

# Second Quarter 2024 Earnings Release

Craig Arnold & Olivier Leonetti | August 1, 2024

# 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 third quarter 2024 adjusted earnings per share, organic revenue growth and segment operating margins; full year 2024 operating cash flow, free cash flow, and anticipated share repurchases; assumptions about the impact on the foregoing of currency translation, tax rate, corporate expenses and capital expenditures; and end markets 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: 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 third quarter and full year 2024, free cash flow, and free cash flow guidance for full year 2024. These non-GAAP measures are reconciled to their nearest GAAP equivalent in the Appendix to this presentation.

# Highlights

Record adjusted earnings per share of \$2.73, up 24% versus 2Q23.















Record segment margins of 23.7%, up 210 bps versus 2Q23.

Order growth of 9% in Electrical and 4% in Aerospace on a rolling 12-month basis.







Electrical and Aerospace backlog up 27% and 14% in 2Q24 with book-to-bill ratio at 1.1 and 1.1, respectively.

Raising 2024 Eaton guidance for organic growth, segment margins, adjusted EPS and cash flow.

# Key drivers of Eaton's long term growth outlook

Megatrends		Key Markets							
		 Commercial & Institutional	 Data Center	 Industrial	 Residential Buildings	 Utility	 Aerospace	 e-Mobility	 Legacy Vehicle
 Electrification									
 Energy Transition									
 Digitalization									
 Infrastructure Spending									
 Reindustrialization									
 Green Regulations									

Electrification, energy transition, and reindustrialization are driving growth across ~75% of our end markets

Key Markets						
						
Commercial & Institutional	Data Center	Industrial	Utility	Aerospace	e-Mobility	
% of 2023 Eaton Sales	20%	14%	12%	11%	15%	3%
Growth	Previously reported end market CAGRs					
	9%	25%	7%	11%	12%	24%



# Leading to a dramatic change in the number of mega project announcements

A photograph of an industrial facility, possibly a refinery or chemical plant, at night. The scene is illuminated by blue and white lights, showing complex piping, scaffolding, and storage tanks. The overall tone is industrial and high-tech.

**\$1.4T**

**in cumulative  
North America  
mega projects  
since Jan. 2021**

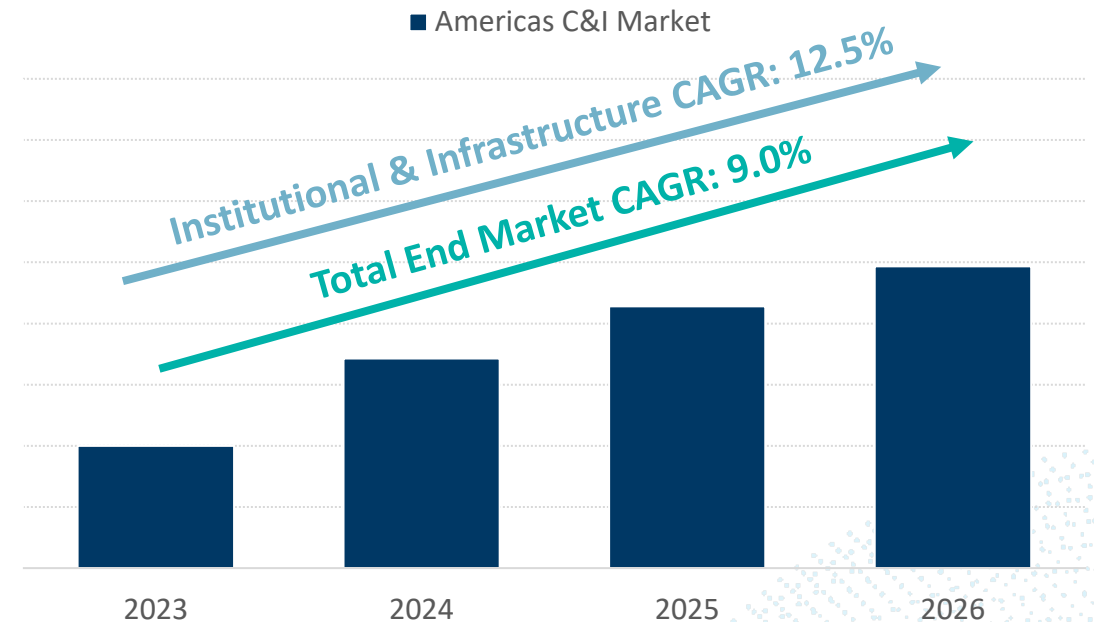
- 2Q'24 totals exceed \$118B on 36 projects
- Backlog has grown by ~\$800B
- Mega projects represented 15% of total nonresidential construction starts in 2023
- Only 15% of these projects have started construction – multi-year runway
- Data Center and Power Generation represent ~40% of announcements in the last twelve months
- Win rate of approximately 40%

