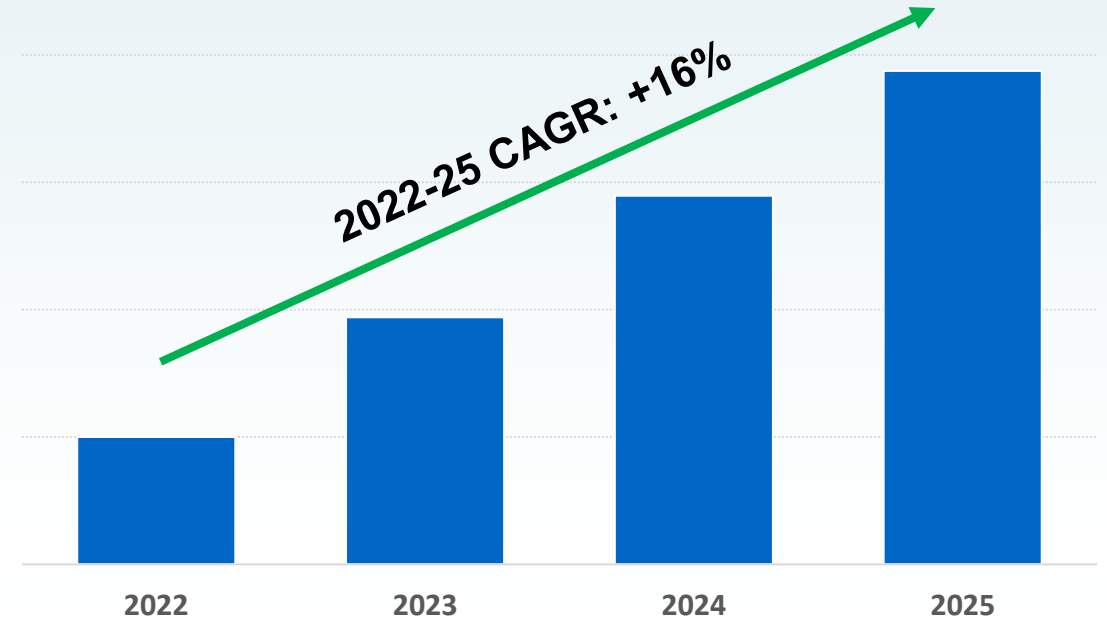
# Data Center market dynamics are continuing to support robust market growth

## Key Drivers:

- Continued **dramatic growth** in the amount of data being generated
- **Increased power density requirements** driven by compute-heavy loads like hyperscale buildouts and Generative AI
  - AI data center power requirements increase ~3x vs. current data centers
- Higher power requirements continue to generate interest in **solutions to manage cost and resilience**
- **Sustainability driven solutions** that allow data centers to provide **services back to the grid**