# Commercial & Institutional end markets are also seeing significant growth

## Key Drivers:

- Increased electrification with smart/connected assets & hardware and digitized services
- Zero-carbon mandates, CO2 reduction targets, sustainability compliance and certification
- Emergence of distributed energy resources (DER) requires load management solutions
- Direct funds, grants, and rebates

## Commercial & Institutional (C&I) End Market Indexed Growth

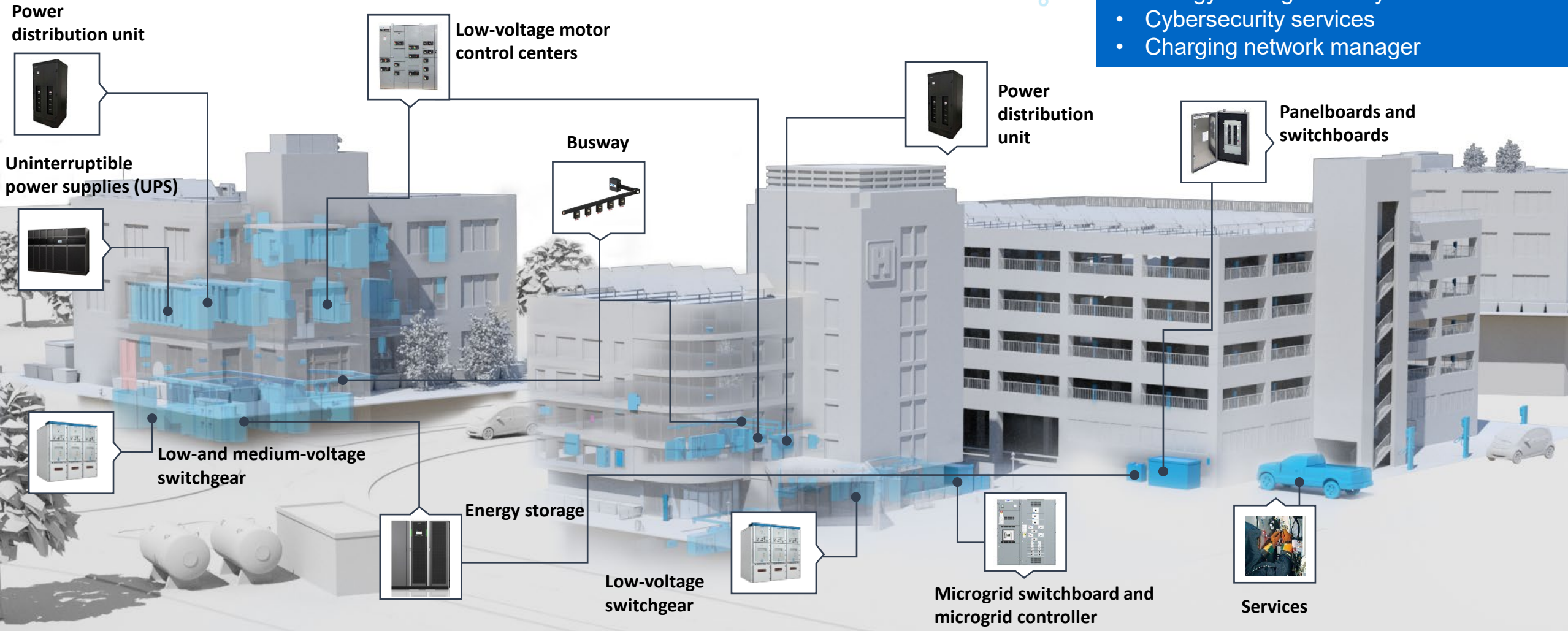


In the first half of 2024, Commercial & Institutional negotiations pipeline up 34% YoY

# Eaton offers the broadest portfolio of solutions for Commercial & Institutional buildings

## Brightlayer Buildings suite software

- Energy management system
- Cybersecurity services
- Charging network manager





# We're investing in incremental capacity investments to support structurally higher growth

## Product lines across key end markets



Commercial & Institutional



Data Center



Industrial



Utility

**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:** circuit breakers

# \$1B+

Global incremental investment announced

# 2M+

Additional Square footage

# 25+

Operational sites impacted

# We made a strategic investment in NordicEPOD AS, expanding reach into the European data center market



Completed strategic investment in NordicEPOD, a Norwegian company that designs and assembles standardized power modules for data centers

- Co-invested with CTS Nordics, a high-growth company with strong reputation in Nordics data center market
- Focused on reducing complexity, costs and lead times for large modular data centers
- Power modules are increasingly the preferred approach for many data center customers in Europe
- Eaton will supply the majority of critical power products and services

# Financial Summary

(M)	2Q '24	2Q '23	V '23
Sales	\$6,350	\$5,866	↑ 8%
Segment Operating Profit	1,502	1,264	↑ 19%
Segment Operating Margin	23.7%	21.6%	↑ 210 bps
Adjusted Earnings	1,096	886	↑ 24%
Adjusted EPS	\$2.73	\$2.21	↑ 24%

**\$6,350M**

Record  
Quarterly Sales

**\$1,502M**

Record Quarterly  
Segment operating profit

**23.7%**

Record Quarterly  
Segment operating margin

## Sales Growth:

Organic	9%
Acquisition	--
Forex	(1)
Total	8%



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# Electrical Americas Segment

(M)	2Q '24	2Q '23	V '23
Sales	\$2,877	\$2,538	13%
Operating Profit	859	669	28%
Operating Margin	29.9%	26.4%	350 bps

- Record sales, operating profit and margin.
- Orders up 11% on a rolling 12-month basis.
- Backlog up 29% year-over-year.
- Book-to-bill ratio of 1.2 on rolling 12-month basis.

## Sales Growth:

Organic	13%
Acquisition	--
Forex	--
Total	13%



# Electrical Global Segment




(M)	2Q '24	2Q '23	V '23
Sales	\$1,606	\$1,569	2%
Operating Profit	305	290	5%
Operating Margin	19.0%	18.5%	50 bps

- Orders **up 7%** on a rolling 12-month basis.
- Backlog up **16%** year-over-year.
- Book-to-bill ratio of **1.1** on a rolling 12-month basis.

## Sales Growth:

Organic	3.5%
Forex	~(1.5)%
Total	2%

# Aerospace Segment

(M)	2Q '24	2Q '23	V '23
Sales	\$955	\$848	 13%
Operating Profit	206	191	 8%
Operating Margin	21.5%	22.5%	 100 bps

- Record sales, Q2 record operating profit.
- Backlog up 14% year-over-year.
- Book-to-bill ratio of 1.1 on a rolling 12-month basis.
- \$2B+ Life of Program wins in the quarter.

## Sales Growth:

Organic	13%
Forex	--
Total	13%

# Vehicle Segment




(M)	2Q '24	2Q '23	V '23
Sales	\$723	\$751	▼ (4)%
Operating Profit	130	115	▲ 13%
Operating Margin	18.0%	15.3%	▲ 270 bps

○ Strong **operational performance** producing higher profit on lower sales year-over-year.

**Sales Growth:**

Organic	(3)%
Forex	(1)%
Total	(4)%

# eMobility Segment

(M)	2Q '24	2Q '23	V '23
Sales	\$189	\$161	 18%
Operating Profit / (Loss)	2	(1)	 --
Operating Margin	1.3%	(0.5)%	 180 bps



New program launches & ramp-ups driving **significant outgrowth** versus the market.