Data Centers End Market – Indexed Growth

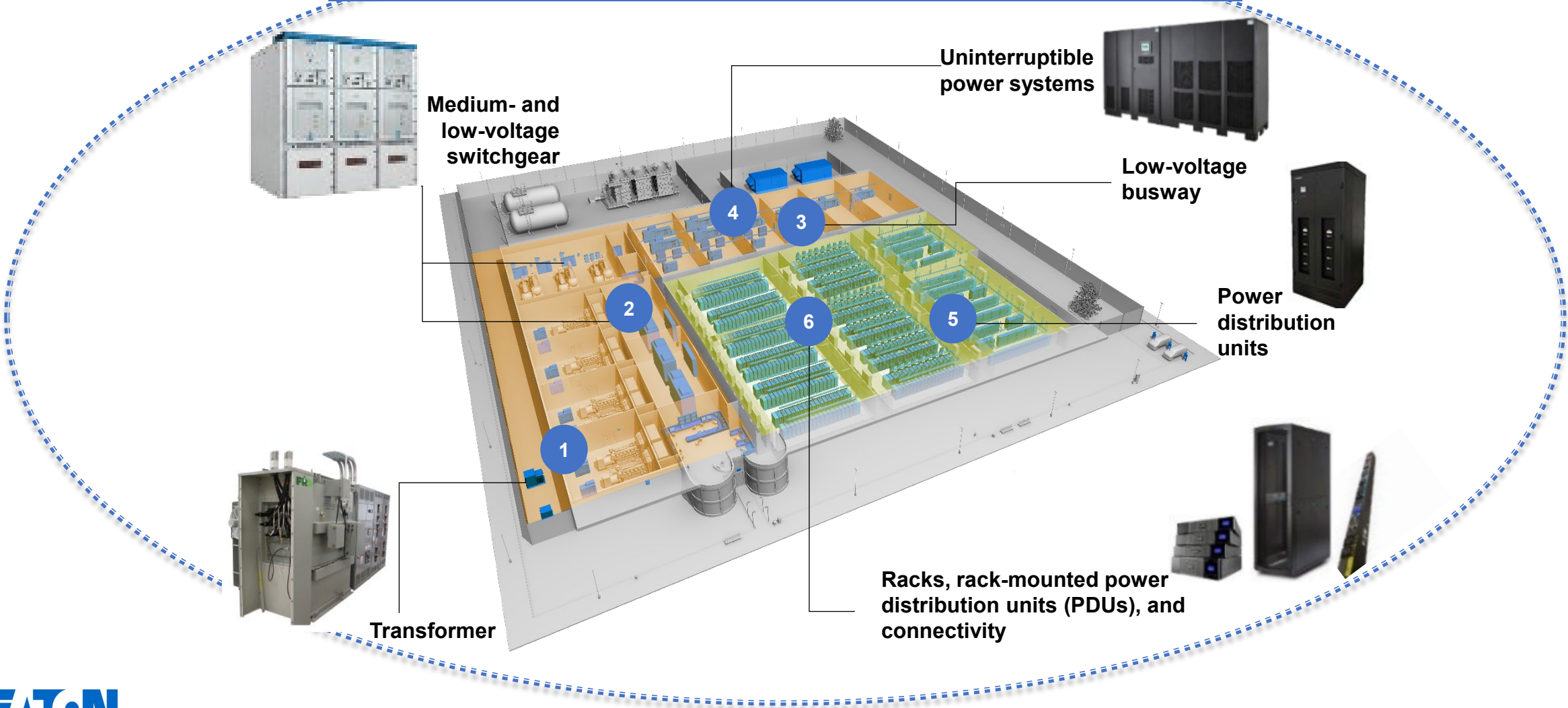
■ Global Product Addressable Market



**ETN well positioned to capture faster growth in data center market**

# Eaton offers broadest portfolio of Data Center power management solutions

**Brightlayer** Data Centers software suite and service solutions



# Eaton is investing more than \$1 billion to support growth

- Supports expansions or improvements in product lines across end markets, including:

**Utility:** three-phase transformers & voltage regulators, line insulation & protection equipment

**Data Center, Commercial & Institutional and Industrial:** low & medium voltage assembly, switchboards and panelboards

**Commercial, Institutional & Residential:** circuit breakers

**eMobility:** inverters and power distribution units



Capacity investments to support structurally higher growth



# Financial Summary

(M)

|                          | 3Q '23  | 3Q '22  | V '22     |
|--------------------------|---------|---------|-----------|
| Sales                    | \$5,880 | \$5,313 | ▲ 11%     |
| Segment Operating Profit | 1,386   | 1,124   | ▲ 23%     |
| Segment Operating Margin | 23.6%   | 21.2%   | ▲ 240 bps |
| Adjusted Earnings        | 994     | 807     | ▲ 23%     |
| Adjusted EPS             | \$2.47  | \$2.02  | ▲ 22%     |

|          |  |
|----------|--|
| \$2.47   | All-Time Record<br>Adjusted earnings per share |
| \$5,880M | All-Time Record<br>Sales                       |
| \$1,386M | All-Time Record<br>Segment operating profit    |
| 23.6%    | All-Time Record<br>Segment operating margin    |

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

# Electrical Americas Segment

(M)

|                  | 3Q '23  | 3Q '22  | V '22     |
|------------------|---------|---------|-----------|
| Sales            | \$2,594 | \$2,179 | ▲ 19%     |
| Operating Profit | 719     | 511     | ▲ 41%     |
| Operating Margin | 27.7%   | 23.5%   | ▲ 420 bps |