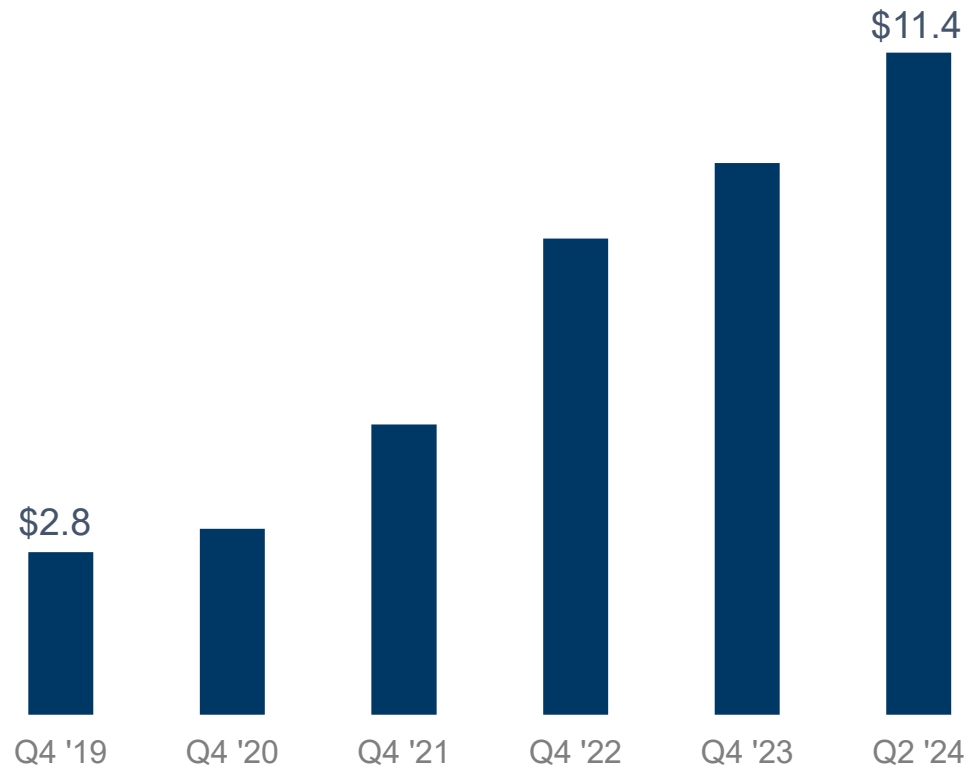
### Sales Growth:

Organic	18%
Forex	--
Total	18%

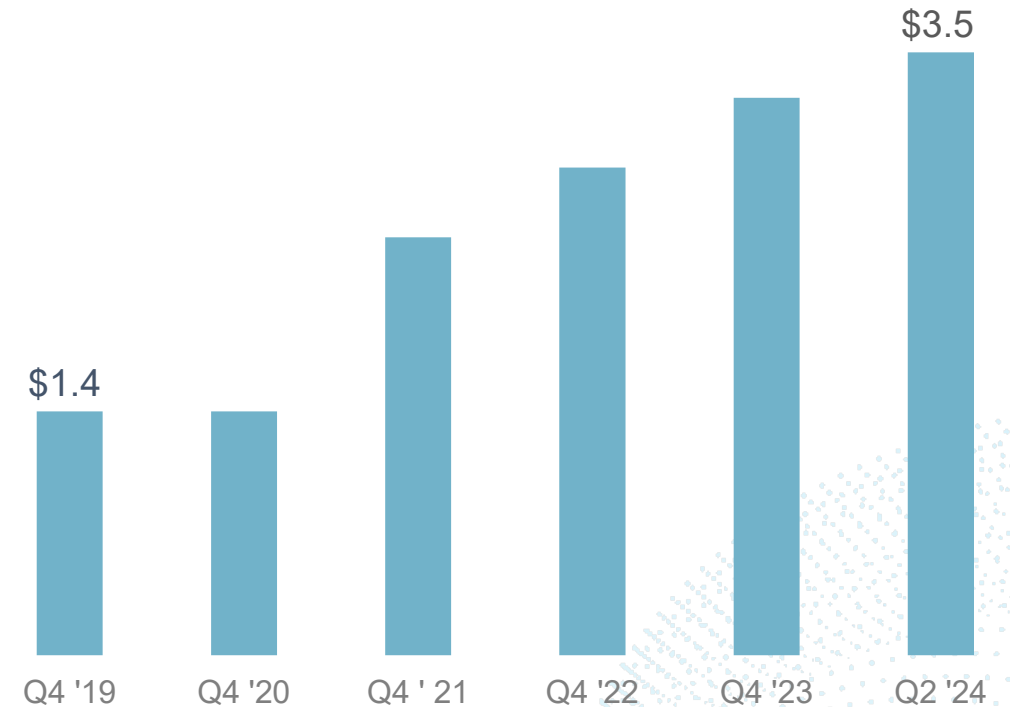


# Electrical and Aerospace backlogs remain robust and growing

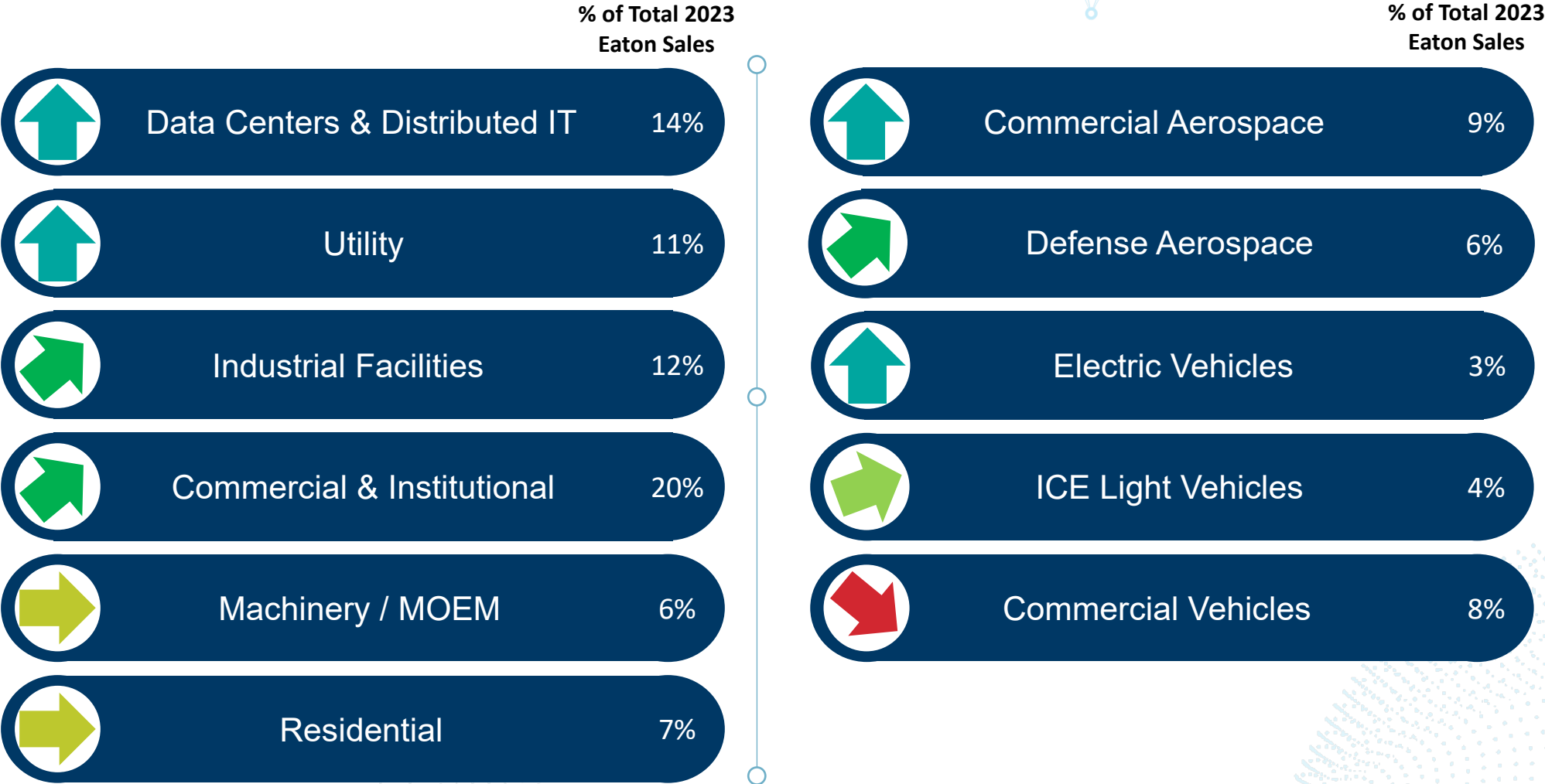
Electrical Sector Historical Backlog  
(\$ blns)



Aerospace Segment Historical Backlog  
(\$ blns)



# Eaton's 2024 end market growth assumptions



# 2024 Organic Growth and Operating Margin Guidance

Segment	Organic Growth Guidance	Operating Margin Guidance
Electrical Americas	▲ 11.5 – 13.5%	▲ 28.7 – 29.1%
Electrical Global	2.5 – 4.5%	19.4 – 19.8%
Aerospace	▲ 10 – 12%	23.3 – 23.7%
Vehicle	(4) – 0%	16.3 – 16.7%
eMobility	▼ 17 – 23%	1 – 2%
<b>Eaton</b>	▲ 8 – 9%	▲ 23.3 – 23.7%