- Orders down 3% on a rolling 12-month basis at high levels with strength driven by data center, industrial facilities and institutional markets
- Backlog up 19%
- All-time record sales, operating profit and margin

## Sales Growth:

|              |            |
|--------------|------------|
| Organic      | 19%        |
| Forex        | --         |
| <b>Total</b> | <b>19%</b> |

# Electrical Global Segment

(M)

|                  | 3Q '23  | 3Q '22  | V '22     |
|------------------|---------|---------|-----------|
| Sales            | \$1,503 | \$1,486 | ▲ 1%      |
| Operating Profit | 328     | 305     | ▲ 8%      |
| Operating Margin | 21.8%   | 20.6%   | ▲ 120 bps |

- Orders up 1% on a rolling 12-month basis at high levels with strength driven by data center and utility markets
- Q3 record sales and all-time record operating profit and operating margin

## Sales Growth:

|              |           |
|--------------|-----------|
| Organic      | --        |
| Divestiture  | (1)%      |
| Forex        | 2%        |
| <b>Total</b> | <b>1%</b> |

# Aerospace Segment

(M)

|                  | 3Q '23 | 3Q '22 | V '22    |
|------------------|--------|--------|----------|
| Sales            | \$867  | \$768  | ▲ 13%    |
| Operating Profit | 209    | 185    | ▲ 13%    |
| Operating Margin | 24.1%  | 24.0%  | ▲ 10 bps |

- Orders up 16% on a rolling 12-month basis with particular strength in commercial and defense OEM markets
- Backlog growth of 22%
- All-time record sales and operating profit

|               |            |
|---------------|------------|
| Sales Growth: |            |
| Organic       | 10%        |
| Forex         | 3%         |
| <b>Total</b>  | <b>13%</b> |

# Vehicle Segment

(M)

|                  | 3Q '23 | 3Q '22 | V '22    |
|------------------|--------|--------|----------|
| Sales            | \$753  | \$744  | ▲ 1%     |
| Operating Profit | 131    | 125    | ▲ 5%     |
| Operating Margin | 17.4%  | 16.8%  | ▲ 60 bps |

- Margin expansion of 210bps sequentially, demonstrating operational improvements.
- Continued momentum winning program length extensions and volume increases with multiple OEMs.

## Sales Growth:

|              |           |
|--------------|-----------|
| Organic      | (1)%      |
| Forex        | 2%        |
| <b>Total</b> | <b>1%</b> |



# eMobility Segment

(M)

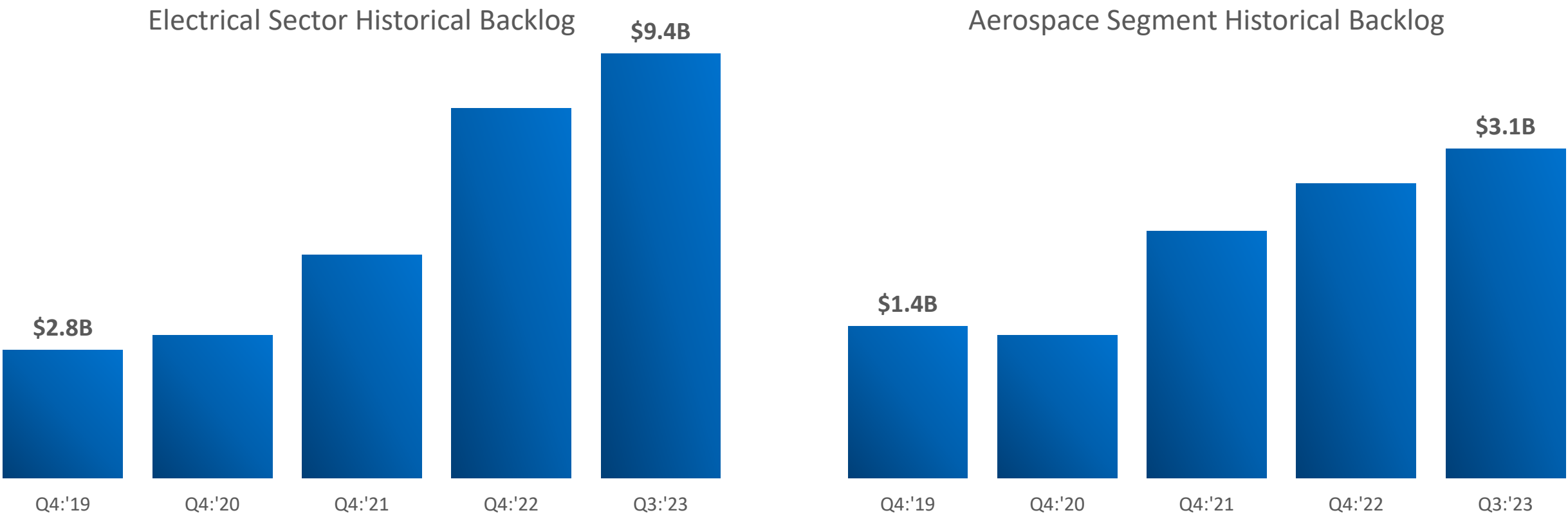
|                         | 3Q '23 | 3Q '22 | V '22     |
|-------------------------|--------|--------|-----------|
| Sales                   | \$163  | \$137  | ▲ 19%     |
| Operating Profit (Loss) | --     | (2)    | ▲ --      |
| Operating Margin        | 0.0%   | (1.5)% | ▲ 150 bps |