# 2024 Guidance

## 3<sup>rd</sup> Quarter Outlook

## 2024 FY Outlook

### Updated Guidance

Adjusted Earnings Per Share	\$2.73 – \$2.83	▲	\$10.65 – \$10.75
Organic Revenue	8 – 9%	▲	8 – 9%
Segment Operating Margins	23.5 – 23.9%	▲	23.3 – 23.7%
Operating Cash Flow	N/A	▲	\$4.2B – \$4.4B
Free Cash Flow	N/A	▲	\$3.4B – \$3.6B
Share Repurchases	N/A		\$1.5B to \$2.5B



# Summary

Robust project activity tied to megatrends continues

- Reindustrialization, data centers markets and infrastructure spending were strong contributors

We delivered a strong second quarter of financial results

- Record sales, segment operating margin, adjusted earnings and adjusted EPS

Continued strength in orders and record backlog

- Underpins growth expectations for the balance of this year and continued benefits from secular growth

Raising 2024 guidance for organic growth, segment margins, adjusted EPS and cash flow

- Expect strong momentum from the first half to carry forward



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# Appendix

# 2024 Guidance – Additional Modeling Assumptions

## 3<sup>rd</sup> Quarter Outlook

## 2024 FY Outlook

Currency Translation	~flat	(~\$50)
Corporate Expenses	~flat with 3Q23	\$700M
Tax Rate on Adjusted Earnings	16.5 – 17.5%	17 – 18%
Capex	N/A	\$800M

## 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

	2Q 2023	2023	2Q 2024	Q3 2024 Guidance		2024 Guidance	
				Low	High	Low	High
Net income attributable to Eaton ordinary shareholders	\$ 744	\$ 3,218	\$ 993				
Acquisition and divestiture charges, after-tax	30	39	8				
Restructuring program charges, after-tax	24	46	12				
Intangible asset amortization expense, after-tax	88	353	83				
Adjusted earnings	\$ 886	\$ 3,657	\$ 1,096				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 1.86	\$ 8.02	\$ 2.48	\$ 2.42	\$ 2.52	\$ 9.38	\$ 9.48
Per share impact of acquisition and divestiture charges, after-tax	0.08	0.10	0.02	0.03	0.03	0.10	0.10
Per share impact of restructuring program charges, after-tax	0.06	0.11	0.03	0.07	0.07	0.33	0.33
Per share impact of intangible asset amortization expense, after-tax	0.21	0.89	0.20	0.21	0.21	0.84	0.84
Adjusted earnings per ordinary share	\$ 2.21	\$ 9.12	\$ 2.73	\$ 2.73	\$ 2.83	\$ 10.65	\$ 10.75

#### Acquisition and divestiture charges:

Acquisition integration, divestiture charges and transaction costs	2Q 2023	2023	2Q 2024
Income tax benefit	\$ 38	\$ 54	\$ 10
Total charges after income taxes	7	15	3
Per ordinary share - diluted	\$ 30	\$ 39	\$ 8
	\$ 0.08	\$ 0.10	\$ 0.02

#### Restructuring program charges:

Restructuring program charges	2Q 2023	2023	2Q 2024
Income tax benefit	\$ 29	\$ 57	\$ 15
Total charges after income taxes	6	11	3
Per ordinary share - diluted	\$ 24	\$ 46	\$ 12
	\$ 0.06	\$ 0.11	\$ 0.03

#### Intangible asset amortization expense:

Intangible asset amortization expense	2Q 2023	2023	2Q 2024
Income tax benefit	\$ 113	\$ 450	\$ 106
Total after income taxes	24	98	23
Per ordinary share - diluted	\$ 88	\$ 353	\$ 83
	\$ 0.21	\$ 0.89	\$ 0.20

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

	2Q 2023	2Q 2024	2024 Guidance (\$ Billions)	
			Low	High
Operating cash flow	\$ 851	\$ 946	\$ 4.2	\$ 4.4
Capital expenditures for property, plant and equipment	(160)	(187)	(0.8)	(0.8)
Free cash flow	\$ 691	\$ 759	\$ 3.4	\$ 3.6



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