- 2023 YTD wins of more than \$1B of mature year revenues.
- Won additional power protection, power distribution and power connections platforms.

## Sales Growth:

|              |            |
|--------------|------------|
| Organic      | 19%        |
| Forex        | --         |
| <b>Total</b> | <b>19%</b> |

# Electrical and Aerospace backlogs remain robust and growing



**Record backlog provides tremendous visibility and confidence in near term outlook**

## 2023 Organic Growth and Operating Margin Guidance

| Segment             | Organic Growth Guidance | Operating Margin Guidance |
|---------------------|-------------------------|---------------------------|
| Electrical Americas | ▲ 16.5 – 18.5%          | ▲ 25.6 – 26.0%            |
| Electrical Global   | ▼ 4 – 6%                | ▼ 19.0 – 19.4%            |
| Aerospace           | 10 – 12%                | 23.7 – 24.1%              |
| Vehicle             | 3 – 5%                  | 16.3 – 16.7%              |
| eMobility           | ▼ 20 – 30%              | 0% – 2%                   |
| Eaton               | ▲ 11 – 12%              | ▲ 21.6 – 22.0%            |

# 2023 Guidance

|                             | 4 <sup>th</sup> Quarter Outlook | 2023 FY Outlook   |                  |
|-----------------------------|---------------------------------|-------------------|------------------|
|                             |                                 | Prior Guidance    | Updated Guidance |
| Adjusted Earnings Per Share | \$2.39 – \$2.49                 | \$8.65 – \$8.85 → | \$8.95 – \$9.05  |
| Organic Revenue             | 8 – 10%                         | 10 – 12% →        | 11 – 12%         |
| Segment Operating Margins   | 22.3% – 22.7%                   | 21.1% – 21.5% →   | 21.6% – 22.0%    |
| Operating Cash Flow         | N/A                             | \$3.2B – \$3.6B → | \$3.3B – \$3.7B  |
| Free Cash Flow              | N/A                             | \$2.6B – \$3.0B → | \$2.7B – \$3.1B  |

# 2023 Guidance Progression

|                           | February        |   | May             |   | August          |   | October                |
|---------------------------|-----------------|---|-----------------|---|-----------------|---|------------------------|
| Adjusted EPS              | \$8.04 – \$8.44 | ➡ | \$8.30 – \$8.50 | ➡ | \$8.65 – \$8.85 | ➡ | <b>\$8.95 – \$9.05</b> |
| Organic Revenue           | 7 – 9%          | ➡ | 9 – 11%         | ➡ | 10 – 12%        | ➡ | <b>11 – 12%</b>        |
| Segment Operating Margins | 20.7% – 21.1%   | ➡ | 20.7% – 21.1%   | ➡ | 21.1% – 21.5%   | ➡ | <b>21.6% – 22.0%</b>   |
| Operating Cash Flow       | \$3.2B – \$3.6B | ➡ | \$3.2B – \$3.6B | ➡ | \$3.2B – \$3.6B | ➡ | <b>\$3.3B – \$3.7B</b> |







**Strong track record of delivering on commitments and raising guidance expectations**



# Eaton’s end market growth assumptions – 2024 Initial Assumptions

## Electrical Sector






% of Total Eaton Sales  
2022 FY

|   |                               |     |
|---|-------------------------------|-----|
|    | Data Centers & Distributed IT | 14% |
|    | Utility                       | 10% |
|    | Industrial Facilities         | 12% |
|    | Commercial & Institutional    | 19% |
|   | Machinery / MOEM              | 6%  |
|  | Residential                   | 8%  |

Electrical Total: ~70%

## Industrial Sector

% of Total Eaton Sales  
2022 FY

|  |                      |    |
|--|----------------------|----|
|   | Commercial Aerospace | 9% |
|   | Electric Vehicles    | 3% |
|   | Defense Aerospace    | 6% |
|   | ICE Light Vehicles   | 6% |
|  | Commercial Vehicles  | 8% |

Industrial Total: ~30%

 Declining  Slight Decline  Flat  Modest Growth  Solid Growth  Strong/Double Digit Growth

## Summary

Large project announcements tied to megatrends, reindustrialization and infrastructure spending continued in Q3 and Eaton remains well positioned to win.

Third quarter record financial performance demonstrates strong ongoing operating execution to deliver profitable growth.

Record backlogs and orders at high levels underpin near term growth expectations with continued benefits from secular growth tailwinds.

Well positioned to deliver on 2023 results with increased guidance, after posting Q3 earnings well above high end of our commitments for the quarter.

Strong set-up for 2024 and on-track to well exceed our 2025 targets for organic revenue growth, margin improvement and adjusted EPS growth.



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# Appendix

## 2023 Guidance – Additional Modeling Assumptions

|                               | 4 <sup>th</sup> Quarter Outlook | 2023 FY Outlook |
|-------------------------------|---------------------------------|-----------------|
| Currency Translation          | ~\$0M                           | ~\$0M           |
| Corporate Expenses            | \$25M to \$35M above 4Q22       | \$710M          |
| Tax Rate on Adjusted Earnings | 13% – 14%                       | 16% – 17%       |
| Capex                         | N/A                             | ~ \$700M        |
| Share Repurchases             | \$300M – \$600M                 | \$300M – \$600M |



# Eaton Corporation plc

## Reconciliation of Non-GAAP Financial Information

All amounts are in millions except per share amounts, unless otherwise noted. Columns may not add due to rounding.

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

|  | 3Q 2022 | 4Q 2022 | YTD 9/30/22 | 2022     | 3Q 2023 | YTD 9/30/23 | Q4 2023 Guidance |         | 2023 Guidance |         |
|--|---------|---------|-------------|----------|---------|-------------|------------------|---------|---------------|---------|
|  |         |         |             |          |         |             | Low              | High    | Low           | High    |
| Net income attributable to Eaton ordinary shareholders                     | \$ 607  | \$ 721  | \$ 1,741    | \$ 2,462 | \$ 891  | \$ 2,273    |                  |         |               |         |
| Acquisition and divestiture charges, after-tax                             | 86      | 14      | 133         | 147      | 14      | 54          |                  |         |               |         |
| Restructuring program charges (income), after-tax                          | 18      | (10)    | 39          | 29       | 5       | 37          |                  |         |               |         |
| Intangible asset amortization expense, after-tax                           | 97      | 99      | 295         | 394      | 84      | 269         |                  |         |               |         |
| Adjusted earnings  | \$ 807  | \$ 825  | \$ 2,207    | \$ 3,032 | \$ 994  | \$ 2,633    |                  |         |               |         |
| Net income attributable to Eaton ordinary shareholders per share - diluted | \$ 1.52 | \$ 1.80 | \$ 4.34     | \$ 6.14  | \$ 2.22 | \$ 5.67     | \$ 2.11          | \$ 2.21 | \$ 7.79       | \$ 7.89 |
| Per share impact of acquisition and divestiture charges, after-tax         | 0.21    | 0.04    | 0.33        | 0.37     | 0.03    | 0.14        | 0.05             | 0.05    | 0.18          | 0.18    |
| Per share impact of restructuring program charges (income), after-tax      | 0.04    | (0.02)  | 0.10        | 0.07     | 0.01    | 0.09        | 0.02             | 0.02    | 0.11          | 0.11    |
| Per share impact of intangible asset amortization expense, after-tax       | 0.25    | 0.24    | 0.74        | 0.99     | 0.21    | 0.67        | 0.21             | 0.21    | 0.87          | 0.87    |
| Adjusted earnings per ordinary share                                       | \$ 2.02 | \$ 2.06 | \$ 5.51     | \$ 7.57  | \$ 2.47 | \$ 6.57     | \$ 2.39          | \$ 2.49 | \$ 8.95       | \$ 9.05 |

### Acquisition and divestiture charges:

|  | 3Q 2022 | 4Q 2022 | YTD 9/30/22 | 2022    | 3Q 2023 | YTD 9/30/23 |
|--|---------|---------|-------------|---------|---------|-------------|
| Acquisition integration, divestiture charges and transaction costs | \$ 103  | \$ 12   | \$ 182      | \$ 194  | \$ 18   | \$ 69       |
| Gain on sale of the Hydraulics business                            | -       | -       | (24)        | (24)    | -       | -           |
| Total charges before income taxes                                  | 103     | 12      | 158         | 170     | 18      | 69          |
| Income tax benefit   | 17      | 2       | 25          | 23      | 4       | 14          |
| Total charges after income taxes                                   | \$ 86   | \$ 14   | \$ 133      | \$ 147  | \$ 14   | \$ 54       |
| Per ordinary share - diluted                                       | \$ 0.21 | \$ 0.04 | \$ 0.33     | \$ 0.37 | \$ 0.03 | \$ 0.14     |

### Restructuring program charges (income):

|   | 3Q 2022 | 4Q 2022   | YTD 9/30/22 | 2022    | 3Q 2023 | YTD 9/30/23 |
|---|---------|-----------|-------------|---------|---------|-------------|
| Restructuring program charges (income)    | \$ 22   | \$ (16)   | \$ 49       | \$ 33   | \$ 7    | \$ 46       |
| Income tax expense (benefit)              | (4)     | 6         | (10)        | (4)     | (1)     | (9)         |
| Total charges (income) after income taxes | \$ 18   | \$ (10)   | \$ 39       | \$ 29   | \$ 5    | \$ 37       |
| Per ordinary share - diluted              | \$ 0.04 | \$ (0.02) | \$ 0.10     | \$ 0.07 | \$ 0.01 | \$ 0.09     |

### Intangible asset amortization expense:

|                                       | 3Q 2022 | 4Q 2022 | YTD 9/30/22 | 2022    | 3Q 2023 | YTD 9/30/23 |
|---------------------------------------|---------|---------|-------------|---------|---------|-------------|
| Intangible asset amortization expense | \$ 124  | \$ 124  | \$ 375      | \$ 499  | \$ 107  | \$ 344      |
| Income tax benefit                    | 27      | 25      | 80          | 105     | 23      | 74          |
| Total after income taxes              | \$ 97   | \$ 99   | \$ 295      | \$ 394  | \$ 84   | \$ 269      |
| Per ordinary share - diluted          | \$ 0.25 | \$ 0.24 | \$ 0.74     | \$ 0.99 | \$ 0.21 | \$ 0.67     |

### Reconciliation of operating cash flow to free cash flow

|  | YTD 9/30/22 | 3Q 2023  | YTD 9/30/23 | 2023 Guidance (\$ Billions) |        |
|--|-------------|----------|-------------|-----------------------------|--------|
|  |             |          |             | Low                         | High   |
| Operating cash flow                                    | \$ 1,347    | \$ 1,140 | \$ 2,326    | \$ 3.4                      | \$ 3.8 |
| Capital expenditures for property, plant and equipment | (389)       | (227)    | (514)       | (0.7)                       | (0.7)  |
| Free cash flow   | \$ 958      | \$ 913   | \$ 1,812    | \$ 2.7                      | \$ 3.1 |